

**Date and Time:** Tuesday 1 October 2024 00:03:00 CEST

**Job Number:** 234829570

**Documents (12)**

1. [*Development Under the Threat of War in the Arab World*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-6231-F0YC-N04H-00000-00&idtype=PID&context=1516831)

**Client/Matter:** -None-

**Search Terms:** strategic and interventions or strategic and programs or strategic and plan or strategic and producer or interventions and programs or interventions and plan or interventions and producer or programs and plan or programs and producer or plan and producer

**Search Type:** Terms and Connectors

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| News | Timeline: 01 jun 2017 tot 01 jun 2018; Locatie: International; Plaats van publicatie: Europe; Taal: English |

2. [*Register of Commission documents: Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Report on the Implementation of the Trade Policy Strategy Trade for All Delivering a Progressive Trade Policy to Harness Globalisation Document date: 2017-09-13 COM\_COM(2017)0491 COM documents*](https://advance.lexis.com/api/document?id=urn:contentItem:5PX4-DD71-JDG9-Y3BP-00000-00&idtype=PID&context=1516831)

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3. [*BRIEF NEWS BULLETIN NO. 10355*](https://advance.lexis.com/api/document?id=urn:contentItem:5RSD-SBX1-F12K-R54X-00000-00&idtype=PID&context=1516831)

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4. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5PYM-DG71-DYY4-300H-00000-00&idtype=PID&context=1516831)

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5. [*Register of Commission documents:Statute for Social and Solidarity-based Enterprises Document date: 2017-12-06 EPRS\_STU(2017)611030 Study*](https://advance.lexis.com/api/document?id=urn:contentItem:5R8Y-T851-JDG9-Y4X3-00000-00&idtype=PID&context=1516831)

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6. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5RF2-J8R1-DYY4-313D-00000-00&idtype=PID&context=1516831)

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7. [*European Union (Withdrawal) Bill*](https://advance.lexis.com/api/document?id=urn:contentItem:5RJD-DBS1-JDG9-Y18W-00000-00&idtype=PID&context=1516831)

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8. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5S3H-K491-JCF2-H545-00000-00&idtype=PID&context=1516831)

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9. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5S9G-S891-JCF2-H36M-00000-00&idtype=PID&context=1516831)

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10. [*No Headline In Original*](https://advance.lexis.com/api/document?id=urn:contentItem:5SG0-5461-JCF2-H1T2-00000-00&idtype=PID&context=1516831)

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11. [*COMMISSION DELEGATED REGULATION (EU) 2018/179 of 25 September 2017 amending Regulation (EU) No 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits*](https://advance.lexis.com/api/document?id=urn:contentItem:5RP3-61X1-F0YC-N1TX-00000-00&idtype=PID&context=1516831)

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12. [*Invesco Perpetual Select Trust Plc - Annual Financial Report*](https://advance.lexis.com/api/document?id=urn:contentItem:5P54-SB11-DXP3-R0S7-00000-00&idtype=PID&context=1516831)

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# [***BRIEF NEWS BULLETIN NO. 10355***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RSD-SBX1-F12K-R54X-00000-00&context=1516831)

HINA Digest

2 March 2018

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**Length:** 7608 words

**Body**

Zagreb, 02 March 2018 (Hina) - Croatia and Iran want to boost economic cooperationZAGREB, March 1 (Hina) - President Kolinda Grabar-Kitarovic on Thursday received Iran's Foreign MinisterMohammad Javad Zarif,who is at the helm of a trade delegation visiting Croatia, and the two officials talked about strengthening bilateral economic relations, the President's Office said in a press release.The visiting Iranian delegation and Croatian entrepreneurs are to attend a businessforum to be organised by the Croatian Chamber of Commerce in Zagreb.During their talks, the Croatian president and the Iranian FM spoke about several Croatian companies that already have experience in doing business in Iran as well as other companies interested in appearing on the Iranian market.Furthermore,Iran is particularly interested in the delivery of oil and gas supplies as well as in investingin Croatia.In order to boost bilateral economic cooperation, it is necessary to resolve the issue of setting up a system of funds transfers and that is being actively worked on both in Croatia and Iran.Today'stalks also focused on Southeast Europe, particularly Bosnia and Herzegovina, and on relations between Iran and the European Union, key issues of global significance with emphasis on Yemen, Syria and Afghanistan and on migrations.Minister Zarif underscored that President Grabar-Kitarovic's visit to Iran in May 2016 paved the way for opening a new chapter in bilateral relations.In 2016, Grabar-Kitarovic headed a large trade delegation including three ministers and about seventy Croatian entrepreneurs.Two cooperation agreements were signed during thatvisit and an Iranian-Croatian economic forum was held during which Croatian companies established contacts with Iranian partners.Croatian PM, parliamentspeaker meet Iranian FMZAGREB, March 1 (Hina) - Croatian Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic on Thursday met with Iran's Foreign Minister Mohammad Javad Zarif to talk about traditionally good relations between the two countries and the importance of strengthening economic cooperation.Iran's minister is on an official visit to Croatia.Plenkovic and Zarif underlined traditionally good relations and the need to advance economic cooperation between the two countries, a government press release said.With that aim in mind an economic forum was held and opened by Deputy Prime Minister and Minister of Economy, Martina Dalic.Plenkovic and Zarif advocated defusing tensions in the Middle East and the talks touched on the situation in Southeast Europe.Jandrokovic too received Minister Zarif and the two officials expressed their satisfaction with the relations between the two countries and the fact that they have intensified over the past two years, a press release from the parliament said.Jandrokovic underscored the importance of strengthening economic cooperation between the two countries, particularly in the field of energy, shipbuilding and the food industry, considering that numerous Croatian companies have registered their products according to Halal standards.

In that regard, the two officials welcomed today's third Croatian-Iranian economic forum.Both officials underlined the importance of parliamentary cooperation, seeing that parliament has an essential role in developing and strengthening bilateral relations and mutual trust and dialogue. The good dynamics ofparliamentary cooperation was confirmed with the announcement of a Croatian-Iranian inter-parliamentary friendship group visiting Iran soon.Financial flows, visa regime and flight services cited as key to boosting cooperation between Croatia and IranZAGREB, March 1 (Hina) - Financial flows, the visa regime and flight services are key to strengthening economic ties between Croatia and Iran, a Croatian-Iranian business forum was told in Zagreb on Thursday."Bilateral relations between Croatia and Iran are friendly and our common goal is to strengthen our economic relations, use the potential through specific economic agreements and projects," Economy Minister Martina Dalic said at the forum, according to a statement issued by the Croatian Chamber of Commerce (HGK).She said that Croatian companies saw a considerable chance in Iran's ***plans*** to rebuild its energy, transport and maritime infrastructure, and potential areas of cooperation also included the food industry, notably for Croatian companies with halal certification, the reconstruction of rail infrastructure, shipbuilding, tourism, the pharmaceutical industry and other sectors."The Croatian government is working on improving the business environment in Croatia by launching tax reforms and reducing administrative and other barriers to doing business," Dalic said.Iranian Foreign MinisterMohammad Javad Zarif said that the third meeting of Iranian and Croatian business people showed the importance of the political initiative from 2016 when the Croatian president visited Iran, adding that that initiative was now ***producing*** results.He recalled a long tradition of business cooperation between Croatian and Iranian companies, which had reached a billion dollars in the past.The private sector has recognised the potential for cooperation in the shipbuilding sector, the oil industry and energy, electricity production, and also possible are joint investments and joint ventures on third markets, Zarif said.Zarif said that the potential for cooperation also lay in tourism and the construction of tourism infrastructure in Iran, in transport and cooperation in business projects in Afghanistan and Iraq.HGK president Luka Burilovic said that this year was a turning point in relations between Croatia and Iran, noting that today's forum would lay the foundation for new business initiatives.Burilovic said that INA was currently in negotiations to buy an oil tanker from Iran, adding that Croatian companies currently had significant business projects and were competing for contracts in Iran's energy and metal industries. He emphasised the importance of establishing payment operations for economic cooperation.The head of the Iranian Chamber of Commerce, Industries, Mines and ***Agriculture***,Masoud Khansari, said that relations between Croatia and Iran had always been good and now the time had come to take new steps to boost trade. He stressed the need to launch direct flight services between Iran and Croatia, ease the visa regime and establish payment operations.In the first nine months of 2017, trade between Croatia and Iran was US$ 5.4 million.More than 70 representatives of Croatian and Iranian companies and institutions from the ***agriculture*** sector, food industry, construction, petrochemical industry, medicine, health tourism, medical equipment, trade, IT industry, metal processing industry and mining held talks as part of the forum.Iran and Croatia agreed on need to combat extremism and terrorismZAGREB, March 1 (Hina) - Iranian Foreign MinisterMohammad Javad Zarif and his Croatian counterpart Marija Pejcinovic Buric met in Zagreb on Thursday, discussing the fight against extremism and terrorism as well as economic cooperation."We have touched upon a common challenge we are facing, and that is extremism and terrorism. We have come to the common conclusion that efforts to should also be made on a cultural basis to prevent them and ensure that they donot return to this region," Zarif told a joint press conference after the meeting."Iran was among the first Asian countries to recognise Croatia's independence and I am very pleased that our relations are friendly, both on the political and economic level. I hope we will manage to establish good ties between the private sectors of our countries," he added.The focus of the meeting was on economic cooperation.Earlier in the day, Zarif and his business delegation attended the third conference of business people from the two countries. The conference was opened by President Kolinda Grabar-Kitarovic and Economy Minister Martina Dalic.Pejcinovic Buric said that the fact that the conference was opened by the president and the economy minister showed the importance Croatia attached to promoting economic cooperation between the two countries.Pejcinovic Buric said that potential areas of cooperation were shipbuilding, energy, industries, tourism, transport, education, science and the food industry because Croatia has halal certification and could therefore export food to Iran.In the first nine months of 2017, trade between Croatia and Iran was US$ 5.4 million.Political issuesPejcinovic Buric conveyed the position of Croatia, which is also the position of the EU member states, on the importance of continuing the nuclear agreement between Iran and the big powers, which led to the lifting of sanctions two years ago and paved the way for cooperation between Europe and Iran.The United States under President Donald Trump, a staunch opponent of this deal, has threatened European countries that it will withdraw from the agreement unless certain corrections are made.European and US officials ***plan*** to meet in Berlin in March to discuss this issue, a source at the German foreign ministry said on Wednesday. The Russian foreign minister said in January that the agreement would not survive if the US pulled out.Pejcinovic Buric and Zarif also discussed the crises in Syria and Yemen, especially in light of the migrant crisis which is affecting Croatia, and the situation in Southeast Europe.Zarif is due to meet with representatives of the Islamic community in Croatia before he leaves for Bosnia and Herzegovina.PM: Lower GDP rate won't affect budgetZAGREB, March 1 (Hina) - Prime Minister Andrej Plenkovic said on Thursday that the lower-than-expected economic growth in 2017did not affect the state budget and that budget revenues were being collected well,underscoring the latest European Commission report about Croatia's improving economic sentiment in February as encouragement.Croatia's economy grew in Q4 2017 by 2% from the same period of 2016, which is its slowest growth rate since Q2 2015. According to seasonally adjusted data, Croatia's GDP in Q4 grew 0.1% from the previous quarter, while compared to Q4 2016 it grew 2.2%, the national statistical office (DZS) reported on Wednesday. In 2017 the national economy grew by 2.8%, less than in 2016, when the growth rate was 3.2%.Economic Sentiment improved significantly in Croatia in February reaching a record high on the wings of optimism in the manufacturing sector and among consumers, according a report released by the European Commission on Tuesday."What is encouraging is that Croatia's economic sentiment is at its highest since the EC started monitoring this indicator in Croatia," Plenkovic told a cabinet meeting in Zagreb.Minister wants to wait for experts to give their opinion on LNG terminalZAGREB, March 1(Hina) - Environment Minister Tomislav Coric said ahead of the government session on Thursday that the future LNG terminal on the northern Adriatic island of Krk was a ***strategic*** project and that the government needed to wait for experts to voice their opinion about the project."As for protests, I will once again reiterate it is legitimate to express dissatisfaction at all levels," the minister said adding, however, that it was not all right to manipulate with the truth and make false accusations and that the public should be aware of that.Coric said he welcomed debates and discussion, but in the end it was the opinion of experts that mattered. " I believe this is in the interest of all of us," he added.Coric said he expected that consultants for the INA oil company would be selected in the next two to three weeks.Croatia amending pension insurance legislation in line with EU directive, MONEYVALZAGREB, March 1(Hina) - The Croatian government on Thursday tabled draft amendments to the law on non-compulsory pension funds and to the law on pension insurance companies to incorporate recommendations of theCommittee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).The amendments that were sent into fast-track parliamentary procedure include the recommendations of the MONEYVALand are adjusted to the European Union's directive on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights.MONEYVAL is a permanent monitoring body of the Council of Europe entrusted with the task of assessing compliance with the principal international standards to counter money laundering and the financing of terrorism and the effectiveness of their implementation, as well as with the task of making recommendations to national authorities in respect of necessary improvements to their systems.Addressing the government's meeting, Labour and Pension System Minister Marko Pavic said that currentlythere were nearly 300,000 people that pay pension insurance contributions in non-compulsory 3rd pillar that had 4 billion kuna collected to date.Currently, 92 billion kuna is available in the second pension pillar.Converting fire-hit forest areas into construction zone to be possible after 10 yearsZAGREB, March 1(Hina) - The Croatian government on Thursday sent to the parliament a new bill on forests whereby the length of timefor conversion of forest land consumed by fire into a construction zone will be extended from the current five years to 10 years.Outlining the bill, ***Agriculture*** MinisterTomislav Tolusic said that funds collected from payment for public beneficial functions of forests would be distributed in a better way.Also, 90% of the current legal entities and individuals who are obliged to pay fees forpublic beneficial functions of forests will be exempted from this obligation.The new law is expected to accelerate administrative procedures for exercising rights and establishing responsibilities regarding the use and management of forests and forest-covered areas.Forests cover 2.7 million hectares of Croatian territoryForests cover 47% of Croatian territory and this space is not decreasing, the state-run forest management company Hrvatske Sumesaid in March 2016.Croatia does not conduct deforestation, the company said then, adding that the forest management is systematic and in accordance with long-term ***plans***.Forests spread over 2,688,687 hectares, which is 47% of Croatia's land. 78% of forests are owned by the state and 22% are privately owned.In Croatia, as much as 95% of forests are natural, with 260 indigenous tree species, and ***interventions*** are done only when natural regeneration is not possible, for instance after fires or due to sanitary logging.In 2015,Croatia marked250 years of organised forestry management.Plenkovic praises council's recommendations as valuable, well-balanced documentZAGREB, March 1 (Hina) - Prime Minister Andrej Plenkovic said on Thursday that the recommendations adopted bythe council for dealing with the consequences of undemocratic regimes onhow to treat insignia of totalitarian regimes "is a valuable, well-balanced and useful document", which could serve as the starting point for the continuation of dialogue onthat topic.Following these recommendations, the government will, accordingly, adopt its own decisions at a time it deems appropriate, Plenkovic said.The document compiled by the 17-member council "is a contribution which we have not had to date in the Croatian public," Plenkovic said.Thanking the council for its efforts, Plenkovic commended its members - political scientists, lawyers and jurists -for their intensified, substantiated and prudent dialogue that resulted in the document.The document consists of two parts, and the first part is the starting point and description of the experiences of the Croatian society in the20th century when the country was faced with totalitarian regimes.The government will consider this in particular for activities in connection with the education of young generations about those regimes, their repercussions and divisions in the Croatian society, he said.The second part of the document refers to possibilities of improving the legal framework.The Justice Ministry and the Public Administration Ministry will consider these recommendations, Plenkovic said.Plenkovic finds it essential that the document clearly condemns totalitarianregimes, including the 1941-1945 Nazi-style Ustasha regime, Nazism, Fascist regime and Chetnik movement. He underlined that the recommendations also note that the "For the Homeland Ready" salute had an anti-constitutional character. The salute could only in exceptional situations and very restrictively be allowed in the future, he said in connection with the council's suggestion that the salute can be used only for commemorative purposes for slain members of Croatian Defence Forces (HOS), the armed wing of the Croatian Party of Rights (HSP) during the Homeland War.As for suggestions for observing anti-Fascism fromWW2, the recommendations also spokeabout the compromising of anti-Fascist values after 1945 and human rights' violations, he added.Two law professors give different opinions on council's recommendationsZAGREB, March 1(Hina) - The recommendations prepared by the council for dealing with the consequences of undemocratic regimes on how to treat insignia of totalitarian regimes has elicited different opinions among law professors.Sanja Baric, a Constitutional Law professor at Rijeka Law School, wrote on her Facebook profile that all who would like to comment on the 44-page document should carefully read it before expressing their opinion on the matter.She praised the document as a high quality document with quality content and wording as well as context.Concerning the suggestion that the salute "For the Homeland Ready" could be allowed in some exceptions, Baric said that this unusual solution which can be described as "official tolerance of unconstitutional practice otherwise" is permitted by the Constitution and laws, due to "extremely restricted and very clearly defined outreach."She warns that first media reports about the council's recommendations failed to carry some important remarks from the document.The documenthighlights the need for a broad education of the public in connection with being acquainted with the Constitution and its basic postulates, according to Baric.Each page and each sentence (of the document) carries weight, she writes.Professor Branko Smerdel of the Zagreb Law School views the document as the product of compromise and therefore it can be interpreted either way.He criticises the document for what he sees as failure to solve anything.25th anniversary of establishment of Military Police Anti-Terrorist Unit markedZAGREB, March 1 (Hina) - A ceremony was held at an army barracks in Zagreb on Thursday to mark the 25th anniversary since the establishment of the Military Police Anti-Terrorist Unit and the 15th anniversary since the first Croatian military police platoon was sent to Afghanistan as part of NATO's ISAF peacekeeping operation.President Kolinda Grabar-Kitarovic, who also serves the Commander in Chief of the Croatian Armed Forces, said that the Military Police Anti-Terrorist Unit, since its establishment on 1 March 1993, had fought in all battles during the Homeland War, including operations Maslenica, Medak Pocket, Flash, Summer '95, Storm, Maestral and Southern Stretch. Many of its members laid their lives and many were wounded while defending the country, for which Croatia is grateful to them, the president said.Facing the challenges of a globalised world, it had become clear that Croatia's interestscould not be defended on its own borders alone, which led to the international involvement of the Croatian armed forces. Fifteen years ago the first military police platoon was dispatched to NATO's ISAF mission in Afghanistan to support allied efforts to stabilise that country, Grabar-Kitarovic said.Our mission in Afghanistan is not finished yet. Together with itsallies and partners, Croatia has assumed responsibility for the future of Afghanistan, for building its security forces and stabilising the entire country. We remain committed to our obligations towards Afghanistan and we will continue our involvement for as long as necessary, shoulder to shoulder with our allies, partners and Afghan friends, she added.State Secretary Tomislav Ivic said that Croatia had evolved from an aid recipient to an active participant in peacekeeping missions worldwide. A total of 5,119 Croatian servicemen took part in 30 contingents and another 103 are leaving today for Afghanistan to serve in the Resolute Support mission there, Ivic said.Opposition MPs call for no-confidence vote in DalicZAGREB, March 1 (Hina) - Once opposition parliamentary parties present their comments and proposals, a final text will be drawn up to launch proceedings for a no-confidence vote in Deputy Prime Minister and Economy MinisterMartina Dalic, which will then be put into parliamentary procedure, the political secretary of the Bridge party, Nikola Grmoja, said on Thursday.The rationale for the proposed no-confidence vote notes that Dalic's credibility has been tainted because of "Lex Agrokor," and the "consultants" scandal in which the Texo Managementwas paid HRK 243,000 aweek for consulting services while former emergency administrator Ante Ramljakhad been employed by that company before being appointed emergency administrator forthe private ailing Agrokor food conglomerate."Emergency Administrator Ramljak hired AlixPartners along with local sub-contractors in April 2017 to provide consulting services for the restructuring,including Texo Management where Ramljak was employed until 30 April 2017, yet the contract for consulting betweenAlixPartners and Texo Management was concluded on25 April 2017", the proposal says.Considering that according to the law, hiring consultants for restructuring requires the Economy Ministry's previous approval, Dalic had to have approved the selection of Ramljak as the emergency administrator and she was certainly aware of who the sub-contractors were, the sponsor of the no-confidence motionunderscored.The Opposition alsocriticisesDalic because she has openly advocated the construction of a thermal power plant on Peruca Lake and they claim that shepresented untruths and deceived the public when she alleged that the people opposed to the power plant wererejecting investments and spreading misinformation. Her claims were entirely quashed by experts when an environmental impact study was given a negative opinion, according to the motion.Some opposition lawmakers seem reluctantto support no-confidence motionThe Social Democratic Party and Croatian Peasants' Party will support the wordingof the Bridge-sponsored motion.The Human Shield party is still considering whether it will propose any amendments to the proposal while GLAS and the Istrian Democratic Party (IDS) in addition to supporting the proposal, are sending a proposal to put the ratification of the Istanbul Convention on the agenda in parliament.The Independents for Croatia party won't be supporting the motion for Dalic's dismissalas they believe it is off the point.A vote of no confidence in the government, one of its members or the PM can be initiated if at least one-fifth of all 151 lawmakers, that is 31, sign a motion to that end. The motion is then immediately put on the agenda. The government has eight days to take a position after the motion is signed by the required number of MPs. The vote in parliament must be held within 30 days. At least 76 votes are required for a no-confidence vote to pass.Agrokor creditors accept change of emergency administratorZAGREB, March 1 (Hina) - The indebted Agrokor food conglomerate said on Thursday that creditors under the roll-up dealhad accepted the appointment of FabrisPerusko as the new emergency administrator and Irena Weber as his deputyand added that they would not use their contractual rights relating to the change of the emergency administrator.Although Agrokor did not give any further details, this can be interpreted to mean that creditors will not use the roll-up loans clause which allows them to declaretheir receivables under that agreement due for payment if the government or court were to replace Ante Ramljak as emergency administrator.After Ramljak tended his irrevocable resignation to Prime Minister Andrej Plenkovic on 20 February. Earlier this week the government recommended Fabris Perusko as the new emergency administrator and Irena Weber as his deputy, after which Zagreb Commercial Court confirmed Ramljak's resignation and appointed Perusko and Weber.Ramljak's resignation gave rise to speculation in the media with regard to the roll-up loans clause and the possibility of creditors declaring their receivablesdue for payment.Last week the Zagreb Stock Exchange requested an explanation about the use of that clause in reference to Agrokor's companies.The companies replied that in case the emergency administratorAnte Ramljakor restructuring consultant is replaced, creditors "have the right, butnot the obligation, to declaretheir receivables due for payment."The Stock Exchange asked companies to confirm or deny unofficial claims in the media that within six months since the original agreement onsuper seniority loans was signed, at least eight amendments had beenconcluded, which gave creditors the right to declare their receivables due for payment.The companies replied that according to their information the initial agreement had been amended, but thatthis did not impact thecreditors' rights regarding the change ofthe emergency administrator.Number of individuals and businesses with blocked accounts decliningZAGREB, March 1(Hina) -At the end of January 2018there were 324.959citizens and 24,356 businesses with blocked accounts, which means that there were 4,018fewer citizens and 5,219fewer businesses with blocked accounts than there were at the end of January 2017, the FINA financial agency reported on Thursday.However, the debt of individuals with blocked accounts increased by HRK 1.6 billion on the year, reaching HRK 42.96 billion.Monthly figures indicate an increase in the number of blocked citizens and the amount of their debt. The number of citizens with blocked accounts at the end of January 2018 was higher by 5,207 people of 1.6% compared to December 2017 and the amount of their debt was increased by 0.5%.At the end of January 2018, there were 24,356business entities with blocked accounts owing HRK 14.02billion in unpaid liabilities.The number of blocked business entities at the end of January 2018 compared to the end of January 2017 was reduced by 5,219(17.6%) and their debt fell by HRK 3.46billion (19.8%).The number of blocked businesses dropped by 1.3% on the month and their debts decreased by 0.6%.FINA reported that this trend would most likely continue in the coming period impacted by several new laws according to which any company that has not submitted a report to the agency for more than three yearswill be struck from the register.Accounts blocked for more than a year still prevailFINA data for 2017 indicates that there are still more business entities with accounts blocked for more than 360 days and with higher amounts involved.There were 16,838such businesses or 69.1% of the total number with blocked accounts and they accounted for 82.3% of the total debt or HRK 11.5billion.There were 2,497businesses with accounts blocked up to 60 days and they accounted for HRK 580.8 million in unpaid liabilities.Among businesses with blocked accounts, more than 60% or 15,468of them did not have even one employee and their debt amounted to HRK 9.2billion which accounts for 65.8% of total unpaid liabilities.Eurostat: Unemployment in Croatia decreasesZAGREB, March 2 (Hina) - The unemployment rate in the European Union in January 2018 stayed the same as in December 2017, while in Croatia it continued to decrease, putting it among the member states with the biggest annual decreases, according to the latest Eurostat figures.The EU28 seasonally-adjusted unemployment rate, based on the definition by the International Labour Organisation, was 7.3% in January 2018, the lowest recorded since October 2008, and 0.8 percentage points lower annually.In Croatia, the unemployment rate in January slid to 9.8% from 10% in December. There were 176,000 jobless Croats in January, 4,000 fewer than in December. Year on year, the jobless rate fell by 2.4 percentage points and the number of the jobless by 47,000.This put Croatia among the member states with the biggest annual decreases in unemployment. The largest decreases were registered in Cyprus (from 12.6% to 9.8%), Greece (from 23.3% to 20.9% between November 2016 and November 2017), Croatia (from 12.2% to 9.8%), Portugal (from 10.1% to 7.9%) and Spain (from 18.4% to 16.3%).The lowest unemployment rates in January 2018 were recorded in the Czech Republic (2.4%), Malta (3.5%) and Germany (3.6%). The highest unemployment rates were observed in Greece (20.9% in November 2017) and Spain (16.3%).Eurostat estimates that 17.931 million men and women in the EU28 were unemployed in January 2018. Compared with December 2017, the number of persons unemployed decreased by 19,000. Compared with January 2017, unemployment fell by 1.867 million.In January 2018, 3.646 million young persons (under 25) were unemployed in the EU28. Compared with January 2017, youth unemployment decreased by 333,000. In January 2018, the youth unemployment rate was 16.1%, compared with 17.6% in January 2017. In January 2018, the lowest rates were observed in the Czech Republic (5.8%), Estonia (6.5% in December 2017) and Germany (6.6%), while the highest were recorded in Greece (43.7% in November 2017), Spain (36.0%) and Italy (31.5%).In the last quarter of 2017, Croatia's youth unemployment rate was 24.5% (40,000), down from 28.7% in January 2017.BAT hires more than 200 people in Croatia in 2017, announces vacanciesZAGREB, March 1(Hina) -British American Tobacco (BAT) hired more than 200 people in Croatia in 2017, while in the past two and a half years, namely since it acquired Rovinj Tobacco Factory (TDR), the size of its workforce has increased by 7%.According to a press release, the Croatian branch of the BAT Adria cluster currently employs more than 1,700 people.The factory in Kanfanar currently employs over 500 people while 150 new jobs were opened last year alone, with the ***plan*** to continue employing new workers this year as well.British American Tobacco is one of the world's leading multinational companies, with brands sold in over 200 markets. BAT has beenrecognised as a Global Top Employer for 2018. Global accreditation followed confirmation of Top Employer certification in 35 markets and five regions – Europe, Latin America, Asia Pacific, Africa and Middle East – earlier this month.BAT has been certified as a Top Employer since 2009 and today’s global accreditation is in recognition of its commitment to nurturing and furthering the careers of its 55,000 people worldwide. The company is one of just 13 to receive prestigious global accreditation in 2018.8th HTI conference starts in ZagrebZAGREB, March 1 (Hina) - Europe is turning more and more to health and medical tourism as it sees this sector as an opportunity to compensate for the decline in international tourist arrivals in Europe caused by stronger arrivals in other regions, notably Asia, the 8th Health Tourism Industry (HTI) conference was told in Zagreb on Thursday.The 8th HTI Conference, being held on 1-3 March, brought togethermore than 350participants from 50 countries.HTI (Health Tourism Industry) is the leading platform for doing health tourism industry business in Europeand organiser of the HTI Conference, the largest European event that gathers top health tourism professionals from Europe and world-wide. It was created eight years agoas a private initiative reinforced by the Croatian Chamber of Commerce (HGK).HTI brings together tourism industry leaders from the private and public sectors, with the aim to address key challenges that health tourism is facing today, but also to discuss upcoming developments. It lets them stay on top of the trends, exchange and grow their knowledge, and establish profound business network which will generate new business opportunities.Conference director Zdeslav Radovcic said that with the first HTI conference eights years ago, they were among pioneers in Europe and in the meantimethe conference has become Croatia's export product. Two years ago the HTI conference was held in Vienna and next year it will be held in Brussels.Morocco awards decoration to ex-Croatian ambassador for promoting tiesZAGREB, March 1(Hina) - Croatia's former ambassador to Morocco, Zvonimir Frka-Petesic, has been decorated as a Grand Officerof the Order of Ouissam Alaouite for his contribution to strengthening and developing relations between Croatia and Morocco, the Moroccan Embassy in Zagreb said.Frka-Petesic, who currently serves as the Prime Minister's Chief of Staff, was presented with the decoration by Moroccan AmbassadorNour el Houda Marrakchi on Tuesday.The decoration was awarded by King Mohammed VI.The ceremony was attended by the mufti of Zagreb, the Croatian parliament speaker's chief of staff, the assistant foreign minister for political affairs, former Croatian diplomats who had been posted in Morocco, and other prominent political and cultural figures.Addressing the ceremony, Frka-Petesic said that the decoration was a mark of friendship and long-standing relations between the two countriesgoing back to the 18th century.He expressed hope that a high-level visit would be made soon in order to conclude an agreement on long-term and comprehensive partnership, which is expected to provide fresh impetus to relations between Morocco and Croatia.German university clears Croatian ex-minister of plagiarism suspicionZAGREB, March 1 (Hina) -The University of Augsburg has confirmed that former Croatian Science and Education Minister Pavo Barisic'sdoctoral thesis from 1989 is not self-plagiarism.A spokesman for the university said that following an investigation into plagiarism allegationsno proof was found to corroborate the accusations.Barisic earned a doctoral degree in philosophy from the German university.In February 2017, the Social Democratic Party, the Croatian Pensioners' Party and the Croatian People's Party, which was in opposition at the time, initiated a vote of no-confidence in Barisic for allegedly plagiarising a work by US philosopher Stephen Schlesinger. The vote, however, showed that the minister was enjoying the confidence of the Croatian parliament. Defending his minister, Prime Minister Andrej Plenkovic said that Barisic's work was not plagiarism but had a technical omission. He recalled that the universities of Zagreb and Split had found that it was not plagiarism.In other news:Dalekovod's revenues increase 33% in 2017, net profit downZAGREB, March 1(Hina) -Dalekovod, which specialises in the construction of transmission lines, substations and tunnel and road equipment, made HRK 1.18 billion in revenues in 2017, which is 33% more than in 2016, owing to a rise in revenues on both the foreign and Croatian markets.Key markets for Dalekovod are Norway, Ukraine and Croatia.Foreign revenue accountedfor 75%of the company's total earnings last year.The net profit of thisZagreb-based company dropped by 34% on the year to HRK 16.6 million. A higher net profit in 2016 was the result of one-off earnings.On the other hand, the company's gross profit rose by 37.5% to HRK 148 million in 2017.The Dalekovod Groupregistered total earnings in the amount of HRK 1.5 billion, a rise of 24% compared to 2016. The group's net profit was HRK 1.7 million lower than in 2016, totalling HRK 10.4 million in 2017.HANFA tells ZSE to suspend trading with AGROKOR companies' sharesZAGREB, March 1(Hina) - Following the Zagreb Stock Exchange (ZSE) decision to resume trading with stocks of companies from the Agrokor Group on Friday March 2, the Croatian Financial Services Supervisory Agency (HANFA) said on Thursday it had ordered theZSEto suspend without delay trading with the said stocks in order to protect investors and secure organised and regular trading.The HANFA Board on Thursday ordered the ZSE to suspend, temporarily and without delay, the trading with stocks of Belje, Jamnica, Ledo, PIK-Vinkovci, Tirak, Vupikm Zvijezda and Zitnjak."Given various stakeholders and other persons involved in the emergency administration procedure, the effects of the developmentsinvolving Agrokoron the Croatian economy, unverified information of speculative nature...HANFA has foundthat the efficiency of the process of managing regular and privileged information is at risk," the agency said in a press release.ZSE indices up amid weak tradingZAGREB, March 1 (Hina) - The main Zagreb Stock Exchange (ZSE) indices increased on Thursday, with the Crobex gaining 0.32% to reach 1,845.33 points and the Crobex10 rising by 0.13% to 1,064.08 points.Regular turnover amounted to HRK 3.8 million, about 8.8 million less than on Wednesday, and none of the stocks crossed the one million kuna mark in turnover.The highest turnover, of HRK 540,300, was generated by the stock of the Valamar Riviera hotel company. The price of its shares fell by 0.72% to HRK 41.60 per share.(EUR 1 = HRK 7.445794)THIS BULLETIN INCLUDES ITEMS RELEASED BY 0830 HOURS FRIDAY. (Hina) vm Masthead Brief News Bulletin is published by the Croatian News Agency HINA Marulićev trg 1610 000 ZagrebCroatia web:[*www.hina.hr*](http://www.hina.hr) mail: [*hina@hina.hr*](mailto:hina@hina.hr) phone: (+385 1) 48 08 660; fax (+385 1) 48 08 822 Publisher: Branka Gabriela Valentić, DirectorEditor in Chief: Serđo Obratov Bulletin Editor: Marija Šestan

ZAGREB, March 1 (Hina) - President Kolinda Grabar-Kitarovic on Thursday received Iran's Foreign MinisterMohammad Javad Zarif,who is at the helm of a trade delegation visiting Croatia, and the two officials talked about strengthening bilateral economic relations, the President's Office said in a press release.

ZAGREB, March 1 (Hina) - Croatian Prime Minister Andrej Plenkovic and Parliament Speaker Gordan Jandrokovic on Thursday met with Iran's Foreign Minister Mohammad Javad Zarif to talk about traditionally good relations between the two countries and the importance of strengthening economic cooperation.

ZAGREB, March 1 (Hina) - Financial flows, the visa regime and flight services are key to strengthening economic ties between Croatia and Iran, a Croatian-Iranian business forum was told in Zagreb on Thursday.

ZAGREB, March 1 (Hina) - Iranian Foreign MinisterMohammad Javad Zarif and his Croatian counterpart Marija Pejcinovic Buric met in Zagreb on Thursday, discussing the fight against extremism and terrorism as well as economic cooperation.

ZAGREB, March 1 (Hina) - Prime Minister Andrej Plenkovic said on Thursday that the lower-than-expected economic growth in 2017did not affect the state budget and that budget revenues were being collected well,underscoring the latest European Commission report about Croatia's improving economic sentiment in February as encouragement.

ZAGREB, March 1(Hina) - Environment Minister Tomislav Coric said ahead of the government session on Thursday that the future LNG terminal on the northern Adriatic island of Krk was a ***strategic*** project and that the government needed to wait for experts to voice their opinion about the project.

ZAGREB, March 1(Hina) - The Croatian government on Thursday tabled draft amendments to the law on non-compulsory pension funds and to the law on pension insurance companies to incorporate recommendations of theCommittee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL).

ZAGREB, March 1(Hina) - The Croatian government on Thursday sent to the parliament a new bill on forests whereby the length of timefor conversion of forest land consumed by fire into a construction zone will be extended from the current five years to 10 years.

ZAGREB, March 1 (Hina) - Prime Minister Andrej Plenkovic said on Thursday that the recommendations adopted bythe council for dealing with the consequences of undemocratic regimes onhow to treat insignia of totalitarian regimes "is a valuable, well-balanced and useful document", which could serve as the starting point for the continuation of dialogue onthat topic.

ZAGREB, March 1(Hina) - The recommendations prepared by the council for dealing with the consequences of undemocratic regimes on how to treat insignia of totalitarian regimes has elicited different opinions among law professors.

ZAGREB, March 1 (Hina) - A ceremony was held at an army barracks in Zagreb on Thursday to mark the 25th anniversary since the establishment of the Military Police Anti-Terrorist Unit and the 15th anniversary since the first Croatian military police platoon was sent to Afghanistan as part of NATO's ISAF peacekeeping operation.

ZAGREB, March 1 (Hina) - Once opposition parliamentary parties present their comments and proposals, a final text will be drawn up to launch proceedings for a no-confidence vote in Deputy Prime Minister and Economy MinisterMartina Dalic, which will then be put into parliamentary procedure, the political secretary of the Bridge party, Nikola Grmoja, said on Thursday.

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In January 2018, 3.646 million young persons (under 25) were unemployed in the EU28. Compared with January 2017, youth unemployment decreased by 333,000. In January 2018, the youth unemployment rate was 16.1%, compared with 17.6% in January 2017. In January 2018, the lowest rates were observed in the Czech Republic (5.8%), Estonia (6.5% in December 2017) and Germany (6.6%), while the highest were recorded in Greece (43.7% in November 2017), Spain (36.0%) and Italy (31.5%).

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STUDY EPRS | European Parliamentary Research Service Author: Elodie Thirion European Added Value Unit PE 611.030 - December 2017 Statute for social and solidaritybased enterprises European Added Value Assessment Accompanying the European Parliament's legislative own-initiative report (Rapporteur: Jiří Maštálka)

EPRS | European Parliamentary Research Service Study European added value assessment of a statute for social and solidarity-based enterprises In accordance with Article 225 of the Treaty on the Functioning of the European Union (TFEU), the European Parliament has a right to ask the European Commission to take legislative action in a particular area. Such requests are based on a legislative initiative report by the parliamentary committee responsible. In January 2016, the Conference of Presidents of the European Parliament authorised its Committee on Legal Affairs (JURI) to draft a legislative initiative report on a statute for social and solidarity-based enterprises. In September 2016 the Conference of Presidents authorised the Committee on Employment and Social Affairs (EMPL) and the Committee on Legal Affairs (JURI) to be associated under Rule 54. All legislative initiative reports must automatically be accompanied by a detailed European added value assessment (EAVA). Accordingly, the JURI Committee asked the Directorate-General for Parliamentary Research Services (EPRS) to prepare an EAVA to support the legislative initiative report on a statute for social and solidarity-based enterprises, 2016/2237(INL). The rapporteurs are, for JURI, Jiří Maštálka (GUE/NGL, Czech Republic), and, for EMPL, Heinz K. Becker (EPP, Austria). The purpose of a European added value assessment is to support a legislative initiative of the European Parliament by providing scientifically-based evaluation and assessment of the potential added value of taking legislative action at EU level. In accordance with Article 10 of the Interinstitutional Agreement on Better Law-Making of 13 April 2016, the European Commission should respond to a Parliament request for proposals for Union acts by adopting a specific communication. If the Commission decides not to submit a proposal, it should inform the Parliament of the detailed reasons therefore, including a response to the analysis on the potential European added value of the requested measure. Abstract Social enterprises combine societal goals with entrepreneurial spirit. These organisations focus on achieving wider social, environmental or community objectives. There is currently no specific European legal framework to help social enterprises to benefit from the internal market. Against this background, this European added value assessment identifies the challenges in the existing national legal frameworks regarding social enterprises. It argues that action at EU level would generate economic and social added value. Moreover, it outlines potential legislative measures that could be taken at EU level, and that could generate European added value through simplification and a coordinated approach in this area. AUTHOR Elodie Thirion European Parliamentary Research Service, Impact Assessment and European Added Value Directorate, European Added Value Unit European Parliament B-1047 Brussels To contact the unit, please email: [*EPRS-EuropeanAddedValue@ep.europa.eu*](mailto:EPRS-EuropeanAddedValue@ep.europa.eu) LINGUISTIC VERSIONS Original: EN This document is available on the internet at: [*http://www.europarl.europa.eu/thinktank/en/home.html*](http://www.europarl.europa.eu/thinktank/en/home.html) DISCLAIMER This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy. Manuscript completed in November 2017. Brussels © European Union, 2017. PE 611.030 ISBN 978-92-846-2323-5 DOI 10.2861/382841 QA-07-17-097-EN-N Statute for social and solidarity-based enterprises 1 Contents List of abbreviations and acronyms.............................................................................3 List of Tables....................................................................................................................4 Executive summary .........................................................................................................5 Methodology ....................................................................................................................7 1. 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The assessment outlines the current regulatory context related to SEs (Chapter 1); identifies current regulatory problems (Chapter 2), then it assesses the potential socioeconomic benefits of possible EU action (Chapter 3) and concludes by defining and making a comparative assessment of possible policy options to address the identified regulatory gaps (Chapter 4). The substantive scope of the EAVA is limited to the issues related to company law. Despite the difficulty of collecting and comparing reliable data, it is estimated that the number of SEs in the EU is constantly rising and is currently at between 130 000 and 250 000.3 Also, there are more than 2.8 million entities and enterprises in the EU's social economy sector.4 Despite their diversity, social enterprises mainly operate in the areas of work integration, personal social services, local development of disadvantaged areas and environmental protection, sports, arts, and culture. They are therefore of the utmost importance for the EU economy. Their economic dynamism contrasts with the lack of visibility and awareness and the seeming underperformance of national policies targeting SEs. These and other challenges faced by SEs can lead to difficulties in accessing private finance and public markets for SEs, translating into difficulties for SEs in scaling up. The study argues that SEs that are willing to scale up in the internal market could benefit from an enabling EU legal framework. There are three main reasons why the EU should adopt a supportive legal framework for SEs. Firstly, there are convincing economic benefits of adopting such a measure, as SEs could benefit from access to a larger market, reduced transaction and enforcement costs, and increased visibility. Secondly, there are social benefits, in particular the increase in consumer confidence in goods and services 1 Statute for social and solidarity-based enterprises, Legislative Observatory (OEIL), European Parliament. 2 In accordance with Article 10 of the Interinstitutional Agreement on Better Law-Making, the European Commission will reply to the request for proposals for Union acts made by the European Parliament by adopting a specific communication. If the Commission decides not to submit a proposal it should inform the European Parliament of detailed reasons for its decision, including a response to the analysis concerning European added value. 3 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 4 J.L Monzón and R. Chaves, Recent evolutions of the Social Economy in the European Union, CIRIECInternational – Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017. European added value assessment 6 ***produced*** by SEs. Finally, an EU legal framework for SEs would establish a level playingfield for SEs willing to expand within the internal market. Considering the current lack of harmonisation, with the resulting economic and social disadvantages for citizens and social businesses, it is recommended that action at EU level be envisaged. To address the current lack of harmonisation, this study looks at four policy options:  Policy option 1: Baseline scenario, maintaining the status quo  Policy option 2: Minimum harmonisation  Policy option 3: Certification / label system  Policy option 4: Supranational legal form Based on the review of the qualitative cost-benefit analysis and a comparative qualitative assessment of policy options, it is suggested that such an EU approach could take the form a certification/label system. This EU certification/label system would give SEs the best balance between legal certainty and flexibility. In addition, it would allow SEs to distinguish themselves from other businesses, without having to register in each Member State to have their social condition recognised, while allowing them to choose the legal form under which they prefer to conduct their business, provided they respect certain basic criteria. Statute for social and solidarity-based enterprises 7 Methodology This analysis was carried out internally by the Directorate–General for Parliamentary Research Services (DG EPRS) European Added-Value Unit (EAVA) of the European Parliament. The study is based on:  a public hearing organised in March 2017 by the Legal Affairs (JURI) and Employment and Social Affairs (EMPL) Committees of the European Parliament with various experts;  data publicly available. Even if some Member States have put a great deal of work in recent years into providing reliable data on various social economy groups,5 the statistical information provided in this study should be treated with caution. Indeed, the available data is not always comparable. Sometimes, the scope of each group considered in the social economy field is not the same in the different Member States or even in the same country over a long period. The methodology used to account for variables in each system of statistics has not always been homogeneous or consistently applied. It was very difficult to find countries with reliable and comparable data (i.e covering the same statistical group, for same length of time, with the same variables). Cross-country empirical research is also quite limited and therefore,6 the analysis provided by this study relies mainly on qualitative considerations. 5 J.L Monzón and R. Chaves, Recent evolutions of the Social Economy in the European Union, CIRIECInternational – Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017. 6 Global Entrepreneurship Monitor 2015 to 2016: Special Report on Social Entrepreneurship, Global Entrepreneurship Research Association, 2016; and N. Bosma, T. Schøtt, S. Terjesen, P. Kew, 'Comparative International Entrepreneurship: A Review and Research Agenda', Journal of Management, Vol. 42, No 1, 2016, pp. 299–344. European added value assessment 8 1. Introduction Key findings (1) Social enterprises make a significant contribution to the EU economy. The number of entities is growing and is currently estimated to be in between 130 000 and 250 000 in the EU. The sector employed 14 million paid workers in 2015. (2) The regulatory framework is fragmented as proven by the significant differences across Member States in terms of activity profile, legal forms, fiscal treatment, business models and support structures. (3) In recent years, more than 200 documents at EU level have underlined the importance of creating a level playing field for SEs. Nevertheless, progress has been slow and none of the initiatives has ***produced*** the expected results, especially for the SEs willing to scale up in the internal market. The social economy is a very diverse and growing sector.7 Its diversity is reflected in the terminology used, receiving different names in different countries (third-sector, not-forprofit sector, solidarity economy, etc.). There is however a normative definition of the social economy that has been widely adopted in academic and policy spheres, stating that the social economy 'includes all economic activities conducted by enterprises, primarily cooperatives, associations and mutual benefit societies, whose ethics convey the following principles:  placing services to its members or to the community ahead of profit;  autonomous management;  a democratic decision-making process;  the primacy of people and work over capital in the distribution of revenues'. 8 In addition, no commonly agreed definition exists at international level of what constitutes a social enterprise (SE). Defining SE is itself problematic and definitions of SE vary greatly within and between countries.9 However, a gradual convergence of understanding has occurred in the European Union (EU) with the development of a complex and widely accepted definition, elaborated 7 S. Terjesen, J. Lepoutre, R. Justo and N. Bosma, Global Entrepreneurship Monitor Report on Social Entrepreneurship, 2011. 8 J. Defourny and P. Delveterre, The Social Economy: The worldwide making of a third sector, Centre d'Economie Sociale, 1999, p.16 9 J. Kerlin, 'A comparative analysis of the global emergence of social enterprise', Voluntas, Vol. 21, No. 2, 2010, pp. 162-179. Statute for social and solidarity-based enterprises 9 within the EMES European research network.10 The definition is based on nine criteria for identifying social enterprises, grouped into three building blocks:11  economic and business characteristics: o continuous activity ***producing*** goods and services; o a significant level of economic risk; o a minimum amount of paid work;  social characteristics: o an explicit aim to benefit the community; o an initiative launched by a group of citizens or civil society organisations; o limited profit distribution;  participative governance characteristics: o a high degree of autonomy; o decision-making power not based on capital ownership; o a participatory nature, (the people benefiting from the goods and services manufactured/provided within the SE can effectively take part in economic activities). Drawing upon that definition, the European Commission has developed an operational definition in its communication on the Social Business Initiative (SBI):12 'a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities'. In addition, for the purpose of Regulation (EU) No 1296/2013 and regardless of its legal form a 'social enterprise' is defined as an undertaking, that:  'in accordance with its articles of association, statutes or with any other legal document by which it is established, has as its primary objective the achievement of measurable, positive social impacts rather than generating profit for its owners, members and shareholders, and which: o provides services or goods which generate a social return and/or o employs a method of production of goods or services that embodies its social objective;  uses its profits first and foremost to achieve its primary objective and has predefined procedures and rules covering any distribution of profits to shareholders and owners that ensure that such distribution does not undermine the primary objective; and 10 EMES European research network owes its name to its first research ***programme***, on 'the emergence of social enterprises in Europe' (1996-2000). 11 J. Defourny and M. Nyssens, The EMES approach of social enterprise in a comparative perspective, WP No 12/3, 2012. 12 Communication from the Commission on the Social Business Initiative, COM(2011) 682, 25.10.2011 European added value assessment 10  is managed in an entrepreneurial, accountable and transparent way, in particular by involving workers, customers and stakeholders affected by its business activities'.13 The European Parliament, in its resolution of 10 September 2015 on social entrepreneurship and social innovation in combating unemployment, noted that 'social and solidarity-based economy enterprises, which do not necessarily have to be nonprofit organisations, are enterprises whose purpose is to achieve their social goal, which may be to create jobs for vulnerable groups, provide services for their members, or more generally create a positive social and environmental impact, and which reinvest their profits primarily in order to achieve those objectives; points out that social and solidarity-based economy enterprises are characterised by their commitment to upholding the following values:  the primacy of individual and social goals over the interests of capital;  democratic governance by members;  the conjunction of the interests of members and users with the general interest;  the safeguarding and application of the principles of solidarity and responsibility;  the reinvestment of surplus funds in long-term development objectives, or in the provision of services of interest to members or of services of general interest;  voluntary and open membership;  autonomous management independent of the public authorities'. All of the above definitions bring together the features shared by all SEs regardless of the Member State of incorporation, and encompass for-profit and non-for-profit organisations. It is worth highlighting that, as it will be examined below, SEs can adopt multiple legal forms, provided that they comply with some requirements. As the above definitions are compatible, the SBI definition will be retained for the purpose of this study.14 It must be clarified as well that even if the title of this study refers to 'social and solidarity-based enterprises', the substance of the subject matter under consideration is the same. 13 Article 2 of Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union ***Programme*** for Employment and Social Innovation ('EaSI') and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion. 14 For a more in-depth analysis of the definition, see: A. Fici, A European Statute for Social and Solidarity- Based Enterprise, Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, 2017. Statute for social and solidarity-based enterprises 11 1.1 The significant role of SEs in the EU economy The number of SEs is continuously growing, together with their contribution to the EU economy. The currently available data suggests that there are between 130 000 and 250 000 SEs in the EU.15 Taking the social economy as a whole, there are more than 2.8 million entities and enterprises16 and in 2015 the sector employed over 14 million paid workers, which is about 6.5 % of the EU's active population.17 In addition, in 2009, one in four companies created in the EU belonged to the social economy.18 SEs in the EU carry out activities in various areas such as the social and economic integration of underprivileged categories of people or people in exclusion situations, social and community services, land-based industries and the environment, cultural, tourism, sport and recreational activities, etc. As SEs cut across standard statistical classifications of economic activity such as NACE,19 classifying the activities that a social enterprise may or could engage in to deliver its social mission is complicated. However, some statistics are available for the entire social economy sector. Table 1 – Main sectors of activity in the EU social economy Social economy main sectors of economic activities in the EU % Employment and Training 14.88 Environment 14.52 Education 14.52 Economic, Social and Community Development 14.34 Culture, the Arts and Recreation 7.08 Health 6.90 Business Associations 2.00 Law, Advocacy and Politics 1.63 Other 4.72 Social Services 16.70 Total 100 Source: Social economy study for the IMCO Committee, p. 58, 2016. 15 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 16 J.L Monzón and R. Chaves, Recent evolutions of the Social Economy in the European Union, CIRIECInternational - Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017. 17 ibid. 18 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Social Business Initiative, COM(2011) 682, 25.10.2011 19 NACE refers to the statistical classification of economic activities in the EU. The acronym derives from the French Nomenclature statistique des activités économiques dans la Communauté européenne. European added value assessment 12 Not only do SEs represent multiple economic sectors but they also differ enormously in terms of average age and size. The age of SEs in the EU varies greatly. For example, more than 70 % of SEs in Belgium are more than 10 years old, whereas that is the case for only a third in Spain. Table 2 – Average age of SEs in selected EU Member States Year ≤ 4 years old 5-10 years old 11-20 years old Belgium20 2013 10 % 18 % 72 % Germany21 2013 26% 26% 48 % Hungary22 2012 20 % 20 % 60 % Sweden23 2010 27 % 29 % 44 % Spain24 2010 11 % 24 % 66 % United Kingdom 25 2015 30 % 34 % 36 % Source: data compiled by the author. Despite a wide range of ages, a converging trend regarding the size is emerging, since the vast majority of SEs are small and medium-sized enterprises (SMEs). Table 3 – Average size of SEs in selected EU Member States Member States Year Micro company: staff headcount <10 Small company: <50 Medium company: <250 Large company: >250 Hungary26 2012 52 % 28 % 17 % 3 % Romania27 2012 61 % 30 % 9 % 0 % Spain28 2010 33 % 27 % 20 % 20 % United Kingdom29 2010 5 % 34 % 8 % 18 % Source: data compiled by the author. 20 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.2 21 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.8 22 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.11 23 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.27 24 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.23 25 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.30 26 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.11 27 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.17 28 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.23 29 The State of Social Entrepreneurship - Key Facts and Figures, SEFORÏS, 2014, p.30 Statute for social and solidarity-based enterprises 13 Regardless of the impact of the recent economic crisis,30 there has undoubtedly been an increase in the role taken on by SEs in the EU economy. Furthermore, SEs have proven more resilient to economic downturns.31 In addition to job creation and economic growth, the literature often highlights many of the contributions SEs make when it comes to achieving important goals for the community, such as local economic development, increased social inclusion, and a reduction in the gender pay gap.32 The European institutions33 have also on a number of occasions underlined the impact of SEs on the EU economy and their contribution towards:  high quality, inclusive and non-exportable job creation;  stronger social, economic and regional cohesion;  an increasingly territorial and community-based economy;  gender equality;  social protection and high-quality services of general interest;  sustainable development, energy transition and environmental protection. 1.2 Regulatory framework While Member States remain the main actors regulating SEs, the EU is progressively creating a regulatory framework to support the growth of SEs in the internal market. 1.2.1 Diverse national approaches The social enterprise dynamic is present in all the Member States.34 However, at Member State level, various regulatory frameworks exist, ranging from well-developed policy initiatives to non-formal frameworks targeted specifically at social entrepreneurship. As a result, there are significant differences across countries in terms of the activity profile of social enterprises, legal forms, tax incentives, business models and support structures. 30 J.L Monzón and R. Chaves, Recent evolu

tions of the Social Economy in the European Union, CIRIECInternational – Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017, p. 60. 31 S. Barco Serrano, G. Hahn and G. Pastorelli, A better future - Results of the network for better future of social economy, Ministry of Regional Development of Poland, Department for European Social Fund Management, 2012. 32 Including E. Bidet and R. Spear, The Role of Social Enterprise in European Labour Markets, EMES Network Working Paper No 03/10, 2003; M. Evans and S. Syrett, 'Generating Social Capital?', The Social Economy and Local Economic Development, European Urban and Regional Studies, Vol. 14 (1), 2007, pp. 55-74. 33 Social enterprises and the social economy going forward – A call for action from the Commission Expert Group on Social Entrepreneurship (GECES), Commission Expert Group on Social Entrepreneurship (GECES), 2016; European Parliament resolution of 14 December 2006 on a European social model for the future; European Parliament resolution of 19 February 2009 on Social Economy. 34 C. Borzaga and G. Galera, Social Enterprises and their Eco-systems: Developments in Europe, Directorate- General for Employment, Social Affairs and Inclusion, European Commission, 2016, p.14 European added value assessment 14 1.2.1.1 Different legal forms In terms of legal form, there is a great variety among Member States in the available forms under which SEs can register, including cooperatives, mutual societies, associations and foundations. The increasing proliferation of various company law forms available in national jurisdictions makes it increasingly difficult to navigate this complex landscape. In addition, the development of social enterprise does not necessarily require the adoption of specific legal forms. In a minority of Member States (10), there is no specific national recognition. The existing legal forms such as associations, foundations, or cooperatives can however have SE purpose. In these cases, the vast majority of SEs tend to use and adapt existing legal forms that are not specifically designed for SE and that enjoy no special legal recognition as such. Only 18 Member States have some form of legislation that recognises and regulates social enterprise activity.35 The panorama is varied. Here, an important distinction needs to be drawn between legal form, which relates to the fundamental legal structure of an organisation, and legal status, which concerns a number of legal forms with certain characteristics and affects the treatment of those legal forms. Specific recognition can take two main different forms:  social enterprise legal forms, which are exclusively designed for SEs through the tailoring or adaptation of existing legal forms. National laws provide a specific legal form of incorporation for SEs, which is distinct from all other legal forms and constitutes a special sub-type (or modified type) of either a company or a cooperative. Social cooperatives in Italy, sociétés coopératives d'intérêt collectif (SCICs) in France, community interest companies (CIC) in the UK, are the most prominent examples of this sort of legislation;  social enterprise legal statuses, which can be obtained via a number of different legal forms, and which comply with a number of pre-defined criteria. Laws that recognise and establish the SE as a particular category identify a specific category of entities by some common requirements. Under these laws, an organisation 35 A. Fici, A European Statute for Social and Solidarity-Based Enterprise, Policy Department for Citizens' Rights and Constitutional Affairs, European Parliament, 2017. Cooperative Mutual Association Foundation Company Legal status (certification, label, etc.) that applies to one or more legal forms Statute for social and solidarity-based enterprises 15 can qualify (and disqualify) as an SE if it complies with certain requirements, and the term 'SE' is, therefore, a legal qualification (or legal status). Hence this category may comprise entities incorporated under various legal forms (company, cooperative, association, foundation, etc.), provided they meet the relevant legal requirements. This sort of legislation can be found in many Member States, such as Belgium (social purpose company) or Denmark (registered social enterprise). Some other countries (e.g Slovenia) have created new types of legal form that allow traditional non-profit organisations to undertake economic activity. Table 4 – Different legal forms of social enterprises Member States Legal forms of a social enterprise Special qualification with different legal forms Austria No information available No information available Belgium Société à finalité sociale – Social purpose company (1995) Bulgaria Draft for specific law on the social economy at national level (2016) Croatia Social cooperative law of 11 March 2011 No 764 (2011) Cyprus Czech republic Act No 90/2012 on social cooperatives (2012) Denmark Law 711/2014 on registered social enterprises (2014) Estonia No information available No information available Finland Law 1351/2003 on social enterprises (2003) France Entreprise solidaire d'utilité sociale (2014) Société coopérative d'intérêt collectif – Cooperative of collective interest (2001) ESUS accreditation, solidarity enterprise of social utility Germany No information available No information available Greece Law 4019/2011 on the social economy and social enterprises (2011) Law 2716/1999 on social cooperatives (1999) Law 4430/2016 on the social and solidarity economy (2016) Hungary Law No X-2006 on social cooperatives (2006) Ireland No information available No information available Italy Law 381/1991 on social cooperatives (1991) Law 106/2016 on reform of the third sector (2016) Latvia Law on social enterprises (under development) European added value assessment 16 Lithuania Law IX-2251/2004 on social enterprises (2004) Luxembourg Social impact societies (2016) Malta Draft social enterprise act, since June 2016 Draft social enterprise act, since June 2015 Netherlands No information available No information available Poland Social cooperatives (2006) Portugal Law 51/96 on social solidarity cooperatives (1998) Law 30/2013, the basic law of the social economy (2013) Romania Law 219/15 on the Social Economy - Social enterprises (2015) Slovakia Act No 448/2008 on social services Act No 448/2008 on social services Slovenia Act 20/2011 on social entrepreneurship Spain Royal legislative decree 1/2013 on special employment centres (2013) Law 44/2007 on integration enterprises (2007) Law 27/1999 on social initiative cooperatives (1999) Law 13/1982 on sheltered employment centres (1982) Law 5/2011 on social economy (2011) Sweden No information available No information available United Kingdom Community interest company (2005) Source: data compiled by the author As social enterprises take a variety of legal forms in each country studied, providing a precise estimation of the size of the various social enterprise types in each Member State is rather difficult. Even if significant steps forward in the collection of systematic data on SEs have been made in the framework of the EU-funded Third Sector Impact project (TSI),36 research efforts have so far been unable to quantify the different legal forms that compose the social enterprise universe.37 1.2.1.2 Policy framework A large number of Member States do not have an express policy commitment to grow SEs and so there is often an absence of incentives for SE development. Where such a policy frameworks exist, their scope, coverage and content differ widely. Very few countries (e.g Italy and the UK) can be said to have put in place – or indeed sought to have put in place – several of the components that would provide a policy environment for social enterprises, such as: 36 The Third Sector Impact website. 37 C. Borzaga and G. Galera, Social Enterprises and their Eco-systems: Developments in Europe, Directorate- General for Employment, Social Affairs and Inclusion, European Commission, 2016. Statute for social and solidarity-based enterprises 17 • legal recognition or institutionalisation of social enterprises through the creation of a bespoke legal form and/or legal status; • fiscal incentives for social enterprises/ social impact investment; • the existence of specialist support and infrastructure – business support, coaching, mentoring schemes that take into account the distinct characteristics of social enterprises; • measures designed to facilitate access to markets, notably public sector markets (by creating demand for the services of social enterprises, introducing social clauses in public procurement for example); • measures designed to support access to finance through the creation of dedicated financial instruments and social investment markets more generally; and • standardised social impact measurement and reporting systems.38 Public support measures for the start-up and scaling-up of social enterprises differ in terms of 1) the different public authorities entitled to implement the support ***programmes*** (central versus regional governments); 2) the array of support provided; and 3) the types of beneficiary organisations targeted. Favourable fiscal treatments exist in some Member States. They can be classified into three main types: i) reduced social security contributions awarded to social enterprises when they perform in given fields; ii) tax exemptions and lower rates envisaged for social enterprises under specific conditions; and iii) tax reductions granted to private and/or institutional donors to SEs.39 There are no examples of established tax exemption for SEs in general. Tax advantages are not specifically targeted at social enterprises, and tend to fall into the following categories: • those that relate to the underlying legal form; • those that relate to the charitable or public benefit status of certain legal forms of non-profit organisation, including relief on income tax and donations; this is, for example, the case in Ireland, where organisations with charitable status are exempt from tax on non-distributed profits; and • those that are available to integration enterprises employing people who are disadvantaged, as a specific incentive to encourage employment.40 However, specific tax treatment for SEs exists in most EU countries.41 Opponents of this specific treatment have long argued that it could be considered unequal treatment that 38 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 39 C. Borzaga and G. Galera, Social Enterprises and their Eco-systems: Developments in Europe, Directorate- General for Employment, Social Affairs and Inclusion, European Commission, 2016. 40 Social Enterprise in Europe – Developing Legal Systems which Support Social Enterprise Growth, European Social Enterprise Law Association, 2015. 41 J.L Monzón Campos and R. Chaves Ávila, The social economy in the European Union, Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), 2012. European added value assessment 18 constitutes unlawful state aid in contravention of free competition rules. In 2011, the Court of Justice of the European Union (CJEU) ruled that the specific tax treatment is justified because social economy entities (cooperatives in the case) are, in principle, different in nature from for-profit companies.42 It could be argued that the same applies to SEs, even if they are not totally not-for-profit, since they are supposed to respect a constraint on benefits distribution and they carry out economic activities the explicit and main purpose of which is to have a positive impact on society. Public support measures cover a variety of areas such as information services, specialist business development support, dedicated financial instruments (such as social investment funds), physical infrastructure (e.g shared working spaces) and collaboration on market access. 1.2.2 EU initiatives Since 2000, the European Commission, the European Parliament,43 the European Economic and Social Committee and the Committee of the Regions have adopted more than 200 texts highlighting the social economy's contribution to employment, entrepreneurial spirit, social inclusion, financial services, rural and local development and social cohesion, inter alia. The EU has taken various legislative measures and policy initiatives aimed at supporting the development of SEs, through the creation of a regulatory policy framework concerning both the legal forms and general enabling policy measures. These initiatives have had mixed results. 1.2.2.1 Legal forms Few advances have been made concerning legal forms. In 1989, the European Commission published its first communication on social economy enterprises, which proposed an EU legal basis to establish EU-wide cooperatives, associations, mutual societies and foundations.44 42 Judgment in joined cases C‑78/08 to C‑80/08, CJEU, 8 September 2011. 43 See European Parliament resolution of 10 September 2015 on Social Entrepreneurship and Social Innovation in combating unemployment, which calls for the necessary framework conditions to be set up for a system of social innovation, facilitating access to public procurement, and improving access to funding; European Parliament resolution of 2 July 2013 on the contribution of cooperatives to overcoming the crisis, in which the Parliament points out the resilience of this type of enterprise in face of the fluctuations of the economic cycle and their critical role in integrating disadvantaged workers; European Parliament resolution of 2 July 2013 on the proposal for a Council regulation on the Statute for a European Foundation (FE); European Parliament resolution of 14 March 2013 with recommendations to the Commission on the Statute for a European mutual society; European Parliament resolution of 20 November 2012 on the Social Business Initiative – Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation; European Parliament resolution of 13 March 2012 on the Statute for a European Cooperative Society with regard to the involvement of employees; European Parliament resolution of 19 February 2009 on social economy. 44 Communication on businesses in the social economy sector, SEC(89) 2187, European Commission, 18.12.1989 Statute for social and solidarity-based enterprises 19 Between the 1990s and 2000, the Council, the European Commission and the European Parliament adopted a series of initiatives directed at promoting the visibility of social economy entities.45 In 2003 the EU adopted a Regulation on the Statute for a European Cooperative Society (SCE) to support the development of the cross-border and transnational activities of cooperatives. Its main aim is to improve European cooperatives' potential to conduct transnational activities. Nevertheless, a few years after this regulation came into force, the results had not been as positive as expected.46 In the same period, the initiative for a European association statute (SAE) did not receive enough support from EU Member States. The European Parliament also supported the establishment of EU-level legal forms for social economy actors in its resolutions on the statute for a European mutual society, on the statute for a European foundation and on the statute for a European cooperative society. In its 2012 resolution on the Social Business Initiative it emphasised the importance of improving the framework conditions for social enterprises, while recognising the diversity of social business models across the Member States. However, the proposal for a statute for a European mutual society and the proposal for a statute for a European foundation, were finally withdrawn by the European Commission owing to lack of institutional support. 1.2.2.2 Regulatory framework Until recently, insufficient attention has been given to the specific features of the regulatory framework for SEs, with the application of competition policy remaining a priority. 2011 however saw an important shift in the European Commission's political agenda regarding SEs. Indeed, with its Social Business Initiative (SBI),47 the European Commission highlighted three priority areas: funding, visibility and legal environment. The SBI listed the policy agenda of the European Commission with 11 key actions. One set of measures are aimed at improving private and public funds. To enhance the interests of private investors in SEs, Regulation (EU) No 346/2013 on European social entrepreneurship funds (EuSEF) was approved. It established a new label (the EuSEF label) that identifies European social entrepreneurship funds. The label highlights the social impact of the beneficiaries of the funds, not their statute or governance, and it requires that at least 70 % of capital received from investors be used in support of social businesses. The regulation has just been revised. A second measure is the ***Programme*** for Employment and Social Innovation (EaSI), established in collaboration with other pre-existing financial initiatives as the EaSI 45 COM(93)650; COM(97)241; COM (2004)18; and Council Decision of 19 January 2001 on guidelines for Member States' employment policies for the year 2001. 46 Study on the implementation of Regulation 1435/2003 on the statute for a European cooperative society, European Commission, 2010. 47 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Social Business Initiative, COM(2011) 682, 25.10.2011 European added value assessment 20 Guarantee Instrument, the EaSI Capacity Building Investments Window and the Social Impact Accelerator (SIA). It provides microcredits with risk-sharing guarantees. Concerning public funds, the promotion of the social economy and social entrepreneurship is included in the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the European Fund for ***Strategic*** Investments (EFSI) – with the EFSI Equity Instrument. Other financial instruments are also available, though not exclusively to SEs, through InnovFin under Horizon 2020 (research and innovation investments for enterprises) and COSME (Competitiveness of Enterprises and Small and Medium-Sized Enterprises). Another set of EU rules relevant to SEs is the EU public procurement framework. The public procurement reform package of 2014 included provisions encouraging public authorities to introduce social considerations in procurement decision-making. More specifically, it allowed for the insertion of certain social clauses in procurement procedures. In a similar vein, the 2012 Services of General Economic Interest (SGEI) package introduced more flexibility for public authorities when providing state aid for SEs in the area of public service compensation. In addition, as highlighted by some contributions, the European Commission is, for the first time, currently implementing a series of measures to support the development of SEs at EU level. Following the publication of its communication 'Europe's next leaders: the Start-up and Scale-up Initiative',48 the European Commission structured its measures around five major pillars: 1. access to funding; 2. access to markets; 3. improving framework conditions; 4. social innovation, technologies and new business models; and the 5. international dimension. The EU is putting more and more effort into designing a policy framework to support the growth of SEs in the internal market. However, and even though the influence of SE in the EU economy is growing, SEs still face a number of challenges, especially when trying to scale up. 48 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions: Europe's next leaders: the Start-up and Scale-up Initiative, COM(2016) 733, 22.11.2016 Statute for social and solidarity-based enterprises 21 2. Main challenges faced by SEs Key findings (1) There is a lack of common understanding of the concept of social economy, leading to a lack of visibility and awareness of SEs. (2) Most EU Member States do not have a comprehensive policy framework specifically targeting SEs. (3) Only a small minority of SEs have systems in place for monitoring social impact. (4) Many SEs have difficulties accessing private finance and public markets, leading to complications for SEs wishing to scale up. (5) SEs that are willing to scale up in the internal market should benefit from an enabling EU policy framework. SEs are developing and are crucial for the EU economy. However, their participation in the internal market remains low. Indeed, SEs encounter a number of challenges in the internal market. The causes and consequences of these challenges are summarised in the problem tree below, and further developed within this section. European added value assessment 22 2.1 Problem drivers 2.1.1 Lack of visibility and awareness According to the study Recent evolutions of the social economy in the European Union, Member States can be divided into three groups depending on their level of recognition of the social economy concept:  Countries in which the concept of the social economy is widely accepted: In Belgium, France, Luxembourg Portugal, and Spain the social economy concept of enjoys a great degree of recognition by public authorities and in the academic and scientific world, as well as in the social economy sector itself.  Countries in which the concept of the social economy enjoys a moderate level of recognition: These include Bulgaria, Cyprus, Denmark, Finland, Greece, Hungary, Ireland, Italy, Poland, Romania, Slovenia, Sweden, and the United Kingdom. In these countries, the concept of the social economy coexists alongside other concepts, such as the non-profit sector, the voluntary sector and social enterprises. In some Member States, such as the United Kingdom, the level of awareness of the social economy contrasts with the government's policy of support for SEs.  Countries where there is little or no recognition of the concept of the social economy: The concept of the social economy is little known, emerging or unknown in the following countries: Austria, Croatia, the Czech Republic, Estonia, Germany, Latvia, Lithuania, Malta, the Netherlands, and Slovakia. The related terms non-profit sector, voluntary sector and non-governmental organisations sector enjoy a relatively greater level of recognition. This lack of a common understanding of the concept of social economy leads to a lack of awareness and understanding, highlighted by the low visibility of SEs in the media and also in statistics. A lack of databases, official statistics and reliable data about SEs emerge in lot of countries, including Austria, Slovakia and Sweden.49 In addition, there is a general misconception about the economic activity conducted by an SE. The term 'social' is often associated with charitable activities and social sector entities rather than entrepreneurship.50 This lack of recognition and understanding of the term 'social enterprise' by the general public, partners and prospective investors as well as customers has a negative effect on the growth and financing prospects of social enterprises.51 49 J.L Monzón and R. Chaves, Recent evolutions of the Social Economy in the European Union, CIRIECInternational – Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017, p.47 50 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 51 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. Statute for social and solidarity-based enterprises 23 2.1.2 Inadequacies of the existing regulatory framework As demonstrated above, the Member States all take different approaches to regulating SEs. This diversity in SE legal forms in the EU exposes companies to a lack of flexibility. SEs expanding in the internal market have to choose a different company form in each Member State. As a result, they have to operate under a different internal organisation and different articles of association in each Member State. They do not have the flexibility to opt for the same internal structure throughout their organisation. For example, a group of SEs present in four Member States will have four different legal forms, each with a different management structure. In contrast, a domestic group of comparable size can apply a single model. In addition, new laws and statutes on SEs are not always fit for purpose or implemented correctly, as seems to be the case of the Spanish social economy law, 52 or in Poland and Portugal, where the recent changes in cooperative laws are not considered adequate for cooperatives.53 Social Economy Europe points out that SEs face administrative and legal difficulties in the EU when they wish to operate across borders, particularly in countries where the creation or operation of certain social economy actors is not envisaged or restricted to certain activities. The lack of legal recognition for all social economy actors in EU legislation means that most EU policies are not designed taking the social economy into account. For that reason, the EU needs to find innovative ways to integrate the social economy into EU legislation and to establish a level playing field that provides all social economy actors with opportunities equivalent to those available to other forms of enterprise.54 In addition, as stated above, most countries do not have a comprehensive array of public support measures specifically targeting SEs.55 As a result, the fiscal framework within which SEs operate is rather complex, often incoherent and fragmented, and an overall and clear policy providing for specific fiscal incentives for SEs is missing. 2.1.3 Absence of common mechanisms for measuring impact Only a small minority of SEs have systems in place for monitoring their social impact. Measurement of social impact is not yet a well-established practice even if some recent 52 J.L Monzón and R. Chaves, Recent evolutions of the Social Economy in the European Union, CIRIECInternational - Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017, p.48 53 J.L Monzón and R Chaves, Recent evolutions of the Social Economy in the European Union, CIRIECInternational - Centre international de recherches et d'information sur l'économie publique, sociale et coopérative, 2017, p.49 54 White Paper – Social Economy... Taking back the initiative – Proposals to make the social economy into a pillar of the European Union, Social Economy Europe, 2015. 55 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. European added value assessment 24 initiatives have made inroads in raising awareness on its importance.56 In addition, there is no clear consensual definition of the concept of social impact, and the metrics and methodologies to carry out the measurement of social impact are numerous but incoherent. Moreover, it is debatable whether quantification, no matter how comprehensive it is, can express the intricate nature of the issues at hand.57 Better measurement of their social impact would help increase awareness of SEs' contribution to society and their visibility. Indeed, one added value of SEs is their positive impact on society and therefore a more systematic monitoring of this element is essential. It is an emerging issue in social entrepreneurship since about half of those individuals who fit the broad definition of social entrepreneurs report that they put substantial effort into measuring the social and environmental impact of their social ventures.58 In addition, the European Commission started to develop a rigorous and systematic method for the measurement of social enterprises' impact on the community, with the creation of the GECES sub-group in October 2012. On 3 June 2014, the GECES adopted a sub-group report,59 which develops a minimum standard process for social impact measurement together with a standard set of criteria that should be exhibited by all social impact measurement reporting. The Social Impact Accelerator (SIA), the first pan- European public-private partnership addressing the need for equity finance to support social enterprises, also developed a methodology for measuring social impact performance in the context of SIA. Finally, it is also worth mentioning that there are a number of initiatives emerging in the banking sector, including that of the European Federation of Ethical and Alternative Banks (FEBEA) on calculating social impact and social return on investment.60 2.1.4 Public spending cuts and general economic conditions Although SEs derive a portion of their revenues from the markets, the public sector remains an important source of income and support. Indeed, SEs' sources of capital vary across the Member States, ranging from models based on donation and grant finance to enterprises with sales and fees as their primary capital sources. The revenue stream is different from one Member State to the next. 56 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015, p.98 57 N. Milotay, Measuring social impact in the EU, EPRS European Parliament, May 2017. 58 N. Bosma, T. Schøtt, S. Terjesen and P. Kew, Global Entrepreneurship Monitor 2015 to 2016: Special Report on Social Entrepreneurship, Global Entrepreneurship Research Association, 2016. 59 Social entrepreneurship expert group, European Commission web site. 60 M. Pedrini, Review of impact assessment methodologies for ethical finance, study commissioned and financed by FEBEA (European Federation of Ethical and Alternative Banks and Finance companies), 2014. Statute for social and solidarity-based enterprises 25 Table 5 – Earned income derived by SEs from market services (competitive public sector contracts included) Market income as a share of total revenues Member States concerned Above 50 % Czech Republic, Finland, France, Italy, UK Less than 50 % Austria, Belgium, Poland, Hungary, Ireland, Slovakia Source: European Commission, 2015. Recent years have seen significant cuts in public spending across the Member States. The Organisation for Economic Cooperation and Development (OECD) has found that decline in real social spending has been greatest in Greece, Italy, Portugal and Hungary.61 For example, in Italy, spending reviews implemented by the government have reduced the availability of public resources in sectors that are fundamental for social enterprises (such as welfare). This has reduced social enterprises' opportunities to expand.62 2.2 Problems As identified above, there is a wide range of interplaying factors inhibiting social enterprise development and growth across the EU. All these problem drivers affect the growth potential of SEs negatively, including by limiting access to finance and markets. Three main obstacles preventing social economy enterprises from taking full advantage of the single market by operating cross-border have been identified: limited access to financing, difficulties in accessing public markets and problems in scaling up. 2.2.1 Difficulties in accessing finance Limited access to finance is one of the main barriers to the growth for SEs. The scaling stage for SEs has been identified by an EU-funded research project as requiring € 100 000 to € 500 000.63 It is indeed more difficult for social enterprises to access mainstream finance and instruments than for small and medium-sized enterprises (SMEs). As the social added value of such enterprises is often difficult to ascertain and measure, the return on investment is not clear for financial institutions, which often rely on short-term exit 61 Social expenditure update – Social spending is falling in some countries, but in many others it remains at historically high levels. Insights from the OECD Social Expenditure database (SOCX), 2014. 62 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 63 How fine-tuned, state-of-the-art hybrid financing packages can build bridges and channel more investment capital into the social entrepreneurship sector, Final Project Report to the European Commission, July, Financing Agency for Social Entrepreneurship, 2015. European added value assessment 26 strategies, traditional ownership structures and a high-return investment logic.64 In addition, because of the financial crisis, banks are following stricter rules to finance enterprises and therefore cooperatives have limited or no access to venture capital on the capital markets and depend primarily on their own members' capital.65 Initial funding often requires social entrepreneurs to use personal funds.66 In some Member States, difficulties are the result of national rules or regulations. For example, not-for-profit social enterprises in Romania have limited access to bank finance on account of national bank rules, placing them in the most risky category as borrowers. In the Czech Republic, organisations are prohibited from using property to guarantee loans.67 In addition, the limited degree to which social enterprises are able to distribute profits to investors inhibits access to equity finance. For example, in France, an investor who makes an equity investment into a société coopérative d'intérêt collectif (SCIC) by purchasing shares will become a 'contributing' member of the SCIC. However, SCIC investors can only receive a 3-4 % rate of return on dividends. On winding up, a SCIC's surplus assets and capital cannot be distributed to members but must be transferred to a public interest organisation.68 2.2.2 Difficulties in accessing public markets Public procurement represents a significant percentage of the EU economy (14 % of GDP).69 It is particularly relevant to social enterprises' scaling trajectory, and may enable them to grow while reducing their dependency on grants. Many studies70 have highlighted the low level of participation of SEs in the EU public procurement market. This is mainly due to the fact that contracts are predominantly awarded with regards to price before, or to the exclusion of, other considerations (including the social value). 71 There also exist other factors that limit access for social enterprises, such as the size of contracts, the common use of framework contracts, prequalification and specification requirements that inhibit competition by requiring long track records or very strong financial positions. Delays in payment for services delivered 64 N. Bosma, T. Schøtt, S. Terjesen and P. Kew, Global Entrepreneurship Monitor 2015 to 2016: Special Report on Social Entrepreneurship, Global Entrepreneurship Research Association, 2016, p.25 65 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 66 N. Bosma, T. Schøtt, S. Terjesen and .P Kew, Global Entrepreneurship Monitor 2015 to 2016: Special Report on Social Entrepreneurship. Global Entrepreneurship Research Association, 2016, p.25 67 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. 68 A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015, p.56 69 Public procurement, European Commission website. 70 D. Pirvu and E. Clipici, Social Enterprises and the EU's Public Procurement Market, Voluntas, 2016. 71 For example, in Bulgaria, Czech Republic, Estonia, Italy and Ireland, according to A map of social enterprises and their eco-systems in Europe, Directorate-General for Employment, Social Affairs and Inclusion, European Commission, 2015. Statute for social and solidarity-based enterprises 27 to public administrations were also named as a factor adversely affecting the sustainability of social enterprises. In addition, traditionally, following the application of competition policy, the introduction of social clauses in public procurement was prohibited. In 2014, the public procurement reform package72 partially changed this. The rules now allow public authorities to include social clauses in procurement procedures – but it remains an option, not an obligation. However, by May 2016, 21 Member States had failed to transpose (or notify) those provisions into their national legislation and the practice of including social criteria in public contracts is not yet very extensive.73 Public procurement is an opportunity that is used mainly by already established and/or large social enterprises. For example, in the United Kingdom, the largest social enterprises – i.e those with an approximate turnover in excess of €6.3 million or £5 million – are three times more likely than smaller ones to rely on the public sector as their main source of income. It is also worth noting that public officials – particularly at local level – may not be familiar with the added value of social enterprises when they evaluate tender offers, and may therefore evaluate them exclusively on value-for-money grounds during the tender processes. That explains why Social Economy Europe used its white paper to urge the European Commission to give Member States and other public authorities guidance on how to include social and environmental considerations in public procurement procedures.74 2.2.3 Difficulties in scaling up SEs need to overcome a set of challenges as they establish and consolidate their activities, but they also face additional challenges once they decide to scale up. While conventional enterprises' main objective is to prioritise profit maximisation or shareholder value, the main aim of social enterprises is to expand and deepen their social impact by creating value for people, communities and society. For SEs, scaling up therefore means finding the most effective and efficient way to increase social impact. Some social enterprises aim to reach a greater number of users or beneficiaries, and therefore aspire to expand their social impact widely (quantitative approach). Others diversify their activities, either to address emerging needs at local level or tackle the same needs from multiple angles. These social enterprises aspire to expand their social impact deeply (qualitative approach).75 In both cases, this could be achieved through two complementary 72 Public procurement strategy, legal rules and implementation, European Commission website. The public procurement package comprised of Directive 2014/24/EU on public procurement, Directive 2014/25/EU on procurement by entities operating in the water, energy, transport and postal services sectors and Directive 2014/23/EU on the award of concession contracts. 73 European Commission – Fact Sheet, May infringements' package: key decisions, 26 May 2016. 74 White Paper Social Economy... Taking back the initiative – Proposals to make the social economy into a pillar of the European Union, Social Economy Europe, 2015. 75 A. Heinecke and J. Mayer, 'Strategies for Scaling in Social Entrepreneurship', Social Entrepreneurship and Social Business, C. Volkman, K.O Tokarski and K. Ernst (eds.), 2012, pp. 191-209. European added value assessment 28 strategies: increasing their presence on the internal market by merging, diversifying or specialising; or opening up new legal entities in other Member States. According to a study by Global Entrepreneurship Monitor, 76 SEs have strong potential to expand into new markets, with 56 % of Eastern European SEs expecting to grow in the next five years. In the UK, the proportion of social enterprise employers that aim to grow is even higher: 78 %.77 However, among this large proportion of SEs willing to expand, only few actually do. This is the case for example in Germany, with only about 6 % of SEs operating at EU level.78 In Scotland, 7 % of social enterprises are collaborating with international partners, and approximately 5 % have exported/licensed goods or services to international markets.79 SEs do not seem to be exploiting the scale and potential of the internal market fully. Further measures could be necessary at EU level to favour the scaling up of SEs in the internal market. EU action should aim to enable the development of a regulatory framework and a specifically tailored financial ecosystem to support SE growth. 76 N. Bosma, T. Schøtt, S. Terjesen and P. Kew, Global Entrepreneurship Monitor 2015 to 2016: Special Report on Social Entrepreneurship, Global Entrepreneurship Research Association, 2016, p.27 77 UK Department for Digital, Culture, Media and Sport Department for Business, Energy and Industrial Strategy Social Enterprise: Market Trends 2017, September 2017. 78 T. Scheuerle, B. Schmitz, W. Spiess-Knafl, R. Schües and S. Richter, 'Mapping social entrepreneurship in Germany – a quantitative analysis', Int. J. Social Entrepreneurship and Innovation, Vol. 3 (6), 2015, pp.484–511. 79 Internationalising Social Enterprise, A Strategy for Scotland, September 2016 Statute for social and solidarity-based enterprises 29 3. Why is EU-level action needed? Key findings (1) An EU framework for SEs would establish a level playing-field. (2) There are different legal bases in the Treaty on the Functioning of the European Union (TFEU) that could be used for the adoption of an EU legal framework for SEs. (3) The main objectives identified above could be reached within the limits of EU competences while respecting the principles of subsidiarity and proportionality. (4) An EU legal framework for SEs could translate into economies of scale for SEs, as they could benefit from access to a larger market, reduced transaction and enforcement costs, and increased visibility. (5) An enabling EU legal framework could also increase consumer confidence in goods and services ***produced*** by SEs, while also reinforcing some of the intrinsic advantages of SEs, thus leading to social added value. SEs contribute to addressing today's key social challenges – including poverty, social exclusion and unemployment and promote sustainable development. 80 Boosting the development of SEs could help to could overcome the challenge of an aging population. The European Commission estimates that in 2060, there will be only two active people (between 15 and 64 years) for each person older than 65, where as in 2013 there were four.81 Elderly people will need more services especially in the sectors of health care and personal services, developing wide opportunities in this area, especially for SEs. Fostering the development of SEs could also potentially help to decrease the unemployment rate by hiring a specific population of workers that would have lower chances on the 'regular' labour market (long-term unemployed, immigrants, disabled, elderly persons, etc.). Between 2003 and 2010, paid employment in the social economy increased by 26.8 %. In Belgium, between 2009 and 2013 there was an 8.3% total increase in paid employment82, whereas in the private sector the increase was only 4.2%. In France, since 2000 the number of jobs created has increased by 24 %, compared with an increase of only 4.5 % in paid-employment in the private sector.83 80 Policy Brief on Scaling the Impact of Social Enterprises – Policies for social entrepreneurship, OECD/European Commission, 2016. 81 The 2015 Ageing Report, European Commission, 2015. 82 Baromètre 2015 des entreprises sociales en Belgique, p38. 83 Économie sociale : Bilan de l'emploi en 2013, ACOSS-URSSAF and CCMSA, 2014. European added value assessment 30 Despite these prospective economic and social benefits, the potential of SEs has yet to be fully realised.84 To facilitate the development of an ecosystem within which SEs can thrive, stakeholders recommend the provision of legal and regulatory frameworks to encourage the creation and development of social enterprises.85 An EU framework for SEs would establish a level playing-field for SEs giving them equal possibilities to add a European dimension to their activities. It would also provide them with adequate legal tools to facilitate their cross border and transnational activities, as well as with a way to group and develop their organisation and activities in the internal market. For an EU measure to be legal and effective, it would require a valid legal basis, and would have to uphold the principles of subsidiarity and proportionality. It would also necessitate clear economic and social added value. The following section will first analyse the feasibility of EU action and then look at the benefits that an EU framework would bring for SEs. 3.1 Legal basis The legal basis for EU action would depend on the content of the proposal put forward. Several options could be envisaged.  Company law: Article 50 TFEU Article 50 TFEU could be the legal basis for a proposal, since it is the legal basis for EU competence in the area of company law and freedom of establishment. If the proposal were to create a new legal company form, Article 50 could be used as the legal basis, provided that it covered for-profit SEs. 86  Flexibility clause: Article 352 TFEU The EU has already created several European legal entities that apply throughout the EU and co-exist with national ones. The legal acts underpinning their creation are based on Article 352 TFEU (previously Article 308).87 This provision provides a legal basis for EU action aiming to attain one of the EU's objectives in the absence of any specific legal basis in the Treaty. The CJEU confirmed88 that Article 352 was the correct legal basis for the European Cooperative Society. By analogy, if the option chosen were to set up a completely new SE legal entity, Article 352 TFEU could be envisaged as the legal basis. 84 Policy Brief on Scaling the Impact of Social Enterprises – Policies for social entrepreneurship, OECD/European Commission, 2016. 85 Social enterprises and the social economy going forward – A call for action from the Commission Expert Group on Social Entrepreneurship (GECES), Commission Expert Group on Social Entrepreneurship (GECES), 2016, p.7 86 In accordance with Article 54 (2) TFEU. 87 Regulation 2157/2001 on the Statute for a European company (SE), Regulation 1435/2003 on the Statute for a European Cooperative Society (SCE). 88 Judgment in case C-436/03 - European Parliament v Council of the European Union, CJEU, 2 May 2006. Statute for social and solidarity-based enterprises 31  Internal market: Article 114 TFEU Should the option be chosen to harmonise Member States' laws on some aspects of their laws on private companies, Article 114 of the TFEU could provide an appropriate legal basis. This provision offers a legal basis for measures whose object is to improve conditions for the establishment and functioning of the internal market. 3.2 Subsidiarity and proportionality As for the legal basis, respect for the subsidiarity and proportionality principles will depend on the option chosen. According to the subsidiarity principle the EU should act only where it can provide better results than ***intervention*** at Member State level. The legal and regulatory frameworks adopted so far by individual Member States with regard to social enterprises have not been coordinated at EU level. It appears that without any action at EU level, only non-harmonised national legal and regulatory frameworks would be available and SEs would continue to face barriers, making their expansion abroad more difficult. The simplification resulting from coordinated or harmonised rules could theoretically be achieved by Member States acting individually, but it is highly unlikely. EU action would create positive synergies that would otherwise not exist. In this context, targeted EU ***intervention*** appears to comply with the principle of subsidiarity. As regards the proportionality principle, EU action should be appropriate to achieve the objectives of the policy pursued and should be limited to what is necessary to achieve them. It is appropriate to coordinate the legal framework of SEs to achieve an increase in the number of SEs scaling up on the internal market. This action should facilitate and encourage SE access to public markets and private finance, without fully harmonising the surrounding regulatory framework (tax issues, employment rules, etc.). This would not go beyond what is necessary, since it would not attempt to fully harmonise all legal aspects of SEs, but be limited to those aspects that are the most important in the crossborder context. Thus the main objectives identified above, namely easing access to public and private finances for SEs to help them with scaling up, could be achieved within the limits of the EU competences while respecting the principles of subsidiarity and proportionality, and without imposing on Member States extensive amendments to their company law regulatory systems. 3.3 Economic added value In addition, an action at EU level would certainly bring economic added value. Indeed, SEs and social entrepreneurs face legal and administrative barriers each time they seek to operate or set up a new SE in another EU Member State. These legal and administrative requirements affect both the creation and the day-to-day operation of businesses. These barriers require companies to dedicate human and financial resources and consequently expose them to significant costs. European added value assessment 32 3.3.1 Economies of scale According to Cecchini89, economies of scale are benefits offered by a single European market. An EU legal framework for SEs could translate into economies of scale for SEs, as they could benefit from access to a larger market, reduced transaction and enforcement costs, and increased visibility. 3.3.1.1 Access to a larger market An EU framework for SEs could help SEs providing goods or services to reach a larger market. With recognition at EU level of SE status, the benefits of that status to SEs could apply across borders. For example, consumers could easily recognise products from a certain SE regardless of the Member State of production; or SEs could be considered in public procurement with social clauses in EU Member States other than their own. It is clear that SEs are also concerned about customers, suppliers, entry barriers, substitutes, competition, and the economics of the venture.90 The main difference with commercial enterprises is that their primary focus is not on economic returns but on social returns. Having the possibility to reach a wider market would most certainly help SEs to scale up. 3.3.1.2 Reduced transaction and enforcements costs All SEs wishing either to extend activities across borders or set up new entities in another Member State are affected by administrative and legal burdens. These administrative and legal burdens are proportionately much heavier for smaller companies and their founders, who often have fewer financial and human resources than large companies. Having an EU legal framework could help reduce compliance costs when setting up a new SE. The administrative costs associated registering a new legal entity would be reduced, together with the fees for expert legal advice,91 and other costs relating to accounting, auditing, financial reporting, tax-filing, compliance, human resource management, information technology, and cash management. The above-mentioned costs associated with the creation of a company, excluding capital, can run up to levels that can deter company formation in some markets. In 2008, the European Commission referred to a Baker & McKenzie study, which estimated that a total of €28 550 was required in Belgium, €20 500 in the Netherlands, and € 16 500 in Italy, to set up a small company. 92 When it comes to the day-to-day operation of companies in various Member States, the compliance costs are on average €2 300 a year. 93 89 P. Cecchini, 'Europe 1992: The overall challenge.' SEC (88) 524, 1988. 90 J. Austin, H. Stevenson and J. Wei-Skillern, 'Social and commercial entrepreneurship: same, different, or both?', Revista de Administração, 2012. 91 Including advice on the legal entity form and/or the drafting of articles of association. 92 European Commission staff working document accompanying the proposal for a Council regulation on the Statute for a European Private Company (SPE), Impact assessment, SEC(2008) 2098. 93 European Commission staff working document accompanying the proposal for a Council regulation on the Statute for a European Private Company (SPE), Impact assessment, SEC(2008) 2098. Statute for social and solidarity-based enterprises 33 3.3.1.3 Increased visibility Evidence from behavioural economics suggests that under certain circumstances, consumers prefer goods or services that have a social value dimension, rather than a purely commercial one. A recent study by Deloitte points in the same direction.94 Creating customer value would benefit SEs by providing new opportunities in an enlarged market. 3.3.2 Leverage effect An EU framework for SEs would also have a multiplier effect,95 understood as the economic impact generated, including indirect impacts not directly related to the activity.96 Potentially, creating a new legal form would have a leverage effect in those Member States where there is currently no legal and/or regulatory framework. It would also raise interest in SEs at EU level and encourage national governments to be more innovative and encouraging in supporting SEs by creating and securing supportive policy frameworks. 3.4 Social added value 3.4.1 Consumers A strong EU framework regulating SEs would forbid the use of any 'fake' SE label. At the same time, it would provide consumers with the guarantee that wherever they bought a product or used a service with the certification mark, it would be a product or service coming from an SE that had been registered as such because it complied with the EU specification. This would certainly increase consumer confidence in goods and services ***produced*** by SEs. 3.4.2 Improving social policies A clear EU framework on SEs would enable them to reach their full potential, reinforcing some of their intrinsic advantages. As SEs work to improve the quality of employment and working conditions, reduce regional differences, and reconnect disadvantaged groups (immigrants, the elderly, groups suffering discrimination, and disabled people, etc.) with the remainder of society,97 a clear EU framework would support these policies. 94 Big demands and high expectations: The Deloitte Millennial Survey, 2014. 95 M. Albert and R.J Ball, Towards European Economic Recovery in the 1980s: Report Presented to the European Parliament, Working Documents 1983-1984, 1983. 96 J Núñez Ferrer and EA Kaditi, 'The EU added value of ***agricultural*** expenditure–from market to multifunctionality–gathering criticism and success stories of the CAP.' Report prepared by the Centre for European Policy Studies for the European Parliament, CEPS, 2008. 97 S. Barco Serrano, G. Hahn and G. Pastorelli, A better future – Results of the network for better future of social economy, Ministry of Regional Development of Poland, Department for European Social Fund Management, 2012. European added value assessment 34 4. Policy options Key findings (1) No action, (policy option 1) seems to fail to address the specific needs of SEs that want to scale up, would not resolve legal uncertainty and does not appear sufficiently effective. (2) A minimum harmonisation directive setting out some of the main features that an SE should encompass (policy option 2) could help to address some of the challenges, but might not be effective enough. Indeed, a generic framework might not fit each SE characteristic, and would not give a marketing incentive to send signals to consumers that products came from an SE, not therefore improving visibility or awareness. (3) The creation of an EU certification/label system (policy option 3) appears to be the most acceptable approach, with a good balance between legal certainty and flexibility. In addition, a certificate or a label would help social enterprises to distinguish themselves from other businesses. It would save SEs costs as they would not have to register in each Member State to have their social condition recognised, while being able to choose the legal form under which they preferred to conduct their business. (4) The addition of a new supranational legal form for SEs (policy option 4) would seem to leave Member States and SEs little flexibility in an innovative field that is currently evolving. Furthermore, in the absence of political acceptability, this policy option appears unlikely to materialise. Having ascertained that an EU legal framework for SEs is both necessary and appropriate, the subsequent topic is the possible form that ad hoc SE legislation might take. The comparative analysis conducted in the next section of this study will examine this point. It is assumed that SEs will continue to grow, but the rate at which this will happens will depend on the legal regime applicable. For the baseline scenario, we assume that the existing law remains as it is, with no particular adaptation. We then develop a number of scenarios to represent the impact of different legal regimes on the rollout and take-up of SE. Quantification of these effects is beyond the scope of this study. Only overall impacts are calculated. Statute for social and solidarity-based enterprises 35 4.1 Options and their impacts Based on the analysis of the existing literature and current rules in the EU Member States, the following policy options were identified: Table 6 – Policy options Policy option 1: 'No action' Baseline scenario, Maintaining the status quo The existing framework comprised of various EU Member States' rules would be maintained, with no additional EU action. Policy option 2: Minimum harmonisation This option would seek, through legally binding EU legislation, to align national rules, including minimum elements of SE definition. However, Member States would still be able to regulate issues related to specific legal form, internal organisation and financing. Policy option 3: Certification / label system This option would seek to introduce a voluntary system of certification/labelling. In addition to the current framework, the EU would introduce a system where SEs could apply for a certificate of recognition of SE status. The granting of this certificate would be based on a set of minimum criteria under which a specific company could be recognised as an SE. All EU Member States would recognise this certificate. Policy option 4: Supranational legal form This option would seek, through legally binding EU legislation, to create a new EU legal form for SEs. If chosen, this legal form needs to be as simple as possible to give the possibility for a regulatory simplification in all the Member States. Source: Author's own summary. For each policy option, a qualitative cost-benefit analysis taking into account the various stakeholders (SEs, workers, customers, investors and the State) is provided. 4.1.1 Policy option 1: no action This policy option implies that the existing framework comprised of various EU Member States' rules would remain, with no additional EU action. As described in Chapter 3, the existing framework fails to address the specific needs of SEs that want to scale up, and is not therefore sufficiently effective. It does not ensure the level of consistency and flexibility that would enable SEs to scale up in the internal market, whether by setting up subsidiaries or by operating in another Member State. European added value assessment 36 In addition, this option seems politically unsatisfactory since there is a growing consensus that SEs do not currently benefit sufficiently from the advantages of the internal market.98 4.1.2 Policy option 2: minimum harmonisation This policy option would seek, through legally binding EU legislation, such as a directive, to align national rules, in part by including minimum elements of a definition for SEs. A directive could be introduced, requiring all EU Member States to incorporate in their national legislation at least one legal form for SEs. The directive could contain the minimum criteria to be included by the Member States in their national legislation for an enterprise to qualify as an SE. However, Member States would still be able to regulate issues related to the name given to such enterprises, their internal organisation, financing, or certain non-essential constitutive elements. This option would imply the existence in all Member States of a specific legal form for SEs. Coordination among Member States would be improved, as they would be required to amend or introduce to their national legal systems identical requirements for a company to qualify as an SE. A minimum harmonisation directive would introduce a specific and (partially) harmonised law on SE in all the Member States, including, therefore, those that still lack such legislation. It would also create incentives for Member States to develop further policy framework for SEs, such as fiscal policy, public procurement, or competition law, if not already existing. The directive could concentrate on the essential elements of SE identity, leaving the other aspects of regulation to the national law of each Member State. The most likely form for the directive would be to set the criteria for convergence between the EU's SEs. A specific legal identity under organisational law would permit, not least, the establishment of clearer boundaries between SE and other concepts, such as, notably, corporate social responsibility. 98 The Commission Expert Group on Social Entrepreneurship (GECES) called among other things for EU action, as they considered the previous SBI not to have achieved its intended results. Statute for social and solidarity-based enterprises 37 Table 7 – Qualitative cost-benefit analysis for policy option 2 Benefits Costs SE  Some existing SEs could endorse the new status without changing their legal entity  Legal certainty (especially where no regulation already exists)  Clear legislation is an incentive to start and develop an SE  Prevention of the establishment and operation of 'false' SEs  No additional registration fee – as would be the case for certification/a label  The need to monitoring the law for modifications  A generic framework might not fit each SE characteristic  No marketing incentive to send signals to consumers that the product comes from an SE  No improvement to visibility or awareness Investors  Better investment protection, the use of the term 'SE' being guaranteed by a legal standard  Increased visibility, especially for international or pan-European investors  No clear signal effect on the quality of the goods or services  No clear signal effect on the type of firms Consumers  No additional cost to bear  Better protection, the use of the term 'SE' being guaranteed by a legal standard  If no information on the product: consumers do not know what they are buying State  Improvement of SEs' statistics  Easier to identify SE for the design of specific public policies in support of SEs, notably, tax, public procurement, or competition law  Easier justification of national policies under EU competition and state aid law  Harmonisation of local and national levels  Transposition costs Source: Author's own summary. 4.1.3 Policy option 3: certification/label regime Policy option 3 would seek to introduce a voluntary system of certification/labelling. In addition to the current framework, the EU would introduce a system where SEs could apply for a certificate of recognition of SE status. The granting of this certificate would be based on a set of minimum criteria under which a specific company could be recognised as an SE. All EU Member States would recognise this certification/label. The European Commission Working Group recommended adopting a soft legal measure that could help Member States design an adequate framework to support the European added value assessment 38 flourishing and expansion of social enterprises.99 This could certainly be achieved by adopting a social enterprise certificate/label, which could be used by a variety of legal entities if they complied with given criteria. A certificate or a label would help social enterprises to distinguish themselves from other businesses and send a clear signal to consumers and investors. For the certificate or label to be effective, it should present a good certification system, without conflicts of interest, but the system should also be transparent, information on the content and the organisation behind the label should be accessible and there should be opportunities for public comment. It should also be well known, distinctive and unique. There are currently many different types of label and certificate either identifying the social aim of an SE, or a specific sector where the SE is acting.100 To avoid the duplication of different and divergent certificates/labels, the EU should create and monitor the certification/label system so as not to constrain SE freedom needlessly, but rather enable SEs to affirm and make their distinct identities visible, and benefit accordingly. Whether this initiative should take the form of a certificate or a label should be further studied.101 Table 8 – Qualitative cost-benefit analysis for policy option 3 Benefits Costs SE  Ensuring a common identity and allowing SEs to enjoy exclusive rights over the denomination of 'social enterprise', thus preventing organisations that are not SEs from using it and allowing social entrepreneurs to distinguish their own initiatives in front of various stakeholders (e.g customers, employees, investors, volunteers, donors, public institutions, etc.)  Saving SEs costs, as they would not have to register in each Member State to have their social nature recognised  No automatic accompanying policy (such as tax exemption)  Increased competition (every firm can be compared)  Registration costs  No additional protection  Lack of mutual recognition of labels at global level  Labels and marks should be treated with caution, however, as they may have negative effects on social enterprises in specific cultural contexts.108 99 Social enterprises and the social economy going forward – A call for action from the Commission Expert Group on Social Entrepreneurship (GECES), Commission Expert Group on Social Entrepreneurship (GECES), 2016. 100 For example the green economy with the label Ecocert for Belgium. 101 According to the FAO, while a certificate is a form of communication between seller and buyer, a label is a form of communication with the end consumer. 108 Policy Brief on Scaling the Impact of Social Enterprises – Policies for social entrepreneurship, OECD/European Commission, 2016. Statute for social and solidarity-based enterprises 39  Creating niche markets where higher prices may be obtained102. In the fair trade labelling case, the cost is increased for consumers but their willingness to pay also increases;103 generating increased demand for ethical products104  Attracting and retaining consumer loyalty, generating fidelity and trust among customers  Helping development of a network and/or exchange of good practices and encouraging cooperation between economic actors, civil society and Member States  Giving SEs the choice of whether or not to belong to the SE label denomination  Allowing SEs to choose the legal form under which they prefer to conduct their business 105  Increasing consumer awareness; indeed, many consumers only learned about the existence of organic farming methods through the label and the associated publicity  Permitting existing organisations to become an SE without having to re-incorporate as an SE, and allowing an existing SE to lose its status as an SE without having to 102 Several studies have tried to model the effects of labelling on demand, prices and production levels, including G. Stigler, 'The economics of information', The Journal of Political Economy, Vol. 69 (3), 1961. A. Mattoo and H.V Singh, Eco-Labelling: Policy Considerations, Kyklos, Vol.47, 1994, and R.A Sedjo and S.K Swallow, Eco-labeling and the Price Premium, 1999, studied eco-labelling in a partial equilibrium model. S. Marette, J. Crespi and A. Schiavana in 'The Role of Common Labelling in a Context of Asymmetric Information', European Review of ***Agricultural*** Economics, 1999, Vol. 26 (2), pp.167-78, use cartel theory, and C.F Mason, on 'The economics of eco-labelling', International Review of Environmental and Resource Economics, Vol. 6(4), University of Wyoming, 2002, models certification as a noisy test. 103 A.P Carlson, Are Consumers Willing to Pay More for Fair Trade Certified Coffee?, Working Paper (University of Notre Dame), 2015. 104 J. Hainmueller, M.J Hiscox, and S. Sequeira, 'Consumer demand for Fair Trade: Evidence from a Multi- Store Field Experiment.', Review of Economics and Statistics, Volume 97, Issue 2, 2015. 105 Moreover, nothing prevents legislators from providing different treatment for SEs established in different forms; for example, to favour, under tax law or policy measures, an SE in the cooperative form, in consideration of its democratic nature as compared to an SE in the company form. European added value assessment 40 dissolve, convert into, or reincorporate in another legal form, thereby reducing costs and facilitating access to (and exit from) the SE legal denomination106  Permitting SEs to shape their structure in the most suitable manner, according to the circumstances (e.g , the nature of the founders or members: workers, investors, first-degree SEs, etc.), the (cultural, historical, etc.) tradition where it has its roots (e.g associations or cooperatives), or the type of business to conduct (e.g , labourintensive or capital-intensive) thereby taking advantage of the benefits that each of these legal forms is capable of conferring  Offering support, aiming at improving knowledge levels and market transparency, certification/labelling lower the costs, especially transaction costs107 Investors  Increased knowledge of the firm (signal effect) Consumers  Reduced information costs  Increased confidence in product  Decreasing the number of labels and improving clarity and trust: a single EU label would make it easier for EU consumers to understand and visualise what they wanted to buy.  In some cases, increased product costs State  No regulation cost  Imposing sanctions may be simpler for the authority enforcing the SE status (and less onerous for the organisation), because it may suffice to revoke the SE qualification (or threaten 106 K.E Sørensen and M. Neville, 'Social Enterprises: How Should Company Law Balance Flexibility and Credibility?', European Business Organization Law Review, 2014. 107 A. Perrels, Efficiency and effectiveness of policy instruments: concepts and practice, 2015. Statute for social and solidarity-based enterprises 41 to revoke it if irregularities were not addressed), instead of dissolving or converting a legal entity.109 Source: Author's own summary. 4.1.4 Policy option 4: full harmonisation This option would seek, by means of a regulation, to create a new EU legal form for SEs. This legal form would be additional to those already existing in the Member States. If chosen, this legal form would need to be as simple as possible to allow for regulatory simplification in all the Member States. Table 9 – Qualitative cost-benefit analysis for policy option 4 Benefits Costs SE  Legal certainty  Clear legislation is an incentive to start and develop SE  Possibility of accompanying policy (like tax exemption)  Better awareness  No additional registration cost  Existing SEs have to change their legal entity  Generic framework may not fit each SE characteristic  No clear signal effect on the quality of the goods or services  No marketing incentive to send signals to consumers that the product comes from an SE  Rigidity of one SE status Investors  Increased knowledge of the firm (signal effect)  No clear signal effect on the type of firm Consumers  No additional cost to bear  With no information on the product, consumers do not know what they are buying.  Not necessarily an external recognisable sign State  Improvement of SE statistics  Easier to identify SE for public procurement procedures  Harmonisation of local and national levels  Regulation costs Source: Author's own summary. 4.2 Comparative analysis of the impacts As accurate and precise data was very difficult to collect (see methodology section), the impacts of the various options will be analysed through a multicriteria analysis. This analysis aims to compare the various policy options according to a variety of criteria and 109 K.E Sørensen and M. Neville, 'Social Enterprises: How Should Company Law Balance Flexibility and Credibility?', European Business Organization Law Review, 2014. European added value assessment 42 policies. As the aim is here to find out which of the exploratory scenarios best matches decision makers' expectations, the method is considered to be appropriate. Five qualitative measurable indicators of direct impacts are used to comparatively assess the four chosen policy options. Both legal certainty and legal adaptability, as the two corresponding aims that lawmakers need to balance, are assessed.110 Efficiency, effectiveness and acceptability, as substantive values to be achieved by a policy, are also thoroughly evaluated. 4.2.1 Legal certainty and predictability Legal certainty is one of the general principles of the European Union.111 As a general principle, it means that the law must be certain, in that it is clear and precise, and its legal implications foreseeable. In our particular policy analysis context, it refers to the degree of stability, predictability and certainty for SEs regarding applicable rules. The more clear and precise the rule is, the stronger the legal certainty will be. The current situation (policy option 1) is not predictable enough, as it is difficult for SEs to find the applicable set of rules. Indeed, it involves national (sometimes even regional) legislation on the setting up of SEs, a private institution for labelling, and EU rules relating to public procurement or financing. In some Member States, SEs first have to set up a legal entity, before knowing if they will qualify for the SE appellation. With a directive (policy option 2), the need for national transposition might lead to a loss in legal certainty. Indeed, each Member State could transpose the directive in a slightly different way, leading to a difficult uniform interpretation of the rules. However, the CJEU could ensure, a posteriori, that all national rules follow the same objectives. The creation of an EU certificate/label (policy option 3) could reinforce legal certainty. Indeed, by introducing a clear EU definition and removing ambiguities, SEs would be able to better predict whether they belonged to this given category or not. They would be better able to ***plan*** growth at EU level, knowing that they would enjoy the same recognition in all EU Member States. A legislative EU framework harmonising the legal status of SEs (policy option 4) would definitely be the most predictable option, for SEs, investors, consumers, and Member States. The regulation would then be the same in every EU Member State, directly applicable, and uniformly interpreted by the CJEU. 4.2.2 Flexibility Legal flexibility should balance the need for legal certainty. Indeed, social entrepreneurs also need flexibility, notably regarding the formation, functioning and operation of their 110 M. Fenwick, M. Siems and S. Wrbka, The Shifting Meaning of Legal Certainty in Comparative and Transnational Law, Oxford: Hart Publishing, 2017, pp. 115-134. 111 Judgments in cases C-7/56 – Algera, CJEU, 12 July 1957; C-42/59 – SNUPAT, CJEU, 22 March 1961; and C-265/78 Ferwerda, CJEU, 5 March 1980. Statute for social and solidarity-based enterprises 43 business. In addition, it has to be kept in mind that 'the diversity and openness of the concept [of SE] are probably some of the reasons for its success'. 112 The current situation (policy option 1) leaves maximum flexibility in a majority of Member States, as the social entrepreneurs can chose between a lot of different legal forms and/or statuses. On the contrary, having only one EU legal status for SEs (policy option 4) would lead to extreme rigidity. Moreover, national legislation has failed to boost social enterprise replicability when legislation and concepts embedded in legislation were transplanted from other countries/contexts with a significantly different history/tradition (as was, for example, the case in Slovenia) or were excessively rigid (e.g French legislation on SCICs). 113 Embedding all legal culture and traditions into one legal instrument does not seem desirable or even possible. Introducing some common definition elements in all EU Member States (policy option 2) implies the existence of a specific SE legal form and/or status in all Member States. Even if a directive would leave some or a wide margin of flexibility, depending on the final content of the instrument, for the Member States, the requirement of a specific legal form and/or status for SE could appear as a form of rigidity. Having a certification/label system (policy option 3) would leave maximum flexibility to social entrepreneurs. Indeed, they would still be able to choose the legal form they felt corresponded best to their business needs, while conferring upon them strong recognition as social actors. In addition, the acquisition or loss of the SE certification/label would be easier than with other options. 4.2.3 Efficiency Efficiency is the ratio of inputs to outputs. Policies that achieve more of a desired goal at a lower cost are more efficient. For SEs, a monetary quantification of the policy's outputs and outcomes is problematic and would be based on controversial assumptions. This assessment of efficiency therefore focuses on maximisation of satisfaction by society. Policy option 1, would not require any additional inputs. However, this policy option is not expected to create any additional outputs either. On the other hand, creating an EU legal framework, whether thanks to a directive (policy option 2), certification/labelling (policy option 3) or a regulation (policy option 4) would establish stable and reliable investment conditions for social entrepreneurs. All three options would also lead to long-term perspectives contributing to dynamic efficiency. 112 J. Defourny and M. Nyssens, The EMES Approach of social enterprise in a comparative perspective, WP No 12/03, 2012. 113 C. Borzaga and G. Galera, Social Enterprises and their Eco-systems: Developments in Europe, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2016, p.14 European added value assessment 44 However, the drafting of an EU directive, and its transposition into 28 national legislations (policy option 2) would lead to regulatory costs. In some cases, it could also lead to the requirement, for some enterprises, to change their legal form. The drafting of certification/labelling criteria and the maintenance of the system (policy option 3) would also imply regulatory costs. However, SEs' transaction costs, leading to static efficiency, would be minor, as they would not have to adopt a new legal form. Indeed, certification schemes can be used by all corporate forms, provided company legislation allows the pursuit of social purposes. Certification does not require reincorporation as a new form of company (which can entail significant costs). With policy option 4, SEs would, in most cases (especially in countries where there is currently no specific legal form for SEs), have to adopt a new legal form. The regulatory and transaction costs would then be quite high for doubtful increases in output. Indeed, whereas clear legislation is an incentive to start and develop SEs, the requirement to adopt of a specific SE legal form could hamper the development of SEs. 4.2.4 Effectiveness The effectiveness refers to the extent to which a policy achieves its goals. A policy approach is considered to work when it solves, reduces or ameliorates the problem or problems that prompted lawmakers to adopt it in the first place. As no policy change (policy option 1) would certainly not result in an increase of in the number of SEs doing cross border business or an increase in their scaling up, this policy option does not seem effective. Recognising a specific form, whether through national legislation (policy option 2), certification/labelling (policy option 3) or regulation (policy option 4) would most probably be effective in boosting visibility; but at the same time it could overshadow all the types that do not enjoy formal recognition. In Italy and Poland, social cooperatives registered a dramatic increase in number right after the introduction of specific legal acts. Conversely, cooperative adjustment was disappointing overall in France.114 A specific formal recognition through a certification/labelling (policy option 3) or a regulation (policy option 4) would also ensure a common identity and allow SEs to enjoy exclusive rights over the 'social enterprise' denomination. It would prevent organisations that were not SEs from using it and allow social entrepreneurs to distinguish their own initiatives vis à vis various stakeholders (e.g customers, employees, investors, volunteers, donors, public institutions, etc.). Both options would also help Member States in the creation and/or maintenance of key statistical databases. It would also certainly be easier for public authorities to identify SE for public procurement procedures, thus helping SEs to access finance. 114 C. Borzaga, G. Galera, Social Enterprises and their Eco-systems: Developments in Europe, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2016, p.22 Statute for social and solidarity-based enterprises 45 In addition, certification/labelling (policy option 3), would save SEs the cost of having to register in each Member State to have their social condition recognised. It would permit existing organisations to become SEs without having to re-incorporate as SEs, and existing SEs to lose their SE status without having to dissolve, convert into, or reincorporate in another legal form, thereby reducing costs and facilitating access to (and exit from) the SE legal denomination. Imposing sanctions may be simpler for the authority enforcing SE status (and also less onerous), because it might suffice to revoke SE qualification (or threaten to revoke it if irregularities were not addressed), instead of dissolving or converting a legal entity. Finally, an EU certification/labelling scheme would decrease the number of already existing labels, improving clarity and trust. The introduction of a completely new legislative form is unlikely to be very effective. Indeed, the adoption of the European cooperative society should serve as a lesson. The European Commission report on 'the application of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE)'115 notes that only seven SCEs could be considered as 'social cooperatives' or social enterprises. The lack of success of this initiative should not be replicated. 4.2.5 Acceptability Political acceptability is primarily an instrumental criterion that is a means to achieving other values because it is critical to the success of a public policy.116 There is a lot of literature on the need for EU action. This implies that the status quo (policy option 1) is not currently well accepted among scholars, stakeholders and to a certain extent policy makers too. The European Parliament asked the 'Commission to establish clear rules to identify which entities can legally operate as social economy enterprises'.117 This could be achieved through the adoption of a minimum harmonisation directive (policy option 2) or the setting up of a certification/labelling scheme (policy option 3). This latest option also benefitting from support from an increasing number of scholars.118 However, the creation of a new regime, with the adoption of an EU regulation (policy option 4), seems highly unlikely. There is indeed a very negative atmosphere when EU lawmakers talk about the introduction of additional EU legal entities. In the last few years, the debates around the European Association, the European Foundation, the European Mutual Society, and the European Private Company have been very complicated. The process of their adoption has been officially suspended or interrupted, mainly owing to the fact that Members States show the same negative attitude towards 115 Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of Regions on The application of Council Regulation (EC) No 1435/2003 of 22 July 2003 on the Statute for a European Cooperative Society (SCE), COM(2012) 072, 23.2.2012, p.12 116 C.H Rossell, Using multiple criteria to evaluate public policies, Boston University, 1993. 117 European Parliament resolution of 19 February 2009 on Social Economy (2008/2250(INI)). 118 Cf., in particular, K.E Sørensen and M. Neville, 'Social Enterprises: How Should Company Law Balance Flexibility and Credibility?', European Business Organization Law Review, 2014. European added value assessment 46 EU organisational law that they harbour towards harmonisation directives in company law. This climate, of course, infuses pessimism about the introduction of an EU statute on SEs. Table 10 – Comparative analysis of the impacts Legal certainty Flexibility Efficiency Effectiveness Political acceptability Policy Option 1: baseline scenario, maintaining the status quo -- ++ = -- + Policy Option 2: directive with minimum elements of definition + + - + + Policy Option 3: certification + ++ + ++ ++ Policy Option 4: fully harmonised legislation ++ -- - - -- Key: '--' highly negative; '--' negative; '++' highly positive; '+' positive; '=' neutral Source: Author's own summary. 4.3 Conclusion According to the multicriteria analysis performed, creating an EU certification/label scheme seems to be the best available strategy. It would ensure the best balance between legal certainty and flexibility. In addition, it would allow SEs to distinguish themselves from other businesses, without having to register in each Member State to have their social condition recognised, while allowing them to choose the legal form under which they prefer to conduct their business, provided they respect certain basic criteria. Nevertheless, whichever model of SE legislation is adopted, the legal identity legislators should assign to SEs remains a fundamental question. However, legislation is often of limited effectiveness without associated policies. In addition to the legal recognition that could be given to SEs by an EU framework, a range of possible measures at EU level to support the development of SEs could be envisaged. A common EU approach to the legal status could be a precondition for addressing other problems relating to the development of SEs, including increased funding, easing access to public procurement or fostering cooperation between EU SEs. 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This is a publication of the Ex-Post Impact Assessment Unit EPRS | European Parliamentary Research Service European Parliament This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament. PE 611.030 ISBN 978-92-846-2323-5 DOI 10.2861/382841 QA-07-17-097-EN-N [*www.europarl.europa.eu/thinktank*](http://www.europarl.europa.eu/thinktank) (Internet)    [*www.epthinktank.eu*](http://www.epthinktank.eu) (blog)    [*www.eprs.sso.ep.parl.union.eu*](http://www.eprs.sso.ep.parl.union.eu) (Intranet) There are a number of weaknesses in the existing national legal frameworks regarding social enterprises and this European added value assessment (EAVA) attempts to identify them. It goes on to argue that action at EU level would generate economic and social added value and presents a qualitative analysis of possible policy options and qualitative estimates of the possible additional value of taking legislative action at EU level in connection with a statute on social enterprises. The EAVA also identifies the economic and social costs associated with the implementation of each one of the identified options. Finally, it compares the various options on the basis of a set of criteria.

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**Body**

Invesco Perpetual Select Trust plc

Annual Financial Report Announcement

Year Ended 31 May 2017

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FINANCIAL PERFORMANCE

CUMULATIVE TOTAL RETURNS TO 31 MAY 2017

|  |  |  |  |
| --- | --- | --- | --- |
| UK Equity Portfolio | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 22.0% | 38.9% | 134.6% |
| Share Price | 22.5% | 40.3% | 150.4% |
| FTSE All-Share Index | 24.5% | 25.4% | 77.6% |

|  |  |  |  |
| --- | --- | --- | --- |
| Global Equity Income Portfolio | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 29.2% | 45.9% | 114.3% |
| Share Price | 31.1% | 47.8% | 124.8% |
| MSCI World Index (£) | 31.3% | 53.6% | 114.0% |

|  |  |  |  |
| --- | --- | --- | --- |
| Balanced Risk Portfolio | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 9.7% | 13.8% | 30.7% |
| Share Price | 11.9% | 15.1% | 45.1% |
| Merrill Lynch 3 month LIBOR +5% pa | 5.5% | 16.6% | 27.9% |

|  |  |  |  |
| --- | --- | --- | --- |
| Managed Liquidity Portfolio | ONE  YEAR | THREE  YEARS | FIVE  YEARS |
| Net Asset Value | 0.0% | -0.2% | 0.6% |
| Share Price | 0.5% | 0.1% | 1.8% |

Source: Thomson Reuters Datastream.

YEAR END NET ASSET VALUE, SHARE PRICE AND DISCOUNT

|  |  |  |  |
| --- | --- | --- | --- |
| SHARE CLASS | NET ASSET  VALUE  (PENCE) | SHARE  PRICE  (PENCE) | DISCOUNT |
| UK Equity | 193.5 | 192.0 | 0.8% |
| Global Equity Income | 198.6 | 197.5 | 0.6% |
| Balanced Risk | 134.7 | 133.5 | 0.9% |
| Managed Liquidity | 103.2 | 101.5 | 1.6% |

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CHAIRMAN'S STATEMENT

The Company

The Company's investment objective is to provide shareholders with a choice of investment strategies and policies, each intended to generate attractive risk-adjusted returns.

The Company's share capital comprises four share classes: UK Equity Shares, Global Equity Income Shares, Balanced Risk Shares and Managed Liquidity Shares, each of which has its own separate portfolio of assets and attributable liabilities.

The investment objectives and policies of all of the Portfolios are set out on pages 28 to 31.

The Company enables shareholders to adjust their asset allocation to reflect their view of prevailing market conditions. As set out on the inside of the front cover, shareholders have the opportunity to convert between share classes, free of capital gains tax, every three months.

Performance

The NAV total return of the UK Equity Portfolio over the year was +22.0%, which compares with the total return of +24.5% posted by the FTSE All-Share Index.

The NAV total return of the Global Equity Income Portfolio over the year was +29.2%, compared with the MSCI World Index (£), net of withholding tax, return of +31.3%.

The Balanced Risk Portfolio returned +9.7% compared with the total return of +5.5% for its benchmark of 3 months LIBOR plus 5% per annum.

The Managed Liquidity Portfolio performance continued to be affected by the ongoing low interest environment, with an NAV total return of 0.0%.

The performance of equity markets in the year was in marked contrast to the previous year. The MSCI World Index rose by 31.3% whereas over the previous year it had only risen 0.7%. From the perspective of a sterling investor there were three main contributors, the devaluation of sterling after the UK's vote to leave the European Union, the realisation that growth and corporate profits were generally improving worldwide and the continuation of easy money policies sustaining valuations. The political scene oscillated with the populist results of the UK referendum and the US Presidential election contrasting with the French Presidential election and local results in Germany. However, the turmoil in the US under the Trump administration has clearly created greater international uncertainty from which both China and Russia have particularly benefited.

Significant contributors to the Global Equity Income Portfolio's slight underperformance relative to its benchmark were the positions in major drug companies and the underweight in commodity-based companies. The UK Equity Portfolio had a much better second half to the year as the outperformance of commodity-based companies faded, though this was not sufficient to erase the difficulties of the first half. Its longer-term performance remains excellent. The Balanced Risk Portfolio had a good year, outperforming its benchmark of 3 month Libor plus 5%, and maintaining that position for the last five years overall. It has performed much better than many of its competitors who seek to provide stable returns with relatively low correlations, particularly to equity markets. However, such "risk parity" strategies have remained unpopular in the UK, in contrast to the US, even though other absolute return funds have attracted substantial inflows. It remains a tax-efficient share class with some of the characteristics of a zero dividend preference share with higher volatility but without any prior charges ranking above it. The Managed Liquidity Portfolio was inevitably and appropriately dominated by the continuing very low level of short term interest rates.

Outlook

There is a marked divergence between the economic outlook and the political scene worldwide. Economically the picture is improving almost everywhere, with the UK as a possible exception, and the OECD has generally raised its growth forecasts. Employment is rising and there are signs of greater wage growth, though generally either regionally or skill-based rather than economy-wide. In consequence it seems reasonable to expect a rebalancing of economic policy, at least by independent central banks, away from the exceptionally easy money policies which have dominated since 2008. However, more accommodative fiscal policies look more distant, particularly in the US and UK which are both deadlocked politically. Regionally, the biggest changes are in Europe, where the Eurozone is finally growing more evenly and reducing the stresses caused by the Euro and in the UK, where growth now appears to be under pressure.

Politically the scene is much more dramatic. The unexpected combination in the UK of an inconclusive General Election and the difficulties and uncertainties of "Brexit" make for a very problematic outlook, both politically and economically as major uncertainties persist, no matter who is in government. While this may well mean that a potential "Brexit" is softer it is likely to make the negotiations and their implementation extremely difficult. My plea in an earlier statement that the US system should remain dysfunctional if Donald Trump became President has been answered positively to an embarrassing extent. Domestic government has been erratic in its implementation and internationally the US has become an unreliable partner, to the probable advantage especially of China. No resolution is in sight.

Elsewhere, the political scene is more stable. The economic recovery in the Eurozone has definitely helped mainstream politicians, though a lasting solution to the problems of the common currency is likely to be difficult to achieve. The Middle East seems tragically to be condemned to war and disruption without end as political rivalries and stirred-up religious hatred combine. External ***intervention*** is only likely to be short term and palliative and unlikely to lead to longer term peace.

Against this political and economic background securities markets have been calm. Equities and bonds both appear rather expensive, particularly the latter. However, there remain plenty of things for markets to worry about, which suggests that they have not yet reached a peak of optimism. The economic improvement in Europe may benefit the Global Equity Income Portfolio. The UK market should be helped by its relative lack of exposure to its domestic economy. Our portfolio managers remain confident that there remains a wide range of opportunities available to them.

Management Arrangements - UK Equity Portfolio Manager

As I wrote in my half-yearly statement, James Goldstone took over the management of the Company's UK Equity Portfolio at the beginning of October 2016. The profile of the portfolio has changed somewhat since he took over its management, reflecting his views on where the best potential for achieving that Portfolio's investment objective lies combined with the investment opportunities he has found. The NAV total return of the Portfolio over the first seven months of his management was encouraging at 16.4% compared with 12.4% for the benchmark FTSE All-Share Index and we look forward with optimism to the maintenance of this pattern.

Management Arrangements - Fees

We have also been discussing fee arrangements with our Manager in view of competitive pressures and a concern that certain of the fees were becoming out of line with our peers. This has culminated in agreement to a reduction in the basic management fee on the UK Equity and Global Equity Income Portfolios from 0.65% per annum to 0.55% per annum and a reduction in the maximum performance fee payable in any one year from 0.65% of net assets per annum to 0.55%. However, as before, the performance fee earned can exceed the capped amount. The changes are effective from 1 June 2017. No changes have been made to the fees payable in respect of the Balanced Risk and Managed Liquidity portfolios, or to any other aspect of the investment management agreement.

The Board

As reported in the half-yearly financial report, the Board appointed a new non-executive Director, Craig Cleland, with effect from 1 November 2016. He is the second new Director we have appointed in the last two years and we recommend that shareholders support his election at the forthcoming AGM. Craig is Head of Corporate Development: Investment Trusts at CQS (UK) LLP and has a wealth of experience in the investment trust sector. He will take on the challenge of being the Audit Committee Chairman following publication of this annual financial report. The current Audit Committee Chairman, Sir Michael Bunbury, will continue to serve on the Board as a non-executive Director if he is re-elected by shareholders.

Dividends

We have continued to apply the dividend policy established in the last financial year whereby for both UK Equity and Global Equity Income Shares, dividends are paid by way of three equal interim dividends declared in July, October and January with a larger 'wrap-up' fourth interim declared in April. For the year under review the first three dividends declared for both Share classes were 1.4p per share. The fourth dividends were 2.05p per share for the UK Equity Shares, bringing the total to 6.25p per share for the year, and 2.2p per share for the Global Equity Income Shares, bringing that total to 6.4p per share for the year.

This was achieved with contributions from capital of approximately 0.9p (2016: 0.3p) per share for the UK Equity Portfolio and 0.8p (2016: 0.5p) per share for the Global Equity Income Portfolio. We intend to continue with this policy and have set a target for each Portfolio for the year ending 31 May 2018 of at least maintaining the dividend level. The first interim dividends in respect of the year to May 2018 were 1.45p per share for both the UK Equity and Global Equity Income share classes.

It continues to be the case that in order to maximise the capital return on the Balanced Risk Shares, the Directors only intend to declare dividends on the Balanced Risk Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust. No dividends have been paid on the Balanced Risk Shares.

The Managed Liquidity shareholders have not received any dividends since May 2012. It remains the Directors' intention to distribute substantially all net revenues earned shortly before conversion dates, but this Portfolio currently generates insufficient net revenue, due to the continued very low interest rates together with that Portfolio's share of administrative costs.

Discount Policy

The Company adopted a discount control policy for all four share classes in January 2013, whereby the Company offers to issue or buy back Shares of all classes with a view to maintaining the prices of the Shares at close to their respective net asset values. The policy has been successful to date and the level of share buy backs since its adoption has been modest. The ongoing implementation of this policy is dependent upon the Company's authority to buy back Shares, and the Directors' authority to issue Shares for cash on a non pre-emptive basis, being renewed at general meetings of the Company.

Share Capital Movements

During the year to 31 May 2017, the Company bought back and placed in treasury 1,545,540 UK Equity Shares, 636,000 Global Equity Income Shares, 58,000 Balanced Risk Shares and 264,000 Managed Liquidity Shares. Other than as an artefact of the share conversion process no Shares were issued or sold from treasury and no treasury shares were cancelled. No Shares have been bought back or sold since the year end. The Board intends to use the Company's buy back and issuance authorities when this will benefit existing shareholders as a whole and to operate the discount control policy mentioned above, and will ask shareholders to renew the authorities as and when appropriate.

Share Class Conversions

The Company enables shareholders to adjust their asset allocation to reflect their views of prevailing market conditions. Shareholders have the opportunity to convert their holdings of Shares into any other class of Share, without incurring any tax charge under current legislation. The conversion dates for the forthcoming year are as follows: 1 August 2017; 1 November 2017; 1 February 2018; and 1 May 2018. Should you wish to convert Shares at any of these dates, conversion forms, which are available on the Manager's website at[*http://www.invescoperpetual.co.uk/investmenttrusts*](http://www.invescoperpetual.co.uk/investmenttrusts), or CREST instructions must be received at least 10 days before the relevant conversion date.

Annual General Meeting ('AGM')

The business of the AGM is summarised in the Directors' Report on pages 52 and 53. The AGM will be held at 6th Floor, 125 London Wall, London EC2Y 5AS at 11.30 am on 21 September 2017 and shareholders are cordially invited to attend. Refreshments will be provided. The Board recommends that shareholders vote in favour of all resolutions as each of the Directors intend to do in respect of their own Shares.

Patrick Gifford

Chairman

31 July 2017

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***STRATEGIC*** REPORT

UK EQUITY SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the UK Equity Portfolio is to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities.

Market and Economic Review

The UK stock market rallied strongly during the 12 months under review, a period characterised by significant divergence in sector performance. This was driven initially by rising commodity prices and "dovish" central bank monetary policy then, following the EU referendum, by the sharp fall in sterling and, finally, by the surprise election of Donald Trump as the 45th US President.

The resources sectors (oil and mining) performed particularly well in the year, as crude oil continued to rise from the lows seen in early 2016. A decline in share prices was seen after the EU referendum in certain domestically focused sectors, while the share prices of companies with US-dollar denominated earnings rose strongly in anticipation of upgrades to forecast earnings. The share prices of mining companies rose strongly through the fourth quarter of 2016 in anticipation of increased infrastructure and domestic spending following the US election, while continuing to benefit from sterling weakness.

In August, the Bank of England's 0.25% cut in interest rates met expectations, but the broader language around monetary stimulus went further than many in the market had anticipated. UK equity markets and government bond yields rose in response to the surprise election of Donald Trump as US President and a Republican majority in Congress, expecting higher rates of government spending and lower taxes to provide some tailwinds to global economic growth. At the end of November OPEC members agreed its first production cut in eight years - a boon for oil prices - spurring further gains for oil companies, a trend which continued into the first quarter of 2017.

Investors' appetite for risk assets cooled into the second half of the period after the Trump administration failed to progress healthcare reforms through Congress, raising doubts over the administration's ability to get pro-growth measures enacted. The shift in sentiment saw the consumer goods sector, led by tobacco companies, rebound strongly. Meanwhile, the oil and gas sector retreated due to falling oil prices.

Political events dominated UK equity market movements into the end of the period. The market fell sharply in response to the positive reaction of sterling to Prime Minister Theresa May's call for a snap general election; sterling rallied to a six month-high relative to the US dollar on the news, exerting downward pressure on the share prices of companies with non-sterling denominated earnings.

Change in Portfolio Manager

I took over as portfolio manager from Mark Barnett at the beginning of October, four months into the reporting period, and I have implemented a series of changes in the portfolio since then. Most significant among these changes was the addition of Barclays; by period end the UK banking major was the largest holding in the portfolio with a weighting of 4.7%. Elsewhere in the financial sector, other new additions to the portfolio included Lloyds Bank (3.2%), Aviva (2.9%) and Aldermore (1.2%).

In real estate, new positions in Cairn Homes and Hibernia REIT reflect my views on the potential for recovery in the property sector in the post-Brexit environment, as confidence returns and lending growth spurs demand for property.

Some exposure to gold has been added via Randgold Resources and Acacia Mining, the portfolio's only exposure to the resources sector. Other new positions include Ashtead, Coats, Dairy Crest, JD Sports Fashion and International Consolidated Airline.

Portfolio holdings in AstraZeneca, Beazley, Bunzl, Capita, Hiscox, London Stock Exchange, KCOM, New River and Shaftesbury were sold.

Portfolio Performance

On a total return basis, the net asset value of the UK Equity share class rose by 22.0% over the year to 31 May 2017, compared to the rise of 24.5% in the FTSE All-Share index.

Portfolio Strategy and Review

The portfolio delivered a strongly positive return, but failed to match the rise of the index. Performance relative to the index was held back by the portfolio's minimal exposure to the mining sector and the zero weighting in HSBC, whose share price benefited from the impact of weak sterling.

Holdings in the tobacco sector again delivered a strongly positive contribution to performance - despite a lack of enthusiasm for "bond proxies" (companies offering low stable growth, steady dividends and low volatility) that prevailed through much of the period. The sector was boosted by mergers and acquisitions activity, continuing the trend for consolidation among the major global players. Reynolds American accepted a cash and shares offer from British American Tobacco, creating a combined entity well-positioned to exploit next generation products, particularly the US e-cigarette market. The deal is expected to be concluded in the third quarter of 2017.

BAE Systems also contributed positively to performance; the defence conglomerate delivered an encouraging full year update, highlighted by £1 billion increases in both sales and revenues, rising cash flows and a growing order book, with the CEO emphasising the improved outlook for defence budgets as a tailwind for the company's long-term return generation.

Some of the companies added to the portfolio as part of its realignment were notable for their strong contributions to performance. In anticipation of both rising inflation and interest rates, the new holdings in the financial sector performed strongly, including major banks Barclays and Lloyds, and insurer Aviva. The market began to see through the bad news for UK banking majors and the positive contributions from Barclays and Lloyds were supported by improving confidence in banks' capital positioning and a steepening yield curve.

The share price of the thread and zip maker Coats, another new holding, rose 75%. An injection by the Company of £255 million into its pension schemes on instruction from The Pensions Regulator was viewed positively by the market and, more recently, its prospects were boosted by a major contract to supply braid material to Caterpillar Inc, the world's leading manufacturer of construction and mining equipment.

The owner of British Airways and Iberia, International Consolidated Airlines, overcame Brexit turbulence through the second half of 2016, reporting better than expected pre-tax profit growth in full-year results. Other positive contributors among the portfolio's new holdings included JD Sports Fashion, Cairn Homes and Aldermore.

The portfolio's holdings in companies particularly exposed to the weakening in sterling and perceived challenges to the UK economy performed poorly in the aftermath of the EU referendum. The stock market was also inclined to de-rate companies which warned of lower profits.

Notable amongst these was the holding in Capita, which fell sharply in value as it downgraded full year earnings forecasts, blaming a range of issues including delayed client decision-making since the EU referendum. The shares were subsequently sold.

BT also detracted from performance - an update on accounting irregularities in the group's Italian division prompted a sharp sell-off, which worsened after a profit warning from the company highlighted a more challenged outlook for domestic public services contracts. Issues with Ofcom over its Openreach subsidiary and over its pension fund deficit have distracted investors from the company's strengths - notably the growth potential of its mobile business following the acquisition of EE and its consistent cash flow.

As reported in the half-year financial report the share price of Circassia Pharmaceuticals fell sharply on news that its cat allergy drug had failed to meet the primary end point of Phase III trials. While this was very disappointing and surprising news - the drug had performed well in Phase II trials - it is noteworthy that Circassia retains significant cash on its balance sheet and that, over the past year, the company has also made significant diversification into respiratory drugs, devices and technologies. Confirming this, Circassia saw its share price rise in March as it confirmed a new ***strategic*** collaboration with AstraZeneca in combating respiratory disease.

Other holdings to deliver negative share price performance included domestically focused Derwent London, GAME Digital, N. Brown and Secure Trust Bank.

Outlook

Despite the ongoing rally, the UK equity market valuation does not look overstretched at a headline level and is currently trading at around 14 times 12-month forward earnings. At both stock and sector level there still appear to be a number of undervalued companies, particularly in domestic cyclicals and the portfolio has been tilted in that direction. The consumption component of GDP has surprised on the upside since the EU referendum, but it will be interesting to see how this trend fares against a backdrop of higher headline inflation resulting from sterling weakness. It has been assumed that wage growth would keep pace with and mitigate headline CPI, preserving disposable incomes; however, recent months' wage data has fallen behind and it is fair to say that this has started to become a cause for some concern.

In this regard the bounce in sterling in response to the government's call for a snap general election brought some relief with strengthened sterling alleviating some pressure from imported food and energy prices, reducing the onus on wage growth to preserve consumers' spending power.

At the same time, strong sterling, if sustained, could present some headwinds for sectors which have benefited from currency related upgrades since the referendum, such as mining and energy. This portfolio is underweight in these areas, but the movements of sterling will remain the key macro factor to watch in the near term. The surprise outcome of the general election and the opening weeks of Brexit negotiations have provided additional political uncertainty, but I remain confident in the underlying strength of the companies in the Portfolio.

Beyond the UK, the outlook for US interest rates and economic growth remains uncertain as President Trump struggles to enact the pro-growth elements of his agenda necessary to free up budget for tax cuts. Against that, his recent interaction with President Xi of China appears to have been successful, which may alleviate some concerns around trade.

Against this backdrop, the market continues to present opportunities to invest in undervalued companies with strong balance sheets, strong performance track records and established market positions, which are well-equipped to weather further uncertainty ahead.

James Goldstone

Portfolio Manager

31 July 2017

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***STRATEGIC*** REPORT

UK EQUITY SHARE PORTFOLIO

LIST OF INVESTMENTS

AT 31 MAY 2017

Ordinary shares listed in the UK unless stated otherwise

|  |  |  |  |
| --- | --- | --- | --- |
| COMPANY | SECTOR | MARKET  VALUE  £'000 | % OF  PORTFOLIO |
| Barclays | Banks | 3,944 | 4.7 |
| BP | Oil & Gas ***Producers*** | 3,287 | 3.9 |
| Reynolds American - US common stock | Tobacco | 2,956 | 3.5 |
| Lloyds Bank | Banks | 2,673 | 3.2 |
| Aviva | Life Insurance | 2,464 | 2.9 |
| Legal & General | Life Insurance | 2,268 | 2.7 |
| RELX | Media | 2,174 | 2.6 |
| British American Tobacco | Tobacco | 1,936 | 2.3 |
| BAE Systems | Aerospace & Defence | 1,936 | 2.3 |
| Imperial Brands | Tobacco | 1,898 | 2.2 |
| Shire | Pharmaceuticals & Biotechnology | 1,885 | 2.2 |
| JD Sports Fashion | General Retailers | 1,834 | 2.2 |
| Safestyle UK | General Retailers | 1,640 | 1.9 |
| Next | General Retailers | 1,631 | 1.9 |
| Coats | General Industrials | 1,536 | 1.8 |
| Roche - Swiss common stock | Pharmaceuticals & Biotechnology | 1,535 | 1.8 |
| Rentokil Initial | Support Services | 1,515 | 1.8 |
| BTG | Pharmaceuticals & Biotechnology | 1,485 | 1.8 |
| Dairy Crest | Food ***Producers*** | 1,419 | 1.7 |
| SSE | Electricity | 1,399 | 1.7 |
| Cairn Homes | Household Goods & Home Construction | 1,394 | 1.6 |
| Provident Financial | Financial Services | 1,354 | 1.6 |
| BT | Fixed Line Telecommunications | 1,354 | 1.6 |
| Babcock International | Support Services | 1,311 | 1.6 |
| Saga | General Retailers | 1,304 | 1.5 |
| Centrica | Gas, Water & Multiutilities | 1,282 | 1.5 |
| HomeServe | Support Services | 1,215 | 1.4 |
| Ashtead | Support Services | 1,197 | 1.4 |
| easyJet | Travel & Leisure | 1,170 | 1.4 |
| Johnson Service | Support Services | 1,166 | 1.4 |
| Acacia Mining | Mining | 1,156 | 1.4 |
| TP ICAP | Financial Services | 1,131 | 1.3 |
| BCA Marketplace | Financial Services | 1,115 | 1.3 |
| McBride | Household Goods & Home Construction | 1,110 | 1.3 |
| Smith & Nephew | Health Care Equipment & Services | 1,056 | 1.3 |
| Summit Germany | Real Estate Investment & Services | 1,052 | 1.2 |
| Derwent London | Real Estate Investment Trusts | 1,014 | 1.2 |
| Aldermore | Banks | 994 | 1.2 |
| Chesnara | Life Insurance | 966 | 1.1 |
| Victoria | Household Goods & Home Construction | 964 | 1.1 |
| Drax | Electricity | 950 | 1.1 |
| Xafinity | Financial Services | 950 | 1.1 |
| Sigma Capital | Financial Services | 940 | 1.1 |
| Micro Focus | Software & Computer Services | 884 | 1.0 |
| N Brown | General Retailers | 870 | 1.0 |
| Randgold Resources | Mining | 844 | 1.0 |
| P2P Global Investments | Equity Investment Instruments | 814 | 1.0 |
| Hollywood Bowl | Travel & Leisure | 784 | 0.9 |
| Novartis - Swiss common stock | Pharmaceuticals & Biotechnology | 772 | 0.9 |
| Compass | Travel & Leisure | 769 | 0.9 |
| Howden Joinery | Support Services | 765 | 0.9 |
| Mears | Support Services | 744 | 0.9 |
| Zegona Communications | Non-equity Investment Instruments | 742 | 0.9 |
| Secure Trust Bank | Banks | 736 | 0.9 |
| International Consolidated Airline | Travel & Leisure | 730 | 0.9 |
| AJ Bell - Unquoted | Financial Services | 714 | 0.8 |
| Hibernia REIT - Irish common stock | Real Estate Investment Trusts | 708 | 0.8 |
| Just Eat | General Retailers | 701 | 0.8 |
| Harworth | Real Estate Investment & Services | 693 | 0.8 |
| Hadrian's Wall Secured Investments | Equity Investment Instruments | 491 |  |
| - C shares |  | 110 | 0.7 |
| Sherborne Investors Guernsey B - A shares | Financial Services | 567 | 0.7 |
| Gamma Communications | Mobile Telecommunications | 564 | 0.7 |
| Melrose Industries | Construction & Materials | 474 | 0.6 |
| Vectura | Pharmaceuticals & Biotechnology | 472 | 0.6 |
| Tungsten | Financial Services | 444 | 0.5 |
| PRS REIT | Real Estate Investment Trusts | 443 | 0.5 |
| Balfour Beatty | Construction & Materials | 378 | 0.4 |
| Circassia Pharmaceuticals | Pharmaceuticals & Biotechnology | 284 | 0.3 |
| Thomas Cook | Travel & Leisure | 272 | 0.3 |
| esure | Non-life Insurance | 222 | 0.3 |
| GAME Digital | General Retailers | 170 | 0.2 |
| HaloSource | Chemicals | 9 | - |
| Nimrod Sea Assets | Equity Investment Instruments | 3 | - |
| Barclays Bank - Nuclear Power Notes 28 Feb 2019 | Non-equity Investment Instruments | 1 | - |
| Total Investments (75) |  | 84,734 | 100.0 |

 FTSE Industry Classification Benchmark.

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***STRATEGIC*** REPORT

GLOBAL EQUITY INCOME SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the Global Equity Income Share Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide.

Market and Economic Review

Global equity markets delivered strong returns over the year to 31 May 2017. Geopolitical concerns faded quickly in 2016 and markets rallied strongly after both the Brexit result in the UK and the US Presidential election. A resurgent risk appetite and an increasingly positive economic outlook meant that global equity markets enjoyed a strong start to 2017. Optimism that the US administration's pro-growth policies were likely to boost corporate profitability drove market sentiment. Encouraging economic growth, improved consumer demand and strengthening manufacturing conditions globally helped to deliver solid performances from all the main regions. By May, the UK, Europe and the US reported their strongest first quarter earnings growth in nearly six years, helped by a rebound in global activity. Yet potential headwinds to the global growth story remained. Elections in the UK, Germany and Italy were all still looming as Brexit negotiations were yet to begin, while in the US President Trump's ability to implement spending and tax-cut ***plans*** had begun to look far from certain.

Portfolio Performance

The Portfolio's net asset value total return over the 12 months to the end of May 2017, with dividends reinvested, was 29.2%, compared to 31.3% for the MSCI World index (£, total return, net of withholding tax).

Performance attribution - by Sector

Year to 31 May 2017

Portfolio Strategy and Review

The portfolio's underperformance versus the benchmark MSCI World Index in the period was mainly attributed to our positions in the telecoms and health care sectors.

Within telecoms, BT, China Mobile and Orange were all weak performers. BT had a challenging year with alleged accounting fraud being investigated in Italy, falling demand in the public sector, and ***plans*** to cut the dividend next year. A slowdown in TV subscribers on the back of weaker broadband growth in the fourth quarter added to the sense that the consumer-end of the telecoms market is getting tougher. The company was then hit with a record fine by Ofcom, the UK telecoms regulator, after it was found to have artificially reduced compensation payments to companies including Vodafone and TalkTalk for delays in connecting broadband lines. The share price of China Mobile fell when it announced that revenue for this year could decrease as a result of its ***plan*** to cancel roaming fees and subscription fees and, a year after Orange's ambitious four-way merger ***plan*** collapsed, its share price has continued to struggle.

Health care stocks - and pharmaceuticals in particular - were negatively impacted by President Trump's comments on pricing. He has promised to change the way firms compete against each other to price products, leading to uncertainty for the pharmaceutical industry globally as it awaits changes to policy. Pfizer, Gilead Sciences, Novartis, Amgen and Roche were all among the weakest performing stocks.

In terms of positive performance, the key drivers were US and European financials, which benefited from rising bond yields, faster economic growth and the prospects of loosening regulations under a Trump presidency. This development has been particularly positive for our bank holdings, including US banks JPMorgan Chase and Citigroup, as well as Spain's Caixabank, and Nordea, a bank that services primarily the Scandinavian countries and Baltic states. One of the most significant causes for optimism has been the prospect of higher interest rates ahead of the US Federal Reserve raising interest rates in June and signalling a further rate rise for later this year.

Portfolio changes

Whilst portfolio activity during June 2016 was limited, we banked some profits from our strong performing tobacco holdings British American Tobacco and Philip Morris International in July, re-allocating the proceeds to a new position in British multinational defence, security and aerospace company BAE Systems. In our view, the outlook appears to be improving as defence budgets expand, despite some shorter-term headwinds.

In August, we sold our holdings in Hong Kong-based Cheung Kong Property Holdings, after strong stock performance, and in US-based global logistics provider United Parcel Service, re-allocating some of the proceeds to add a new position US pharmaceutical company Gilead Sciences. Gilead has a dominant share of the HIV market as well as a successful Hepatitis C franchise and is highly cash generative.

In September, we banked some profit from Philip Morris International, European media company RTL and US-based Las Vegas Sands, re-allocating some of the proceeds to build-up our positions in Gilead Sciences and kitchenware and home furnishings company Williams-Sonoma.

In October, we sold our holding in Hong Kong-based international banking group Standard Chartered and the remaining holding in RTL after strong share performance. We re-allocated the proceeds to introduce new positions in Germany's chemical company BASF, US-based global diversified financial service provider Citigroup and natural gas and crude oil company Canadian Natural Resources.

Overall, there was limited portfolio activity during November. However, we introduced a new position in global stock exchange and diversified data services provider Nasdaq, which in our view has a strong fee-based business model.

In January 2017 we sold our holding in American Express after strong share performance, our technology holding in Japan's Canon and our position in Hong Kong-based CK Hutchison, owner of mobile and broadband provider Three. In turn, we re-allocated some of the proceeds to diversify our exposure to financials, adding US-based Wells Fargo and Spain's Caixabank. Whilst Wells Fargo still faces some operational headwinds, we believe the bank offers attractive growth potential from its sizable, high quality retail operation as steady growth in the US economy continues. A leading player in Spain's mass retail banking sector, Caixabank has a strong capital base and, in our view, it is well-positioned to benefit from the on-going recovery in Europe's banking sector. We also introduced a position in Japan's Nexon, a developer of PC and mobile games. A major player in the rapidly expanding mobile gaming market, Nexon maintains an attractive product pipeline and, in our view, is well-positioned to expand its market share in China.

In April and May, we further reduced and then sold our holding in Phillip Morris International, re-allocating some capital to start a small position in South Korea's Hyundai Motor. During May we also introduced a new holding in the Dutch supermarket group Ahold Delhaize, which has a large presence in the US. We believe that the shareholder-friendly management team is focused on stability and cash generation.

Outlook

Our global outlook remains one of slow and prolonged economic growth, against a backdrop of some market uncertainty. The surprise outcome of the UK general election in June and its potential impact on Brexit negotiations have added to this uncertainty. Other factors include the forthcoming elections in Germany and Italy, while in the US President Trump's ability to implement spending and tax-cut ***plans*** is far from certain. With the European economic recovery continuing to gain ground, we remain optimistic that a number of European companies offer compelling relative valuation opportunities and should benefit from the combined tailwinds of a weak euro and loose monetary policy. In Asia, we also see positive signs of structural reform in a number of countries. We had hoped the election of President Trump would herald more infrastructure spending in the US, as well as a simplification of the tax code. However, those policies may be severely watered down. Meanwhile the US market looks expensive to us on many measures.

Overall, our strategy remains consistent: to invest in high quality companies at attractive valuations. We view such companies as those that can sustain profit margins and deliver positive returns through the economic cycle. We see growing and sustainable dividends as clear evidence of these sorts of companies. In aggregate, therefore, we target companies that offer attractive yields, sustainable income and capital upside.

Nick Mustoe

Portfolio Manager

31 July 2017

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***STRATEGIC*** REPORT

GLOBAL EQUITY INCOME SHARE PORTFOLIO

LIST OF INVESTMENTS

AT 31 MAY 2017

Ordinary shares unless stated otherwise

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| COMPANY | INDUSTRY GROUP | COUNTRY | MARKET  VALUE  £'000 | % OF  PORTFOLIO |
| JPMorgan Chase | Banks | US | 2,196 | 3.2 |
| Caixabank | Banks | Spain | 2,107 | 3.0 |
| Novartis | Pharmaceuticals, Biotechnology & Life Sciences | Switzerland | 2,075 | 3.0 |
| Microsoft | Software & Services | US | 2,067 | 3.0 |
| Orange | Telecommunication Services | France | 1,948 | 2.8 |
| British American Tobacco | Food Beverage & Tobacco | UK | 1,915 | 2.8 |
| Chevron | Energy | US | 1,906 | 2.8 |
| ING | Banks | Netherlands | 1,891 | 2.7 |
| BP | Energy | UK | 1,698 | 2.5 |
| Taiwan Semiconductor Manufacturing | Semiconductors & Semiconductor Equipment | Taiwan | 1,684 | 2.4 |
| Airbus | Capital Goods | France | 1,679 | 2.4 |
| Pfizer | Pharmaceuticals, Biotechnology & Life Sciences | US | 1,672 | 2.4 |
| United Technologies | Capital Goods | US | 1,662 | 2.4 |
| Total | Energy | France | 1,625 | 2.3 |
| Statoil | Energy | Norway | 1,524 | 2.2 |
| RELX | Commercial & Professional Services | Netherlands | 1,493 | 2.2 |
| Deutsche Post | Transportation | Germany | 1,492 | 2.1 |
| Intesa Sanpaolo | Banks | Italy | 1,469 | 2.1 |
| Roche | Pharmaceuticals, Biotechnology & Life Sciences | Switzerland | 1,441 | 2.1 |
| Legal & General | Insurance | UK | 1,435 | 2.1 |
| BT | Telecommunication Services | UK | 1,417 | 2.0 |
| Wells Fargo | Banks | US | 1,372 | 2.0 |
| Aon - A shares | Insurance | US | 1,333 | 1.9 |
| Royal Dutch Shell - A shares | Energy | Netherlands | 1,319 | 1.9 |
| Deutsche Boerse | Diversified Financials | Germany | 1,318 | 1.9 |
| Citigroup | Banks | US | 1,317 | 1.9 |
| Nielsen | Commercial & Professional Services | US | 1,268 | 1.8 |
| Allianz | Insurance | Germany | 1,220 | 1.8 |
| Gilead Sciences | Pharmaceuticals, Biotechnology & Life Sciences | US | 1,214 | 1.8 |
| easyJet | Transportation | UK | 1,204 | 1.7 |
| Canadian Natural Resources | Energy | Canada | 1,168 | 1.7 |
| Amgen | Pharmaceuticals, Biotechnology & Life Sciences | US | 1,147 | 1.7 |
| Adecco | Commercial & Professional Services | Switzerland | 1,145 | 1.7 |
| BAE Systems | Capital Goods | UK | 1,141 | 1.6 |
| Hiscox | Insurance | UK | 1,139 | 1.6 |
| PNC Financial Services | Banks | US | 1,096 | 1.6 |
| Amcor | Materials | Australia | 1,087 | 1.6 |
| China Mobile - R | Telecommunication Services | Hong Kong | 1,040 | 1.5 |
| Ahold Delhaize | Food & Staples Retailing | Netherlands | 1,037 | 1.5 |
| Las Vegas Sands | Consumer Services | US | 1,015 | 1.5 |
| BASF | Materials | Germany | 967 | 1.4 |
| Booker | Food & Staples Retailing | UK | 946 | 1.4 |
| Nasdaq | Diversified Financials | US | 929 | 1.3 |
| Nordea | Banks | Sweden | 905 | 1.3 |
| Centrica | Utilities | UK | 870 | 1.2 |
| Union Pacific | Transportation | US | 857 | 1.2 |
| Williams-Sonoma | Retailing | US | 759 | 1.1 |
| Nexon | Software & Services | Japan | 739 | 1.1 |
| Yue Yuen Industrial | Consumer Durables & Apparel | Hong Kong | 703 | 1.0 |
| Honda Motor | Automobiles & Components | Japan | 589 | 0.9 |
| Zhejiang Expressway - H | Transportation | Hong Kong | 580 | 0.8 |
| London Stock Exchange | Diversified Financials | UK | 555 | 0.8 |
| Hyundai Motor - preference shares | Automobiles & Components | South Korea | 466 | 0.7 |
| Kangwon Land | Consumer Services | South Korea | 449 | 0.6 |
|  |  |  | 69,290 | 100.0 |

 MSCI and Standard & Poor's Global Industry Classification Standard.

H:         H-Shares - shares issued by companies incorporated in the People's Republic of China (PRC) and listed on the Hong Kong Stock Exchange.

R:  Red Chip Holdings - holdings in companies incorporated outside the PRC, listed on the Hong Kong Stock Exchange, and controlled by PRC entities by way of direct or indirect shareholding and/or representation on the board.

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***STRATEGIC*** REPORT

BALANCED RISK SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the Balanced Risk Portfolio is to provide shareholders with an attractive total return in differing economic and inflationary environments, and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities, and commodities.

Market and Economic Review

After a mixed start to the Company's financial year, equities posted positive returns across most markets over the third and fourth quarters of 2016 on dovish language from central banks as they continued to contend with low growth and below target inflation. Bond prices were generally firm until the fourth quarter of 2016 as the low growth and inflation kept central banks on hold from raising rates or revising their existing accommodative policies, but government bonds saw yields increase across all major markets approaching the end of the calendar year. Commodities started the financial year well, but pulled back during the third quarter of 2016 when price behaviour became divided, with cyclical complexes enjoying gains while ***agricultural*** commodity fortunes were mixed and precious metals fell.

Equity markets kicked off 2017 with a strong start in Europe and Hong Kong while other developed markets also enjoyed gains. This continued to the Company's year end with all equity markets except for US small caps continuing to push higher, with those markets outside of the US enjoying a performance edge. Bonds enjoyed a surge in prices in February and, with the exception of Japan, blue-chip government bond markets continued to post gains to the Company's year end. Across commodity complexes, metals managed robust gains through the first quarter of 2017, while energy and ***agricultural*** commodity prices struggled. Then, up to the year end, commodity prices largely retrenched, with declines in ***agriculture***, energy and industrial metals, while precious metals managed slight gains.

Portfolio Performance

The Balanced Risk Portfolio posted a positive return for the year of 9.7%, compared with the benchmark, Merrill Lynch 3 month Libor plus 5%, return of 5.5%.

Portfolio Strategy and Update

The Balanced Risk strategy seeks to achieve returns through balancing risk exposure between three asset classes: developed market equities, global government bonds and commodities. The asset class weightings are determined using a proprietary investment process, with assets being selected according to three key criteria: a correlation matrix to ensure diversification; the ability to generate excess returns relative to cash; and specific liquidity and transparency criteria. Exposure to the asset classes is principally obtained through highly liquid and transparently priced exchange-traded futures contracts, with cash and cash equivalents being held as collateral.

For the year to 31 May 2017 exposure to equities was the largest positive contributor to performance by some margin. Bonds and commodities also posted positive returns.

After a mixed June 2016, with Japan and Europe selling off while the UK, US and Hong Kong markets enjoyed gains, equity markets led results for the fiscal year. Performance was positive for developed equity markets during the third quarter of 2016 which continued to rise on dovish policies from central banks as they tried to stimulate real growth and inflation across their respective economies through a combination of extremely low rates and, in the case of the Bank of Japan and European Central Bank (ECB), outright asset purchases. Equity performance over the fourth quarter of 2016 continued to be positive, but was more varied. US exposures started off weak while European and Asian exposures performed well. Then, through the middle of the quarter, roles reversed with US equities and Asian exposures performing well on the surprise US presidential election outcome and attendant economic optimism, while European and Asian shares fell.

2017 started well for equities with all six markets in which the strategy invests generating positive returns in the first quarter. Hong Kong and European equities led the other markets, with UK equities and US large caps close behind. Japan and US small caps posted mild gains. Equity markets went on to finish the fiscal year strongly. Leadership largely came from markets outside the US, with the UK, Hong Kong and Japan leading while Europe and US large caps saw more modest appreciation. The sole market to record a loss was US small caps, which struggled after the initial pop in performance on the heels of the Trump victory. UK equities posted strong performance as the Conservative Party's lead over the Labour Party increased to double-digits in polls (although the victory turned out to be narrow). Hong Kong equities were carried along with attractive gains in emerging markets. European equities benefited from better industrial production figures and continue to have the support of an accommodative central bank. In the US, the divergence between large cap and small cap is fostering concerns of poor breadth with fewer stocks driving large cap indices higher while the median stock is struggling.

Bond markets also contributed positively to results during the fiscal year. To start the period, tepid economic growth and below trend inflation kept central banks on hold. Additionally, safe haven demand triggered in the run up to the UK's EU referendum and by renewed volatility among commodities in July and August, together with fears that concerns about Deutsche Bank could lead to European banking contagion in September, helped to suppress yields through to the end of the third quarter of 2016. A different story for bond markets unfolded during the fourth quarter of 2016, though, when government bonds became the largest drag on the Portfolio's results. Over that period, yields across developed market sovereign bonds rose meaningfully on a combination of factors, including constant messaging from the US Federal Reserve (Fed) about the need for higher rates accompanied by a rate hike in December in the US, while in Europe, messages from the ECB about the likely tapering of policy accommodation had yields in bunds and gilts shooting higher to levels that were only partially offset by demand late in the calendar year as investors sought shelter from the latest round of Italian bank fears. Australian, Japanese and Canadian bonds traded off in sympathy with the other markets, ending one of the toughest quarters for bonds in recent memory.

The first quarter of 2017, in contrast, was mildly positive for bonds as strong results across most markets in February were able to overcome the weak beginning and end of the quarter as continued risk appetite for equities, coupled with the rate increase in the US and talk of curtailing bond purchases in Europe, diminished investor demand for safe haven assets. The run up to the Company's financial year end was stronger, with five of the six bond markets posting gains. Australia led all markets as Chinese import and export data came in weaker than expected. The shortfall in these numbers contributed to commodity weakness and directly impacted Australia as it is a major commodity exporter, particularly to China. This combination created demand for safe haven assets, which sent bond prices up and yields lower. US Treasury bonds also posted attractive returns despite continued talk about additional rate increases and the potential for the Fed to begin to de-lever its balance sheet. Canadian bonds posted strong returns on commodity weakness, while the UK and German bond markets posted milder gains.

Commodity performances were mixed throughout the fiscal year, but their return was positive in aggregate. Commodities started the fiscal year on a positive footing as the rally earlier in the 2016 calendar year continued into June, bolstered by some safe haven demand on the outcome of the UK's Brexit vote and subsidence of Chinese economic fears. However, the third quarter was negative. ***Agriculture*** prices suffered as crop reports indicated improvement in expected yields, particularly in the soy complex. Energy prices remained depressed in response to the ongoing supply glut in crudes and distillates such as unleaded gasoline. Industrial metals had a neutral impact as weakness in the middle of the quarter was offset when surprise at the strength of Chinese manufacturing data in the later part of the period boosted prices of aluminium and copper. Precious metals were a mild contributor as silver traded in line with industrial metals. In the fourth quarter of 2016, commodities detracted from results in aggregate, but diverged at the complex level. Energy added to results as early period weakness on oversupply gave way to strong gains as the Organization of the Petroleum Exporting Countries (OPEC) finally came to an agreement on production freezes and on economic optimism in the wake of the Trump victory. Industrial metals also contributed to results, particularly copper. However, ***agriculture*** finished the quarter lower with strong declines in sugar prices and to a lesser extent coffee, while precious metals were broadly weak on a combination of a strong dollar and the Fed not only finally raising rates after months of debate, but also putting forth a strong rate forecast.

Commodity prices continued to struggle into the first quarter of 2017, with mixed results across complexes as energy and ***agriculture*** retreated, while industrial and precious metals advanced. Energy prices fell hardest as high inventories and rising US production reversed the advance made from recent global production cuts. ***Agriculture*** struggled as better weather and signs of improving crop yields weighed on prices. Precious metals found renewed strength on signs of rising inflation and fading US dollar strength, while industrial metals got a boost from better Chinese economic data and ongoing optimism regarding the potential for a US infrastructure build-out. Commodity exposure ended the fiscal year with losses in three of the four complexes. ***Agricultural*** exposures detracted most as sugar, the soy complex, cotton, coffee and wheat all traded off. The overarching issue affecting prices for these commodities was oversupply relative to demand due to robust harvest estimates and, in the case of sugar, limited import demand from India and fears of increased import tariffs in China. Corn and live cattle were the lone bright spots in the complex. Energy commodities also struggled as investors pushed prices down on reports of increased oil rig counts across major ***producing*** regions and the lack of a definitive announcement from OPEC about extending the production cuts established in the fourth quarter of 2016. In May, OPEC did finally announce an agreement to extend cuts, which pushed prices sharply higher before the exuberance wore off, leaving West Texas Intermediate (WTI) and Brent crude down. Most distillates also finished lower with the exception of heating oil and gasoline. Industrial metal prices retreated in response to the disappointing Chinese data. Precious metals were the only complex to see higher prices with silver outpacing gold, albeit with rather modest gains.

Outlook

The second half of 2017 may well find reduced monetary policy support and possibly the beginning of monetary tightening, assuming central banks view economic data as being supportive of such actions. Politics remains a wildcard, as tension and discord have become the standard with angry voters making it challenging, if not impossible, for representatives to collaborate and forge solutions.

Despite the daunting challenges policy makers face, global economic conditions have improved slightly and remain stable. Headline unemployment rates remain low with job growth showing some improvement despite tepid wage growth rates. Top line inflation numbers have shown some uptick globally, but this is mostly due to the pick up in year-on-year gains in energy prices.

The Portfolio's latest tactical positioning maintains overweights to all six equity markets in which the Portfolio invests, but with reductions in the UK, US large caps and Europe. Positioning in bonds has moved to underweight across all six markets represented in the Portfolio. In commodities, the posture in ***agriculture*** has shifted from defensive to constructive. In energy, every exposure is underweight except for heating oil, which is neutral. In metals, the overweights to gold and silver have been reduced, while the overweight to copper has been strengthened and the overweight to aluminium has been maintained.

Scott Wolle

Portfolio Manager

31 July 2017

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***STRATEGIC*** REPORT

BALANCED RISK SHARE PORTFOLIO

LIST OF INVESTMENTS

AT 31 MAY 2017

|  |  |  |  |
| --- | --- | --- | --- |
|  | YIELD  % | MARKET  VALUE  £'000 | % OF  NET  ASSETS |
| Short-Term Investments |  |  |  |
| Short-Term Investment Company (Global Series) | 0.310 | 2,440 | 29.2 |
| UK Treasury Bill 13 Nov 2017 | 0.105 | 1,498 | 17.9 |
| UK Treasury Bill 20 Nov 2017 | 0.092 | 2,997 | 35.9 |
| UK Treasury Bill 27 Nov 2017 | 0.087 | 1,399 | 16.8 |
| Total Short Term Investments |  | 8,334 | 99.8 |
|  |  |  |  |
| Hedge Funds(1) |  |  |  |
| Harbinger Class PE Holdings |  | 16 | 0.2 |
| Harbinger Class L Holdings |  | 2 | - |
| Total Hedge Funds |  | 18 | 0.2 |
| Total Fixed Asset Investments |  | 8,352 | 100.0 |

(1)  The hedge fund investments are residual holdings of the previous investment strategy, which are awaiting realisation of underlying investments.

Derivative instruments held in the Balanced Risk Share Portfolio are shown on the following page. At the year end all the derivative instruments held in the Balanced Risk Share Portfolio were exchange traded futures contracts. Holdings in futures contracts that are not exchange traded are permitted as explained in the investment policy on page 30.

***STRATEGIC*** REPORT

BALANCED RISK SHARE PORTFOLIO

LIST OF DERIVATIVE INSTRUMENTS

AT 31 MAY 2017

|  |  |  |
| --- | --- | --- |
|  | NOTIONAL  EXPOSURE  £'000 | NOTIONAL  EXPOSURE  AS % OF  NET ASSETS |
| Government Bond Futures: |  |  |
| Australia | 2,277 | 24.0 |
| Canada | 2,254 | 23.8 |
| UK | 1,407 | 14.8 |
| Germany | 990 | 10.4 |
| US | 595 | 6.3 |
| Japan | 211 | 2.2 |
| Total Bond Futures (6) | 7,734 | 81.5 |
|  |  |  |
| Equity Futures: |  |  |
| Europe | 774 | 8.2 |
| Japan | 769 | 8.1 |
| Hong Kong | 760 | 8.0 |
| UK | 751 | 7.9 |
| US large cap | 653 | 6.9 |
| US small cap | 528 | 5.5 |
| Total Equity Futures (6) | 4,235 | 44.6 |
|  |  |  |
| Commodity Futures: |  |  |
| ***Agriculture*** |  |  |
| Cotton | 253 | 2.7 |
| Sugar | 233 | 2.5 |
| Soybean meal | 231 | 2.5 |
| Soy bean | 213 | 2.2 |
| Corn | 87 | 0.9 |
| Coffee | 76 | 0.8 |
| Soybean oil | 60 | 0.6 |
| Wheat | 50 | 0.5 |
| Energy |  |  |
| Gasoline | 206 | 2.2 |
| Brent crude | 160 | 1.7 |
| Natural Gas | 129 | 1.4 |
| Gas-oil (diesel) | 107 | 1.1 |
| WTI crude | 76 | 0.8 |
| New York Harbor ultra-low sulphur diesel | 49 | 0.5 |
| Precious Metals |  |  |
| Gold | 394 | 4.2 |
| Silver | 269 | 2.8 |
| Industrial Metals |  |  |
| Copper | 330 | 3.5 |
| Aluminium | 260 | 2.7 |
| Total Commodity Futures (18) | 3,183 | 33.6 |
|  |  |  |
| Total Derivative Instruments (30) | 15,152 | 159.7 |

The targeted annualised risk (volatility of monthly returns) for the portfolio as listed above is analysed as follows:

|  |  |  |
| --- | --- | --- |
| ASSET CLASS | RISK | CONTRIBUTION |
| Bonds | 3.2% | 32.8% |
| Equities | 4.2% | 43.3% |
| Commodities | 2.3% | 23.9% |
|  | 9.7% | 100.0% |

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***STRATEGIC*** REPORT

MANAGED LIQUIDITY SHARE PORTFOLIO

MANAGER'S REPORT

Investment Objective

The investment objective of the Managed Liquidity Portfolio is to ***produce*** an appropriate level of income return combined with a high degree of security.

Market and Economic Review

Having held the Bank Rate at 0.5% since 2009, through some periods when investors began to expect a hiking cycle, the Bank of England finally made a change in August 2016 - cutting the rate to 0.25%! This decision is less surprising when seen in context. The Bank reacted to the widely unexpected referendum vote for the UK to leave the European Union with a package of measures to support the economy, also including a term funding scheme and a £60 billion ***programme*** of asset purchases. The Bank made no other changes to the Rate in this period.

The exact boost this support gave is unknown, but the rate of growth in the UK economy has increased in recent quarters, from an annual rate (seasonally adjusted) of 1.6% in the first quarter of 2016 to 2.0% in the first quarter of 2017. A sharp fall in the value of sterling increased the competitiveness of UK exports, but has also helped inflation to rise. The headline CPI inflation measure rose from 0.3% to 2.9% in the 12 months to May. In part this was due to the stabilisation and then recovery of commodity prices. Core CPI, which does not include the more volatile energy and food prices that are included in the headline rate, rose from 1.2% to 2.6%.

As the Federal Reserve has extended its series of rate rises, there has been speculation about an increasing appetite for hikes by the Bank of England's Monetary Policy Committee. However, in this period only one of the nine members has voted for an increase, calling for a 0.5% rate in April and May. The subsequent June meeting saw the Bank adopt a more hawkish stance with three of the nine members voting for an increase.

In interbank lending markets, over the period sterling three-month LIBOR, the interest rate at which the largest banks lend money to one another, fell from 0.59% to 0.29%. Two year gilt yields fell from 0.43% to 0.13%.

Portfolio Performance

The Managed Liquidity Portfolio NAV total return for the year ended 31 May 2017 was 0.0%.

Portfolio Strategy and Review

Our investment strategy is achieved by investing in the Invesco Perpetual Money Fund and the Sterling Liquidity Portfolio of Short-Term Investments Company (Global Series) plc, each of which invests in a diversified portfolio of high quality sterling denominated short-term money market instruments.

The Invesco Perpetual Money Fund has positions in a number of government, quasi-government and corporate bonds. In order to limit the exposure to interest rate risk and credit risk (the likelihood of an issuer defaulting), these bonds are both short dated and of high quality. The fund also holds some floating rate bonds whose interest rates are reset at regular intervals and so can further mitigate the effect of rising interest rates on fund performance.

The Sterling Liquidity Portfolio of the Short-Term Investments Company (Global Series) plc invests in high quality sterling denominated money market instruments such as commercial paper, certificates of deposit, medium term notes, time deposits and asset-backed commercial paper. At 31 May 2017 the Sterling Liquidity Portfolio was rated AAAm by Standard and Poor's and AAAmmf by Fitch Ratings.

Outlook

Although we see very limited value in the yields of UK gilts at current levels, particularly in instruments with longer maturities, we do not expect UK interest rates to rise quickly from this level. However, the Invesco Perpetual Money Fund continues to hold a number of floating rate notes. The interest rates on these bonds reset at regular intervals and so can mitigate the effect of rising rates on fund performance.

Stuart Edwards

Portfolio Manager

31 July 2017

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***STRATEGIC*** REPORT

MANAGED LIQUIDITY SHARE PORTFOLIO

LIST OF INVESTMENTS

AS AT 31 MAY

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |
|  | MARKET  VALUE  £'000 | % OF  PORTFOLIO | MARKET  VALUE  £'000 | % OF  PORTFOLIO |
| Invesco Perpetual Money Fund\* | 4,900 | 89.9 | 4,894 | 92.1 |
| Short-Term Investment Company (Global Series) | 548 | 10.1 | 418 | 7.9 |
|  | 5,448 | 100.0 | 5,312 | 100.0 |

\* At the year end the Managed Liquidity Share Portfolio held 5.85% (2016: 9.90%) of the shares in the Invesco Perpetual Money Fund.

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***STRATEGIC*** REPORT

BUSINESS REVIEW

Invesco Perpetual Select Trust plc is a UK investment company with four Share classes, each of which has separate investment objectives, as set out below, and is represented by a separate Portfolio. The strategy the Board follows to achieve its overall objective and those of each Share class is to set investment policy and risk guidelines, together with investment limits, and to monitor how they are applied. These are also set out below.

The business model the Company has adopted to achieve its objective has been to contract the services of Invesco Fund Managers Limited ('IFML' or the 'Manager') to manage the portfolios in accordance with the Board's strategy and under its oversight. The Manager is also responsible for providing company secretarial, marketing, accounting and general administration services. In practice, many of these services are performed under delegated authority by Invesco Asset Management Limited (IAML), a company related to IFML. References to the Manager in this annual financial report should consequently be considered to include both entities. Invesco Perpetual is a business name of both IFML and IAML.

All administrative support is provided by third parties under the oversight of the Board. In addition to the management and administrative functions of the Manager, the Company has contractual arrangements with Capita Asset Services to act as registrar and BNY Mellon Trust & Depositary (UK) Limited as depositary. The depositary has delegated safekeeping of the Company's investments to The Bank of New York Mellon (London Branch).

Investment Policy

The Company's and respective Share classes' investment objectives, investment policies and risk and investment limits combine to form the 'Investment Policy' of the Company.

The Company

Investment Objective and Policy

The Company's investment objective is to provide shareholders with a choice of investment strategies and policies, each intended to generate attractive risk-adjusted returns.

The Company's share capital comprises four Share classes: UK Equity Shares, Global Equity Income Shares, Balanced Risk Shares and Managed Liquidity Shares, each of which has its own separate portfolio of assets and attributable liabilities. The investment objectives, policies and risks and limits of the Portfolios for these classes follow. With the exception of borrowings, the limits for the Company and the four Share classes are measured at the point of acquisition of investments, unless otherwise stated.

Investment Limits of the Company

The Board has prescribed limits on the Investment Policy of the Company, which include the following:

-           no more than 15% of the gross assets of the Company may be invested in a single investment; and

-           no more than 10% of the gross assets of the Company may be invested in other listed investment companies.

UK Equity Share Portfolio

Investment Objective

The investment objective of the UK Equity Portfolio is to provide shareholders with an attractive real long-term total return by investing primarily in UK quoted equities.

Investment Policy and Risk

The UK Equity Portfolio is invested primarily in UK equities and equity-related securities of UK companies across all market sectors.

The Manager invests the UK Equity Portfolio so as to maximise exposure to the most attractive sectors and securities, within a portfolio structure that reflects the Manager's view of the macroeconomic environment. The Manager does not set out to manage the risk characteristics of the UK Equity Portfolio relative to the FTSE All-Share Index (the 'benchmark index') and the investment process may result in potentially very significant over or underweight positions in individual sectors versus the benchmark. The size of weightings will reflect the Manager's view of the attractiveness of a security and the degree of conviction held. If a security is not considered to be a good investment, it will not be held in the UK Equity Portfolio, irrespective of its weight in the benchmark index.

The Manager controls the stock-specific risk of individual securities by ensuring that the UK Equity Portfolio is always diversified across market sectors. In-depth and continual analysis of the fundamentals of investee companies allows the Manager to assess the financial risks associated with any particular security.

It is expected that, typically, the Portfolio will hold between 45 and 80 securities.

The Directors believe that the use of borrowings can enhance returns to shareholders and the UK Equity Portfolio will generally use borrowings in pursuing its investment objective.

Investment Limits

The Board has prescribed limits on the investment policy of the UK Equity Portfolio, which include the following:

-           no more than 12% of the gross assets of the UK Equity Portfolio may be held in a single investment;

-           no more than 10% of the gross assets of the UK Equity Portfolio may be held in other listed investment companies;

-           no more than 20% of the gross assets of the UK Equity Portfolio may be held in overseas assets; and

-   borrowings may be used to raise equity exposure up to a maximum of 25% of the net assets of the UK Equity Portfolio where it is considered appropriate.

Global Equity Income Share Portfolio

Investment Objective

The investment objective of the Global Equity Income Portfolio is to provide an attractive and growing level of income return and capital appreciation over the long term, predominantly through investment in a diversified portfolio of equities worldwide.

Investment Policy and Risk

The Portfolio will be invested predominantly in a portfolio of listed, quoted or traded equities worldwide, but may also hold other securities from time to time including, inter alia, fixed interest securities, preference shares, convertible securities and depositary receipts. Investment may also be made in regulated or authorised collective investment schemes. The Portfolio will not invest in companies which are not listed, quoted or traded at the time of investment, although it may have exposure to such companies where, following investment, the relevant securities cease to be listed, quoted or traded. The Manager will at all times invest and manage the Portfolio's assets in a manner that is consistent with spreading investment risk, but there will be no rigid industry, sector, region or country restrictions.

The Portfolio may utilise derivative instruments including index-linked notes, contracts for differences, covered options and other equity-related derivative instruments for efficient portfolio management and investment purposes. Any use of derivatives for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Portfolio's direct investments, as described above.

It is expected that, typically, the Portfolio will hold between 45 and 80 securities.

The Directors believe that the use of borrowings can enhance returns to shareholders, and the Global Equity Income Portfolio may use borrowings in pursuing its investment objective.

The Company's foreign currency investments will not be hedged to sterling as a matter of general policy. However, the Manager may employ currency hedging, either back to sterling or between currencies (i.e. cross hedging of portfolio investments).

Investment Limits

The Board has prescribed the following limits on the investment policy of the Global Equity Income Portfolio:

-   no more than 20% of the gross assets of the Global Equity Income Portfolio may be invested in fixed interest securities;

-   no more than 10% of the gross assets of the Global Equity Income Portfolio may be held in a single investment;

-   no more than 10% of the gross assets of the Global Equity Income Portfolio may be held in other listed investment companies; and

-   borrowings may be used to raise equity exposure up to a maximum of 20% of the net assets of the Global Equity Income Portfolio, when it is considered appropriate to do so.

Balanced Risk Share Portfolio

Investment Objective

The investment objective of the Balanced Risk Portfolio is to provide shareholders with an attractive total return in differing economic and inflationary environments, and with low correlation to equity and bond market indices by gaining exposure to three asset classes: debt securities, equities and commodities.

Investment Policy and Risk

The Portfolio utilises two main strategies: the first seeks to balance the risk contribution from each of three asset classes (equities, bonds and commodities), with the aim of reducing the probability, magnitude and duration of capital losses, and the second seeks to shift tactically the allocation among the assets with the aim of improving expected returns.

The Portfolio is constructed so as to achieve appropriate diversity and to balance risk by asset class (bonds, equities and commodities) and by asset within each asset class. Neutral risk weighting is achieved when each asset class contributes an equal proportion of the total Portfolio risk and each asset contributes an equal proportion of the total risk for its respective asset class. The Manager is permitted to actively vary asset class weightings, subject to a maximum of 150% and a minimum of 50% of each asset class' neutral weight. The Manager is also permitted to actively vary individual asset weightings, provided the asset class guidelines are not violated. Asset weights may not be less than zero (short) and may on occasion exceed twice the neutral weight.

The Portfolio will be mainly invested directly in highly liquid and transparently priced exchange-traded futures contracts, with cash and cash equivalents being held as collateral. However, the Portfolio may also be invested in equities, equity-related securities and debt securities (including floating rate notes). Financial derivative instruments (including but not limited to futures and total return swaps) are used only to achieve long exposure to the three asset classes. The Portfolio may also use financial derivative instruments, including currency futures and forwards, for efficient portfolio management, hedging and investment purposes. Financial derivative instruments will not be used to create net short positions in any asset class. The derivatives portfolio will typically comprise between 20 and 33 investment positions.

It is expected that the Portfolio's investments will mainly be denominated in sterling. Any non-sterling derivative investments may be hedged back into sterling at the discretion of the Manager when it is economic to do so.

Investment Limit

The Board has prescribed the following limits on the investment policy of the Balanced Risk Portfolio:

-   the aggregate notional amount of financial derivative instruments positions may not exceed 250% of the net assets of the Balanced Risk Portfolio; and

-   no more than 10% of the gross assets of the Balanced Risk Portfolio may be held in other listed investment companies.

Managed Liquidity Share Portfolio

Investment Objective

The investment objective of the Managed Liquidity Portfolio is to ***produce*** an appropriate level of income return combined with a high degree of security.

Investment Policy and Risk

The Managed Liquidity Portfolio invests in a range of sterling-based or related money market fund assets (which may include transferable securities, money market instruments, warrants, collective investment schemes and deposits), either directly or indirectly through money market funds, including funds managed by Invesco Perpetual or its associated companies.

The Managed Liquidity Portfolio generally invests in money market funds authorised as UCITS schemes (Undertakings for Collective Investments in Transferable Securities, being open ended retail investment funds in the EU), which are required under governing regulations to provide a prudent spread of risk. In the event that the Managed Liquidity Portfolio is invested directly in securities and instruments, the Manager will observe investment restrictions and risk diversification policies that are consistent with UCITS regulations.

Investment Limits

The Board has prescribed limits on the investment policy of the Managed Liquidity Portfolio, which include the following:

-   no more than 10% of the gross assets of the Managed Liquidity Portfolio may be held in a single investment, other than authorised money market funds or high quality sovereign debt securities; and

-   no more than 5% of the gross assets of the Managed Liquidity Portfolio may be held in unquoted investments, other than authorised money market funds.

Investors should note that the Managed Liquidity Shares are not designed to replicate the returns or other characteristics of a bank or building society deposit or money market fund.

Performance

The Board reviews the performance of the Company by reference to a number of Key Performance Indicators, at either a Company or Portfolio level, which include the following:

·           Investment Performance

·           Dividends

·           Discount/Premium

·           Ongoing Charges

Investment Performance

To assess investment performance the Board monitors the net asset value (NAV) performance of the individual Share classes relative to that of benchmark indices it considers to be appropriate. However, given the requirements and constraints of the investment objectives and policies followed, no index can be expected to fully represent the performance that might reasonably be expected from any one or all of the Company's Share classes.

The NAV total return performance of each of the Portfolios over the year to 31 May 2017 and of relevant benchmark indices were as follows:

|  |  |
| --- | --- |
| UK Equity Portfolio | 22.0% |
| FTSE All-Share Index | 24.5% |
|  |  |
| Global Equity Income Portfolio | 29.2% |
| MSCI World Index (£) | 31.3% |
|  |  |
| Balanced Risk Portfolio | 9.7% |
| 3 month LIBOR plus 5% | 5.5% |
|  |  |
| Managed Liquidity Portfolio | 0.0% |

Source: Thomson Reuters Datastream.

Other performance periods, together with share price total returns, are shown on page 2.

Dividends

UK Equity Shares

The Directors have set a target of at least maintaining, in the absence of unforeseen circumstances, the level of annual UK Equity dividends per share from year to year. Further, they have implemented a model of declaring (with payment in the month following) three equal interim dividends in July, October and January with a 'wrap-up' fourth interim in April. Depending on the level of income received in each quarter, and in the year, these four dividends may be enhanced with contributions from capital profits to achieve the target.

The Directors have declared and paid four interim dividends for the year ended 31 May 2017 totalling 6.25p per UK Equity Share (2016: 6.15p) of which 5.38p was met from revenue earned in the year. The year's revenue was enhanced by the receipt of £39,000 (2016: £264,000) of non-recurring special dividends, equivalent to 0.10p (2016: 0.66p). Net revenue for the year ended 31 May 2017 for the UK Equity Portfolio was £2,102,000 (2016: £2,321,000). The aggregate of dividends paid in respect of the year was £2,434,000 (2016: £2,459,000).

A first interim dividend for the year to 31 May 2018 of 1.45p was declared on 12 July 2017, setting the level for the next two dividends, in the absence of unforeseen circumstances.

Global Equity Income Shares

The Directors have set a target of at least maintaining, in the absence of unforeseen circumstances, the level of Global Equity Income dividends per share from year to year. In common with the UK Equity Shares, they have also implemented a model of declaring (with payment in the month following) three equal interim dividends in July, October and January with a 'wrap-up' fourth interim in April.

The Directors have declared and paid four interim dividends for the year ended 31 May 2017 totalling 6.4p (2016: 6p) per Global Equity Income Share of which 5.62p was met from revenue earned in the year. Net revenue for the year for the Global Equity Income Portfolio was £1,839,000 (2016: £1,782,000). The aggregate of dividends paid in respect of the year was £2,092,000 (2016: £1,946,000).

A first interim dividend for the year to 31 May 2018 of 1.45p was declared on 12 July 2017, setting the level for the next two dividends, in the absence of unforeseen circumstances.

Balanced Risk Shares

In order to maximise the capital return on the Balanced Risk Shares, the Directors only intend to declare dividends on the Balanced Risk Shares to the extent required, having taken into account the dividends paid on the other Share classes, to maintain the Company's status as an investment trust under section 1158 of the Corporation Tax Act 2010.

No dividends are required to be declared or paid for the year to retain investment trust status.

Managed Liquidity Shares

The Board intends to declare dividends on the Managed Liquidity Portfolio prior to each conversion, subject to the level of income available.

There was a net revenue loss for the year for the Managed Liquidity Portfolio of £2,000 (2016: £7,000) as a consequence of continued very low interest rates. In view of the administrative costs involved, no interim dividend was declared on the Managed Liquidity Shares for the year ended 31 May 2017 (2016: nil).

Discount/(Premium)

The Company has a discount control policy in place for all four Share classes, whereby the Company offers to issue or buy back Shares of all classes with a view to maintaining the market price of the shares at close to their respective net asset values, and by so doing, avoid significant overhangs or shortages in the market. It is the Board's policy to buy back shares and to sell shares from treasury on terms that do not dilute the net asset value attributable to existing shareholders at the time of the transaction.

The ongoing implementation of this policy is dependent upon the authorities to buy back and issue shares being renewed by shareholders. Notwithstanding the intended effect of this policy, there can be no guarantee that the Company's shares will trade at close to their respective net asset values. Shareholders should also be aware that there is a risk that this discount policy may lead to a reduction in the size of the Company over time.

The Manager and the Board closely monitor movements in the Company's share prices and dealings in the Company's shares. Share movements in the year are summarised on page 34. At 31 May 2017, the share prices, net asset values (NAV) and the discount or premium of the four Share classes were as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |
| SHARE CLASS | NET ASSET  VALUE  (PENCE) | SHARE  PRICE  (PENCE) | DISCOUNT | NET ASSET  VALUE  (PENCE) | SHARE  PRICE  (PENCE) | DISCOUNT |
| UK Equity | 193.5 | 192.0 | 0.8% | 164.3 | 162.5 | 1.1% |
| Global Equity Income | 198.6 | 197.5 | 0.6% | 159.2 | 156.0 | 2.0% |
| Balanced Risk | 134.7 | 133.5 | 0.9% | 122.8 | 119.3 | 2.9% |
| Managed Liquidity | 103.2 | 101.5 | 1.6% | 103.1 | 101.0 | 2.1% |

The following charts show the (discount)/premium at which the Shares traded over the two years to 31 May 2017.

Source: Thomson Reuters Datastream.

Ongoing Charges

The expenses of managing the Company are reviewed by the Board at every meeting. The Board aims to minimise the ongoing charges figure which provides a guide to the effect on performance of all annual operating costs of the Company. The ongoing charges figure is calculated by dividing the annualised ongoing charges, including those charged to capital, by the average net asset value during the year, expressed as a percentage.

At the year end the ongoing charges figure of the Company and that for the different Share classes, excluding any performance fees, were as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | COMPANY | UK  EQUITY | GLOBAL  EQUITY  INCOME | BALANCED  RISK | MANAGED  LIQUIDITY |
| 2017 | 0.93% | 0.94% | 0.94% | 1.18% | 0.19% |
| 2016 | 0.95% | 0.96% | 0.95% | 1.19% | 0.39% |

It is anticipated that the UK Equity and Global Equity Income ongoing charges will reduce further in the coming year as a result of the management fee revisions agreed since the year end.

During the past year neither the UK Equity nor Global Equity Income Portfolios outperformed their benchmarks. In addition, the UK Equity Portfolio wrote back £280,000 of performance fee previously provided, and the impact follows:

|  |  |  |
| --- | --- | --- |
|  | COMPANY | UK  EQUITY |
| 2017 | -0.20% | -0.41% |
| 2016 | 0.31% | 0.61% |

Financial Position

Assets and Liabilities

The Company's balance sheet on page 65 shows the assets and liabilities at the year end. Details of the Company's borrowing facility are shown in note 12 of the financial statements on page 79, with interest paid (finance costs) in note 5.

Due to the readily realisable nature of the Company's assets, cash flow does not have the same significance as for an industrial or commercial company. The Company's principal cash flows arise from the purchase and sales of investments and the income from investments against which must be set the costs of borrowing and management expenses.

Borrowing Policy

Borrowing policy is under the control of the Board, which has established effective parameters for the Portfolios. Borrowing levels are regularly reviewed. As part of the Company's Investment Policy, the approved borrowing limits are 25% of the net assets of the UK Equity Portfolio and 20% of net assets of the Global Equity Income Portfolio. The Balanced Risk Portfolio does not use borrowings, but is geared by means of the derivative instruments used to implement its investment policy. The Managed Liquidity Portfolio does not use borrowings.

Issued Share Capital

All Share classes have a nominal value of 1p per Share.

The following table summarises the Company's share capital at the year end and movements during the year.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | UK  EQUITY | GLOBAL  EQUITY  INCOME | BALANCED  RISK | MANAGED  LIQUIDITY |
| NUMBER OF SHARES |  |  |  |  |
| Shares in issue at the year end: |  |  |  |  |
| - excluding treasury | 38,009,455 | 32,747,913 | 7,043,885 | 5,195,265 |
| - held in treasury | 7,518,540 | 4,054,000 | 4,298,000 | 7,101,785 |
| Movements during the year: |  |  |  |  |
| Increase/(decrease) arising from conversions | (458,228) | 756,061 | (97,231) | (446,900) |
| Shares bought back into treasury | (1,545,540) | (636,000) | (58,000) | (264,000) |
| Average price thereon | 170.4p | 176.1p | 129.6p | 101.0p |

No shares have been issued or bought back since the year end.

Further details on net changes in issued share capital are set out in note 14 to the financial statements on pages 79 and 80. No treasury shares were cancelled in the year.

Current and Future Developments

As part of the Company's overall strategy, the Company seeks to manage its affairs so as to maximise returns for shareholders. The Board also has a longer-term objective to increase the size of the Company in the belief that increasing the assets of the Company in this way will make the Company's Shares more attractive to investors and improve the liquidity of the Shares.

Details of trends and factors likely to affect the future development, performance and position of the Company's business can be found in the portfolio managers' reports and further details as to the risks affecting the Company are set out under 'Principal Risks and Uncertainties' below.

Principal Risks and Uncertainties

The audit committee regularly undertakes a robust assessment of the risks the Company faces, on behalf of the Board (see Audit Committee Report on pages 42 to 44).

The following are considered to be the most significant risks to the Company and to shareholders in relation to their investments in the Company. Further details of risks and risk management policies as they relate to the financial assets and liabilities of the Company are detailed in note 17 to the financial statements.

Investment Objectives

There is no guarantee that the Investment Policy of the Company and of each Portfolio will provide the returns sought by the Company. There can be no guarantee, therefore, that the Company will achieve its investment objectives.

The Board monitors the performance of the Company and each Portfolio and has established guidelines to ensure that the Investment Policy of the Company and each Portfolio is pursued by the Manager.

Market Movements and Portfolio Performance

Individual Portfolio performance is substantially dependent on the performance of the securities (including derivative instruments) held within the Portfolio. The prices of these securities are influenced by many factors including the general health of regional and worldwide economies; interest rates; inflation; government policies; industry conditions; political and diplomatic events; tax laws; environmental laws; and by the demand from investors. The Manager strives to maximise the total return from Portfolios, but the investments held are influenced by market conditions and the Board acknowledges the external influences on the performance of each Portfolio. Further risks specifically applicable to the Balanced Risk Shares are set out on page 37.

The performance of the Manager is carefully monitored by the Board, and the continuation of the Manager's mandates is reviewed each year. The Board has established guidelines to ensure that the investment policies of each class of Share are pursued by the Manager.

For a fuller discussion of the economic and market conditions facing the Company and the current and future performance of the different Portfolios of the Company, please see both the Chairman's Statement on pages 3 to 5 and the portfolio managers' reports starting on page 7.

Risks Applicable to the Company's Shares

Shares in the Company are designed to be held over the long-term and may not be suitable as short-term investments. There can be no guarantee that any appreciation in the value of the Company's Shares will occur and investors may not get back the full value of their investments. Owing to the potential difference between the mid-market price of the Shares and the prices at which they are sold, there is no guarantee that their realisable value will reflect their mid-market price.

The market value of a Share, as well as being affected by its net asset value (NAV), is also influenced by investor demand, its dividend yield, where applicable, and prevailing interest rates, amongst other things. As such, the market value of a Share can fluctuate and may not reflect its underlying NAV. Shares may therefore trade at discounts to their NAVs. However, the Board has adopted a discount control policy that applies to all Share classes and the Board and the Manager monitor the market rating of each Share class.

Past performance of the Company's Shares is not necessarily indicative of future performance.

While it is the intention of the Directors to pay dividends to holders of the UK Equity, Global Equity Income and Managed Liquidity Shares, this will be affected by the returns achieved by the respective Portfolios and the dividend policy adopted by the Board. Accordingly, the amount of dividends paid to shareholders may fluctuate. Any change in the tax or accounting treatment of dividends received or other returns may also affect the level of dividend paid on the Shares in future years. The Directors have resolved, in the absence of unforeseen circumstances, to supplement revenue with capital profits in order to pay equity Portfolio dividends at specified target levels (see pages 4 and 5).

Viability and Compulsory Conversion of a Class of Share

It is possible that through poor performance, market sentiment, or otherwise, lack of demand for one of the Company's share classes could result in the relevant Portfolio becoming too small to be viable. The Board monitors share conversions and Portfolio sizes and liaises with the Manager on the continued viability of each Share class. The Board has received assurances from the Manager that the size of the portfolios is not critical to the Manager being able to continue to offer its investment management services in respect of any of the Company's four portfolio strategies.

The continued listing on the Official List of each class of Share is dependent on at least 25% of the Shares in that class being held in public hands. This means that if more than 75% of the Shares of any class were held by, inter alia, the Directors, persons connected with Directors or persons interested in 5% or more of the relevant Shares, the listing of that class of Share might be suspended or cancelled. The Listing Rules state that the FCA may allow a reasonable period of time for the Company to restore the appropriate percentage if this rule is breached, but in the event that the listing of any class of Shares were cancelled the Company would lose its investment trust status.

Accordingly, if at any time the Board considers that the listing of any class of Share on the Official List is likely to be cancelled and the loss of such listing would mean that the Company would no longer be able to qualify for approval as an investment trust under section 1158 of the Corporation Tax Act 2010, the Board may serve written notice on the holders of the relevant Shares requiring them to convert their Shares into another Share class.

Liability of a Portfolio for the Liabilities of Another Portfolio

The Directors intend that, in the absence of unforeseen circumstances, each Portfolio will effectively operate as if it were a stand-alone company. However, investors should be aware of the following factors:

·    As a matter of law, the Company is a single entity. Therefore, in the event that any of the Portfolios has insufficient funds or assets to meet all of its liabilities, on a winding-up or otherwise, such a shortfall would become a liability of the other Portfolios and would be payable out of the assets of the other Portfolios in such proportions as the Board may determine; and

·    The Companies Act 2006 prohibits the Directors from declaring any dividends in circumstances where the Company's assets represent less than one and a half times the aggregate of its liabilities. If the Company were to incur material liabilities in the future, a significant fall in the value of the Company's assets as a whole may affect the Company's ability to pay dividends on a particular class of Share, even though there are distributable profits attributable to the relevant Portfolio.

Gearing

Performance may be geared by use of the £25 million 364 day multicurrency revolving credit facility. The Company also has an uncommitted overdraft facility of up to 10% of net assets. There is no guarantee that these facilities will be renewed at maturity or on terms acceptable to the Company. If it were not possible to renew these facilities or replace them with one from another lender, the amounts owing by the Company would need to be funded by the sale of securities.

The Balanced Risk Portfolio may also be geared (by up to 250%, according to the investment policy set out on page 30) by means of the derivative instruments in which it invests. This is discussed separately below, under the heading: Additional Risks Applicable to Balanced Risk Shares.

Gearing levels of the different Portfolios will change from time to time in accordance with the respective portfolio managers' assessments of risk and reward. Where market exposure is geared, any reduction in the value of the geared Portfolio's investments may lead to a correspondingly greater percentage reduction in its NAV (which is likely to affect Share prices adversely). Any reduction in the number of Shares in issue (for example, as a result of buy backs) will, in the absence of a corresponding reduction in borrowings, result in an increase in a Portfolio's gearing.

Whilst the use of borrowings by the Company should enhance the total return on a particular class of Share where the return on the underlying securities is rising and exceeds the cost of borrowing, it will have the opposite effect where the underlying return is falling, further reducing the total return on that Share class. Similarly, the use of gearing by investment companies or funds in which the Company invests increases the volatility of those investments.

Hedging

The Company may use derivatives to hedge its exposure to currency or other risks and for the purpose of efficient portfolio management. There may be a correlation between price movements in the underlying securities, currency or index, on the one hand, and price movements in the investments, which are the subject of the hedge, on the other hand. In addition, an active market may not exist for a particular hedging derivative instrument at any particular time.

Regulatory and Tax Related

The Company is subject to various laws and regulations by virtue of its status as a public limited investment company registered under the Companies Act 2006, its status as an investment trust and its listing on the London Stock Exchange. Loss of investment trust status could lead to the Company being subject to Capital Gains Tax on the sale of its investments. A serious breach of other regulatory rules could lead to suspension from the London Stock Exchange, a fine or a qualified Audit Report. Other control failures, either by the Manager or any other of the Company's service providers, could result in operational or reputational problems, erroneous disclosures or loss of assets through fraud, as well as breaches of regulations.

The Manager reviews the level of compliance with the Corporation Tax Act 2010 and other financial regulatory requirements on a daily basis. All transactions, income and expenditure are reported to the Board. The Board regularly considers the risks to which the Company is exposed, the measures in place to control them and the potential for other risks to arise. The Board ensures that satisfactory assurances are received from service providers. The depositary and the Manager's compliance and internal audit officers report regularly to the Company's Audit Committee.

The risks and risk management policies and procedures as they relate to the financial assets and liabilities of the Company are also detailed in note 16 to the financial statements.

Additional Risks Applicable to Balanced Risk Shares

The use of financial derivative instruments forms part of the investment policy and strategy of the Balanced Risk Portfolio. The Portfolio's ability to use these instruments may be limited by market conditions, regulatory limits and tax considerations. The absence of a liquid market for any particular instrument at any particular time may inhibit the ability of the Manager to liquidate a financial derivative instrument at an advantageous price. However, the Manager actively seeks the most liquid means of obtaining the required exposures. The financial derivative instruments used for the strategy are geared instruments and the aggregate notional exposure will usually exceed the net asset value of the Portfolio. Whilst this could result in greater fluctuations in the net asset value, and consequently the share price, the use of leverage is normally necessary to achieve the target volatility required to meet the return objective. The degree of leverage inherent in futures trading potentially means that a relatively small price movement in a futures contract may result in an immediate and substantial loss and it would be necessary to increase the collateral held at the clearing broker to cover such loss. This is mitigated by the Company not using financial derivative instruments to create net short positions in any asset class combined with holding cash balances sufficient to meet collateral requirements.

Reliance on Third Party Service Providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant upon the performance of third party service providers for its executive function. In particular, the Manager performs services that are integral to the operation of the Company and the custodian appointed by the depositary holds assets on its behalf. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to successfully pursue its Investment Policy.

The Manager may be exposed to reputational risks. In particular, the Manager may be exposed to the risk that litigation, misconduct, operational failures, negative publicity and press speculation, whether or not it is valid, will harm its reputation. Any damage to the reputation of the Manager could result in potential counterparties and third parties being unwilling to deal with the Manager and by extension the Company. This could have an adverse impact on the ability of the Company to successfully pursue its Investment Policy.

Viability Statement

The Company is an investment company which operates as a collective investment vehicle, designed and managed for long term investment. The Board considers long term for this purpose to be at least three years and so has assessed the Company's viability over this period. However, the life of the Company is not intended to be limited to that or any other period.

In assessing the viability of the Company the Board considered the principal risks to which it is exposed, as set out on pages 34 to 37, together with mitigating factors. The risks of failure to meet the Company's and the Portfolios' investment objectives, contributory market and investment risks and the challenges of lack of scale were considered to be of particular importance. The Board also took into account the capabilities of the Manager and the varying market conditions already experienced by the Company since its launch in 2006. On the question of scale, the Board has concluded that if an individual Portfolio became too small it should not cause the Company itself to be unviable.

In terms of financial risks to viability, materially all of the investments comprising the portfolios are readily realisable. The equity portfolios also ***produce*** a stream of dividend income, which may fluctuate but which the Board expects to continue. The Company has no long term liabilities and the total value of the portfolios is a multiple of the value of the Company's short term liabilities and annual operating costs. Consequently, there appears little to no prospect of the Company not being able to meet its financial obligations as they fall due in the next three years.

Based on the above, the Board has a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

Corporate Governance

The Board is committed to maintaining high standards of Corporate Governance. The Corporate Governance Statement required by the UKLA Listing Rules is set out on page 41.

Audit Committee Report

The extended audit committee report required by the UK Corporate Governance Code is set out on pages 42 to 44. There are no areas of concern in relation to the financial statements to bring to the attention of shareholders.

Board Diversity

The Company's policy on diversity is set out on page 46. At the year end the Board comprised four male and one female non-executive Directors resulting in female representation of 20%. Summary biographical details of all the Directors are set out on page 39. The Company has no employees.

Social and Environmental Matters

As an investment company with no employees, property or activities outside investment, environmental policy has limited application. The Manager considers various factors when evaluating potential investments. While a company's policy towards the environment and social responsibility, including with regard to human rights, is considered as part of the overall assessment of risk and suitability for the portfolio, the Manager does not make investment decisions on environmental and social grounds alone. The Manager applies the United Nations Principles for Responsible Investment.

Modern Slavery Act

The Company is an investment vehicle and does not provide goods or services in the normal course of its business, or have customers. Accordingly, the Directors consider that the Company is not within the scope of the Modern Slavery Act 2015.

This ***Strategic*** Report was approved by the Board on 31 July 2017.

Invesco Asset Management Limited

Company Secretary

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DIRECTORS' RESPONSIBILITIES STATEMENT

in respect of the preparation of the annual financial report

The Directors are responsible for preparing the annual financial report in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under the law the Directors have elected to prepare financial statements in accordance with UK Accounting Standards, including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland.' Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

·    select suitable accounting policies and then apply them consistently;

·    make judgements and estimates that are reasonable and prudent;

·    state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

·    prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a ***Strategic*** Report, a Directors' Report, which includes a Corporate Governance Statement, and a Directors' Remuneration Report that comply with that law and those regulations.

The Directors confirm that:

·    in so far as they are aware, there is no relevant audit information of which the Company's Auditor is unaware; and

·    each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's Auditor is aware of that information.

The Directors of the Company each confirm to the best of their knowledge that:

·    the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position, net return and cash flows of the Company; and

·    this annual financial report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The Directors consider that this annual financial report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Signed on behalf of the Board of Directors

Patrick Gifford

Chairman

31 July 2017

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INCOME STATEMENT

FOR THE YEAR ENDED 31 MAY

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |  |
|  | NOTES | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 | REVENUE  £'000 | CAPITAL  £'000 | TOTAL  £'000 |
| Gains/(losses) on investments | 9 | - | 24,452 | 24,452 | - | (4,065) | (4,065) |
| Gains/(losses) on derivative instruments | 10 | 45 | 775 | 820 | 66 | (80) | (14) |
| Foreign exchange gains |  | - | 104 | 104 | - | 18 | 18 |
| Income | 2 | 4,910 | 699 | 5,609 | 5,023 | - | 5,023 |
| Management fees | 3 | (283) | (645) | (928) | (261) | (579) | (840) |
| Performance fees | 3 | - | 280 | 280 | - | (401) | (401) |
| Other expenses | 4 | (428) | (4) | (432) | (426) | (2) | (428) |
|  |  |  |  |  |  |  |  |
| Net return before finance costs and taxation |  | 4,244 | 25,661 | 29,905 | 4,402 | (5,109) | (707) |
| Finance costs | 5 | (54) | (126) | (180) | (62) | (144) | (206) |
|  |  |  |  |  |  |  |  |
| Return before taxation |  | 4,190 | 25,535 | 29,725 | 4,340 | (5,253) | (913) |
| Taxation on ordinary activities | 6 | (242) | - | (242) | (199) | - | (199) |
|  |  |  |  |  |  |  |  |
| Return after taxation for the financial year |  | 3,948 | 25,535 | 29,483 | 4,141 | (5,253) | (1,112) |
|  |  |  |  |  |  |  |  |
| Basic return per ordinary share: | 7 |  |  |  |  |  |  |
| - UK Equity Share Portfolio |  | 5.38p | 29.67p | 35.05p | 5.81p | (8.38)p | (2.57)p |
| - Global Equity Income Share Portfolio |  | 5.62p | 40.05p | 45.67p | 5.51p | (5.58)p | (0.07)p |
| - Balanced Risk Share Portfolio |  | 0.13p | 11.81p | 11.94p | 0.60p | (1.35)p | (0.75)p |
| - Managed Liquidity Share Portfolio |  | (0.04)p | - | (0.04)p | (0.14)p | 0.04p | (0.10)p |

The total column of this statement represents the Company's profit and loss account, prepared in accordance with UK Accounting Standards. The return after taxation is the total comprehensive income and therefore no statement of comprehensive income is presented. The supplementary revenue and capital columns are presented for information purposes in accordance with the Statement of Recommended Practice issued by the Association of Investment Companies. All items in the above statement derive from continuing operations of the Company. No operations were acquired or discontinued in the year. Income statements for the different Share classes are shown on pages 11, 17, 24 and 27 for the UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity Share Portfolios respectively.

The accompanying notes are an integral part of this statement.

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RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

FOR THE YEAR ENDED 31 MAY

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | SHARE  CAPITAL  £'000 | SHARE  PREMIUM  ACCOUNT  £'000 | SPECIAL  RESERVE  £'000 | CAPITAL  REDEMPTION  RESERVE  £'000 | CAPITAL  RESERVES  £'000 | REVENUE  RESERVE  £'000 | TOTAL  £'000 |
| At 31 May 2015 | 1,059 | 1,290 | 83,157 | 343 | 49,326 | 538 | 135,713 |
| Cancellation of deferred shares | - | - | (2) | 2 | - | - | - |
| Shares issued from treasury | - | - | 2,654 | - | - | - | 2,654 |
| Shares bought back and held in treasury | - | - | (252) | - | - | - | (252) |
| Share conversions | 3 | - | (3) | - | - | - | - |
| Return per the income statement | - | - | - | - | (5,253) | 4,141 | (1,112) |
| Dividends - note 8 | - | - | (302) | - | - | (4,103) | (4,405) |
|  |  |  |  |  |  |  |  |
| At 31 May 2016 | 1,062 | 1,290 | 85,252 | 345 | 44,073 | 576 | 132,598 |
| Cancellation of deferred shares | - | - | (2) | 2 | - | - | - |
| Shares bought back and held in treasury | - | - | (4,125) | - | - | - | (4,125) |
| Share conversions | (2) | - | 2 | - | - | - | - |
| Return per the income statement | - | - | - | - | 25,535 | 3,948 | 29,483 |
| Dividends - note 8 | - | - | (585) | - | - | (3,941) | (4,526) |
| As at 31 May 2017 | 1,060 | 1,290 | 80,542 | 347 | 69,608 | 583 | 153,430 |

The accompanying notes are an integral part of this statement.

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BALANCE SHEET

AS AT 31 MAY 2017

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | NOTES | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | TOTAL  £'000 |
| Fixed assets |  |  |  |  |  |  |
| Investments held at fair value through profit or loss | 9 | 84,734 | 69,290 | 8,352 | 5,448 | 167,824 |
|  |  |  |  |  |  |  |
| Current assets |  |  |  |  |  |  |
| Derivative assets held at fair value through profit or loss | 10 | - | - | 209 | - | 209 |
| Debtors | 11 | 454 | 451 | 479 | 2 | 1,386 |
| Cash and cash equivalents |  | 148 | 167 | 626 | 51 | 992 |
|  |  | 602 | 618 | 1,314 | 53 | 2,587 |
| Creditors: amounts falling due within one year |  |  |  |  |  |  |
| Derivative liabilities held at fair value through profit or loss | 10 | - | - | (142) | - | (142) |
| Other creditors | 12 | (11,795) | (4,859) | (39) | (142) | (16,835) |
| Net current (liabilities)/assets |  | (11,193) | (4,241) | 1,133 | (89) | (14,390) |
| Provision | 13 | (4) | - | - | - | (4) |
| Net assets |  | 73,537 | 65,049 | 9,485 | 5,359 | 153,430 |
| Shareholders' funds |  |  |  |  |  |  |
| Share capital | 14(a) | 455 | 368 | 114 | 123 | 1,060 |
| Share premium | 15 | - | - | 1,290 | - | 1,290 |
| Special reserve | 15 | 37,810 | 32,832 | 5,076 | 4,824 | 80,542 |
| Capital redemption reserve | 15 | 73 | 78 | 24 | 172 | 347 |
| Capital reserve | 15 | 34,949 | 31,338 | 3,079 | 242 | 69,608 |
| Revenue reserve | 15 | 250 | 433 | (98) | (2) | 583 |
| Shareholders' funds |  | 73,537 | 65,049 | 9,485 | 5,359 | 153,430 |
| Net asset value per ordinary share | 16 | 193.5p | 198.6p | 134.7p | 103.2p |  |

These financial statements were approved and authorised for issue by the Board of Directors on 31 July 2017.

Signed on behalf of the Board of Directors

Patrick Gifford

Chairman

The accompanying notes are an integral part of this statement.

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BALANCE SHEET

AS AT 31 MAY 2016

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | NOTES | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | TOTAL  £'000 |
| Fixed assets |  |  |  |  |  |  |
| Investments held at fair value through profit or loss | 9 | 73,579 | 57,669 | 7,698 | 5,312 | 144,258 |
|  |  |  |  |  |  |  |
| Current assets |  |  |  |  |  |  |
| Derivative assets held at fair value through profit or loss | 10 | - | - | 388 | - | 388 |
| Debtors | 11 | 477 | 570 | 191 | 8 | 1,246 |
| Cash and cash equivalents |  | 629 | 701 | 654 | 917 | 2,901 |
|  |  | 1,106 | 1,271 | 1,233 | 925 | 4,535 |
| Creditors: amounts falling due within one year |  |  |  |  |  |  |
| Derivative liabilities held at fair value through profit or loss | 10 | - | - | (68) | - | (68) |
| Other creditors | 12 | (8,674) | (6,997) | (26) | (146) | (15,843) |
| Net current (liabilities)/assets |  | (7,568) | (5,726) | 1,139 | 779 | (11,376) |
| Provision | 13 | (284) | - | - | - | (284) |
| Net assets |  | 65,727 | 51,943 | 8,837 | 6,091 | 132,598 |
| Shareholders' funds |  |  |  |  |  |  |
| Share capital | 14(a) | 460 | 361 | 114 | 127 | 1,062 |
| Share premium | 15 | - | - | 1,290 | - | 1,290 |
| Special reserve | 15 | 41,589 | 32,834 | 5,277 | 5,552 | 85,252 |
| Capital redemption reserve | 15 | 73 | 78 | 24 | 170 | 345 |
| Capital reserve | 15 | 23,355 | 18,237 | 2,239 | 242 | 44,073 |
| Revenue reserve | 15 | 250 | 433 | (107) | - | 576 |
| Shareholders' funds |  | 65,727 | 51,943 | 8,837 | 6,091 | 132,598 |
| Net asset value per ordinary share | 16 | 164.3p | 159.2p | 122.8p | 103.1p |  |

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MAY

|  |  |  |  |
| --- | --- | --- | --- |
|  | NOTES | 2017  £'000 | 2016  £'000 |
| Cash flows from operating activities |  |  |  |
| Net return before finance costs and taxation |  | 29,905 | (707) |
| Tax on overseas income |  | (242) | (199) |
| Adjustments for: |  |  |  |
| Purchase of investments |  | (74,206) | (33,832) |
| Sale of investments |  | 74,792 | 35,866 |
| Sale of futures |  | 1,066 | (272) |
|  |  | 1,652 | 1,762 |
| (Gains)/losses on investments |  | (24,452) | 4,065 |
| (Gains)/losses on derivatives |  | (820) | 14 |
| (Increase)/decrease in debtors |  | (276) | 75 |
| Decrease in creditors and provision |  | (263) | (40) |
| Scrip dividends |  | (32) | (86) |
| Foreign exchange differences |  | (104) | (18) |
| Net cash inflow from operating activities |  | 5,368 | 4,866 |
| Cash flows from financing activities |  |  |  |
| Interest paid on loan |  | (180) | (207) |
| Increase/(decrease) in bank borrowing |  | 1,450 | (750) |
| Net proceeds from issue of shares |  | - | 2,654 |
| Share buy back costs |  | (4,125) | (252) |
| Equity dividends paid | 8 | (4,526) | (4,405) |
| Net cash outflow from financing activities |  | (7,381) | (2,960) |
| Net (decrease)/increase in cash and cash equivalents |  | (2,013) | 1,906 |
| Cash and cash equivalents at the start of the year |  | 2,901 | 977 |
| Foreign exchange differences |  | 104 | 18 |
| Cash and cash equivalents at the end of the year |  | 992 | 2,901 |
| Cash flow from operating activities includes: |  |  |  |
| Interest received |  | 64 | 73 |
| Dividends received |  | 5,152 | 4,384 |

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NOTES TO THE FINANCIAL STATEMENTS

1.     Accounting policies

Accounting policies describe the Company's approach to recognising and measuring transactions during the year and the position of the Company at the year end.

The principal accounting policies are set out below.

(a)   Basis of preparation

(i)    Accounting Standards applied

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice (UK GAAP)) and with the Statement of Recommended Practice Financial Statements of Investment Trust Companies and Venture Capital Trusts, issued by the Association of Investment Companies in November 2014 as amended in January 2017. The financial statements are issued on a going concern basis as disclosed on page 48.

The accounting policies applied to these financial statements are consistent with those applied for the year ended 31 May 2016 and the previous year, albeit the Directors have chosen not to adopt the exemption to present a cash flow statement (2016: exemption adopted).

(ii)    Definitions used in the financial statements

'Portfolio'    the UK Equity Share Portfolio, the Global Equity Income Share Portfolio, the Balanced Risk Share Portfolio and/or the Managed Liquidity Share Portfolio (as the case may be). Each comprises, or may include, an investment portfolio, derivative instruments, cash, loans, debtors and other creditors, which together make up the net assets as shown in the balance sheet.

'Share'       UK Equity Share, Global Equity Income Share, Balanced Risk Share, Managed Liquidity Share and/or Deferred Share (as the case may be).

The financial statements for the Company comprise the income statement, reconciliation of movements in shareholders' funds, the total column of the balance sheet and the company totals shown in the notes to the financial statements.

The UK Equity, Global Equity Income, Balanced Risk and Managed Liquidity Share Portfolios' income statements and summaries of net assets do not represent statutory accounts, are not required under UK Generally Accepted Accounting Practice and are not audited. These have been disclosed to assist shareholders' understanding of the assets and liabilities, and income and expenses of the different Share classes.

In order to better reflect the activities of an investment trust company and in accordance with guidance issued by the AIC, supplementary information which analyses the income statement between items of a revenue and capital nature has been presented alongside the income statement.

(iii)   Functional and presentational currency

The Financial Statements are presented in sterling, which is the Company's functional and presentation currency and is the currency of the Company's share capital and the predominant currency in which the Company's shareholders operate. This is also the currency in which these accounts are prepared.

(iv)   Transactions and balances

Transactions in foreign currency, whether of a revenue or capital nature, are translated to sterling at the rates of exchange ruling on the dates of such transactions. Foreign currency assets and liabilities are translated to sterling at the rates of exchange ruling at the balance sheet date. Any gains or losses, whether realised or unrealised, are taken to the capital reserve or to the revenue account, depending on whether the gain or loss is of a capital or revenue nature. All gains and losses are recognised in the income statement.

(b)   Financial instruments

The Company has chosen to apply the provisions of Sections 11 and 12 of FRS102 in full in respect of the financial instruments.

(i)    Recognition of financial assets and financial liabilities

The Company recognises financial assets and financial liabilities when the Company becomes a party to the contractual provisions of the instrument. The Company will offset financial assets and financial liabilities if the Company has a legally enforceable right to set off the recognised amounts and interests and intends to settle on a net basis.

(ii)    Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in the transferred financial asset that is created or retained by the Company is recognised as an asset.

(iii)   Derecognition of financial liabilities

The Company derecognises financial liabilities when its obligations are discharged, cancelled or expire.

(iv)   Trade date accounting

Purchases and sales of financial assets are recognised on trade date, being the date on which the Company commits to purchase or sell the assets.

(v)   Classification and measurement of financial assets and financial liabilities

Financial assets

The Company's investments, including financial derivative instruments, are classified as held at fair value through profit or loss.

Financial assets held at fair value through profit or loss are initially recognised at fair value, which is taken to be their cost, with transaction costs expensed in the income statement, and are subsequently valued at fair value.

Fair value for investments, including financial derivative instruments, that are actively traded in organised financial markets is determined by reference to stock exchange quoted bid prices at the balance sheet date. For investments that are not actively traded or where active stock exchange quoted bid prices are not available, fair value is determined by reference to a variety of valuation techniques including broker quotes and price modelling. Where there is no active market, unlisted/illiquid investments are valued by the Directors at fair value with regard to the International Private Equity and Venture Capital Valuation Guidelines and on recommendations from Invesco's Pricing Committee, both of which use valuation techniques such as earnings multiples, recent arm's length transactions and net assets.

Financial liabilities

Financial liabilities, excluding financial derivative instruments but including borrowings, are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method.

(c)    Derivatives and hedging

Derivative instruments are valued at fair value in the balance sheet. Derivative instruments may be capital or revenue in nature and, accordingly, changes in their fair value are recognised in revenue or capital in the income statement as appropriate.

Forward currency contracts entered into for hedging purposes are valued at the appropriate forward exchange rate ruling at the balance sheet date. Profits or losses on the closure or revaluation of positions are included in capital reserves.

Futures contracts may be entered into for hedging purposes and any profits and losses on the closure or revaluation of positions are included in capital reserves. Where futures contracts are used for investment exposure any income element arising on bond futures is recognised as a gain on derivative instruments in the income statement and shown in revenue.

(d)   Cash and cash equivalents

Cash and cash equivalents may comprise cash (including short term deposits which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value) as well as cash equivalents, including money market funds. Investments are regarded as cash equivalents if they meet all of the following criteria: highly liquid investments held in the Company's base currency that are readily convertible to a known amount of cash, are subject to an insignificant risk of change in value and provide a return no greater than the rate of a three-month high quality government bond. For the Balanced Risk and Managed Liquidity Portfolios, cash and cash equivalents do not include investments in Short Term Investments Company (Global Series) plc as this forms part of those Portfolio's fixed assets.

(e)   Income

Dividend income from investments is recognised when the shareholders' right to receive payment has been established, normally the ex-dividend date. UK dividends are stated net of related tax credits. Interest income arising from cash is recognised on an accruals basis and underwriting commission is recognised as earned. Special dividends are taken to income unless they arise from a return of capital, when they are allocated to capital in the income statement. Income from fixed income securities is recognised in the income statement using the effective interest method.

(f)    Expenses and finance costs

All expenses are accounted for on an accruals basis. Expenses are charged to the income statement and shown in revenue except where expenses are presented as capital items when a connection with the maintenance or enhancement of the value of the investments held can be demonstrated and thus management fees and finance costs are charged to revenue and capital to reflect the Directors' expected long-term view of the nature of the investment returns of each Portfolio.

Expenses charged to the Company in relation to a specific Portfolio are charged directly to that Portfolio.

Expenses charged to the Company that are common to more than one Portfolio are allocated between those Portfolios in the same proportions as the net assets of each Portfolio at the latest conversion date.

Finance costs are accounted for on an accruals basis using the effective interest rate method.

The management fees and finance costs are charged in accordance with the Board's expected split of long-term returns, in the form of capital gains and income, to the applicable Portfolio as follows:

|  |  |  |  |
| --- | --- | --- | --- |
|  | PORTFOLIO | REVENUE  RESERVE | CAPITAL  RESERVE |
|  | UK Equity | 30% | 70% |
|  | Global Equity Income | 30% | 70% |
|  | Balanced Risk | 30% | 70% |
|  | Managed Liquidity | 100% | - |

Any entitlement to any investment performance fee which is attributable to the UK Equity and/or the Global Equity Income Portfolio is allocated 100% to capital as it is principally attributable to the capital performance of the investments in that Portfolio.

(g)   Dividends

Dividends are accrued in the financial statements when there is an obligation to pay the dividends at the balance sheet date.

(h)   Taxation

Tax expense represents the sum of tax currently payable and deferred tax. Any tax payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

For the Company, any allocation of tax relief to capital is based on the marginal basis, such that tax allowable capital expenses are offset against taxable income. Where individual Portfolios have extra tax capacity arising from unused tax allowable expenses which can be used by a different Portfolio, this extra tax capacity is transferred between the Portfolios at a valuation of 1% of the amount transferred.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements. Deferred taxation assets are recognised where, in the opinion of the Directors, it is more likely than not that these amounts will be realised in future periods.

A deferred tax asset has not been recognised in respect of surplus management expenses as the Company is unlikely to have sufficient future taxable revenue to offset against these.

Investment trusts which have approval under the appropriate tax regulations are not liable for taxation on capital gains.

2.     Income

This note shows the income generated from the portfolio (investment assets) of the Company and income received from any other source.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | COMPANY  TOTAL  £'000 |
| Income from investments |  |  |  |  |  |
| UK dividends: |  |  |  |  |  |
| - ordinary dividends | 2,060 | 559 | - | - | 2,619 |
| - special dividends | 39 | - | - | - | 39 |
|  | 2,099 | 559 | - | - | 2,658 |
| UK scrip dividends | 17 | 15 | - | - | 32 |
| Overseas dividends |  |  |  |  |  |
| - ordinary dividends | 355 | 1,776 | 9 | 2 | 2,142 |
| Unfranked investment income | 42 | - | - | 7 | 49 |
| Interest from Treasury bills | - | - | 15 | - | 15 |
|  | 2,513 | 2,350 | 24 | 9 | 4,896 |
| Other income |  |  |  |  |  |
| Deposit interest | - | - | 2 | - | 2 |
| Other | - | - | - | 12 | 12 |
| Total income | 2,513 | 2,350 | 26 | 21 | 4,910 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2016 |  |  |  |  |  |
| Income from investments |  |  |  |  |  |
| UK dividends: |  |  |  |  |  |
| - ordinary dividends | 1,955 | 524 | - | - | 2,479 |
| - special dividends | 240 | - | - | - | 240 |
|  | 2,195 | 524 | - | - | 2,719 |
| UK scrip dividends | 48 | 38 | - | - | 86 |
| Overseas dividends |  |  |  |  |  |
| - ordinary dividends | 422 | 1,596 | 11 | 2 | 2,031 |
| - special dividends | 24 | 60 | - | - | 84 |
| Unfranked investment income | 41 | - | - | 12 | 53 |
| Interest from Treasury bills | - | - | 27 | - | 27 |
|  | 2,730 | 2,218 | 38 | 14 | 5,000 |
| Other income |  |  |  |  |  |
| Deposit interest | - | - | 1 | 1 | 2 |
| Underwriting commission | 9 | - | - | - | 9 |
| Other | - | - | - | 12 | 12 |
| Total income | 2,739 | 2,218 | 39 | 27 | 5,023 |

There were £699,000 special dividends recognised in capital during the year (2016: £nil) in respect of the UK Equity Portfolio.

3.     Management and performance fees

This note shows the fees paid to the Manager. These are made up of the individual Portfolio management fees calculated quarterly on the basis of their net asset values and the performance fees of the UK Equity and Global Equity Income Portfolios.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | COMPANY  TOTAL  £'000 |
| Management fee: |  |  |  |  |  |
| - charged to revenue | 135 | 121 | 21 | 6 | 283 |
| - charged to capital | 316 | 281 | 48 | - | 645 |
| Total management fee | 451 | 402 | 69 | 6 | 928 |
| Performance fee provision written back to capital | (280) | - | - | - | (280) |
| 2016 |  |  |  |  |  |
| Management fee: |  |  |  |  |  |
| - charged to revenue | 130 | 99 | 19 | 13 | 261 |
| - charged to capital | 303 | 231 | 45 | - | 579 |
| Total management fee | 433 | 330 | 64 | 13 | 840 |
| Performance fee charged to capital | 401 | - | - | - | 401 |

Details of the investment management agreement are given on page 49 in the Directors' Report.

The performance fee accrued is solely in respect of the UK Equity Portfolio. No performance fee was earned for the UK Equity Portfolio during the year (2016: £401,000).

No performance fee is payable on the Global Equity Income Portfolio for the current or previous year. Any underperformance must be fully set off by over-performance before any performance fee can be paid. Movements on the Global Equity Income Portfolio's underperformance carried forward follow:

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Underperformance bought forward | 607 | 476 |
| Underperformance in the year | 171 | 131 |
| Underperformance carried forward | 778 | 607 |

4.     Other expenses

The other expenses of the Company are presented below; those paid to the Directors and the auditor are separately identified.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | COMPANY  TOTAL  £'000 |
| Charged to revenue: |  |  |  |  |  |
| Directors' fees(i) | 64 | 52 | 9 | 5 | 130 |
| Auditor's fees(ii): |  |  |  |  |  |
| - for the audit of the financial statements | 13 | 12 | 2 | 1 | 28 |
| Other expenses(iii) | 122 | 107 | 30 | 11 | 270 |
|  | 199 | 171 | 41 | 17 | 428 |
| Charged to capital: |  |  |  |  |  |
| Custodian transaction charges | 1 | 3 | - | - | 4 |
| Total | 200 | 174 | 41 | 17 | 432 |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2016 |  |  |  |  |  |
| Charged to revenue: |  |  |  |  |  |
| Directors' fees(i) | 65 | 51 | 9 | 5 | 130 |
| Auditor's fees(ii): |  |  |  |  |  |
| - for the audit of the financial statements | 14 | 11 | 2 | 1 | 28 |
| - for other services relating to tax compliance | 4 | 3 | 1 | - | 8 |
| Other expenses(iii) | 126 | 90 | 29 | 15 | 260 |
|  | 209 | 155 | 41 | 21 | 426 |
| Charged to capital: |  |  |  |  |  |
| Custodian transaction charges | 1 | 1 | - | - | 2 |
| Total | 210 | 156 | 41 | 21 | 428 |

(i)   The Directors' Remuneration Report provides information on Directors' fees. Included within other expenses is £11,000 (2016: £10,000) of employer's national insurance payable on Directors' fees. As at 31 May 2017, the amount outstanding on Directors' fees and employer's national insurance was £24,000 (2016: £19,000).

(ii)  Auditor's fees are shown excluding VAT, which is included in other expenses.

(iii) Includes fees for depositary, broker and registrar, and also printing, postage and listing costs.

5.     Finance costs

Finance costs are the cost of borrowing facilities. These are made up of costs incurred to have the facility in place and any interest charged when the facility is used.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | COMPANY  TOTAL  £'000 |
| Interest payable on borrowings |  |  |  |  |  |
| repayable within one year as follows: |  |  |  |  |  |
| Charged to revenue | 36 | 18 | - | - | 54 |
| Charged to capital | 83 | 4 | - | - | 126 |
| Total | 119 | 61 | - | - | 180 |
| 2016 |  |  |  |  |  |
| Interest payable on borrowings |  |  |  |  |  |
| repayable within one year as follows: |  |  |  |  |  |
| Charged to revenue | 37 | 25 | - | - | 62 |
| Charged to capital | 87 | 57 | - | - | 144 |
| Total | 124 | 82 | - | - | 206 |

6.     Taxation

As an investment trust, the Company pays no tax on capital gains. However, the Company suffers tax on certain overseas dividends that is irrecoverable and this note shows details of the tax charge. In addition, this note clarifies the basis for the Company having no deferred tax asset or liability.

(a)   Tax charge

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | COMPANY  TOTAL  £'000 |
|  | Overseas tax | 41 | 201 | - | - | 242 |
|  | 2016 |  |  |  |  |  |
|  | Overseas tax | 42 | 157 | - | - | 199 |

The accounting policy for taxation is disclosed in note 1(h).

(b)   Reconciliation of tax charge

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | COMPANY  TOTAL  £'000 |
|  | Return before taxation | 13,737 | 15,141 | 849 | (2) | 29,725 |
|  |  |  |  |  |  |  |
|  | Theoretical tax at the current UK Corporation Tax rate of 19.83% (2016: 20.00%) | 2,724 | 3,003 | 168 | - | 5,895 |
|  | Effect of: |  |  |  |  |  |
|  | - Non-taxable losses on investments and derivatives | (2,186) | (2,663) | (154) | - | (5,003) |
|  | - Non-taxable losses/(gains) on foreign exchange | 2 | - | (22) | - | (20) |
|  | - Non-taxable scrip dividends | (3) | (3) | - | - | (6) |
|  | - Non-taxable UK dividends | (394) | (111) | - | - | (505) |
|  | - Non-taxable UK special dividends | (8) | - | - | - | (8) |
|  | - Non-taxable overseas dividends | (70) | (352) | - | - | (422) |
|  | - Non-taxable overseas special dividends | (139) | - | - | - | (139) |
|  | - Overseas tax | 41 | 201 | - | - | 242 |
|  | - Excess of allowable expenses over taxable income | 74 | 126 | 8 | - | 208 |
|  | Tax charge for the year | 41 | 201 | - | - | 242 |
|  |  |  |  |  |  |  |
|  | 2016 |  |  |  |  |  |
|  | Return before taxation | (986) | 134 | (56) | (5) | (913) |
|  | Theoretical tax at the current UK Corporation Tax rate of 20.00% (2015: 20.83%) | (197) | 27 | (11) | (1) | (182) |
|  | Effect of: |  |  |  |  |  |
|  | - Non-taxable losses on investments and derivatives | 513 | 301 | 16 | - | 830 |
|  | - Non-taxable losses/(gains) on foreign exchange | (1) | 2 | (5) | - | (4) |
|  | - Non-taxable scrip dividends | (10) | (8) | - | - | (18) |
|  | - Non-taxable UK dividends | (370) | (105) | - | - | (475) |
|  | - Non-taxable UK special dividends | (48) | - | - | - | (48) |
|  | - Non-taxable overseas dividends | (84) | (331) | - | - | (415) |
|  | - Non-taxable overseas special dividends | (5) | - | - | - | (5) |
|  | - Overseas tax | 42 | 157 | - | - | 199 |
|  | - Excess of allowable expenses over taxable income | 202 | 114 | - | 1 | 317 |
|  | Tax charge for the year | 42 | 157 | - | - | 199 |

        Given the Company's status as an investment trust, and the intention to continue meeting the conditions required to retain such status for the foreseeable future, the Company has not provided any UK corporation tax on any realised or unrealised capital gains or losses arising on investments.

(c)    Factors that may affect future tax charges

        The Company has excess management expenses and loan relationship deficits of £11,018,000 (2016: £9,971,000) that are available to offset future taxable revenue. A deferred tax asset of £1,873,000 (2016: £1,795,000), measured at the standard corporation tax substantively enacted rate of 17% (2016: 18%) has not been recognised in respect of these expenses since the Directors believe that there will be no taxable profits in the future against which the deferred tax assets can be offset.

7.     Basic return per Ordinary Share

Return per share is the amount of gain (or loss) generated for each share class in the financial year divided by the weighted average number of the shares in issue.

Basic revenue, capital and total return per ordinary share is based on each of the returns after taxation shown by the income statement for the applicable Share class and on the following numbers of Shares being the weighted average number of Shares in issue throughout the year for each Share class:

|  |  |  |
| --- | --- | --- |
|  | WEIGHTED AVERAGE  NUMBER OF SHARES |  |
|  |  |  |
| SHARE | 2017 | 2016 |
| UK Equity | 39,070,682 | 39,958,921 |
| Global Equity Income | 32,711,960 | 32,364,967 |
| Balanced Risk | 7,109,098 | 7,452,162 |
| Managed Liquidity | 5,574,251 | 5,228,172 |

8.     Dividends

Dividends represent distributions of income less expenses to shareholders. Dividends are paid as an amount per share held.

Dividends paid for each applicable Share class, which represent distributions for the purpose of s1159 of the Corporation Tax Act 2010, are as follows:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |
|  | NUMBER  OF SHARES | DIVIDEND  RATE (PENCE) | TOTAL  £'000 | NUMBER  OF SHARES | DIVIDEND  RATE (PENCE) | TOTAL  £'000 |
| UK Equity |  |  |  |  |  |  |
| First interim | 39,763,023 | 1.40 | 557 | 39,792,732 | 1.20 | 478 |
| Second interim | 39,317,155 | 1.40 | 550 | 40,118,405 | 1.20 | 481 |
| Third interim | 39,047,478 | 1.40 | 547 | 40,026,774 | 1.20 | 480 |
| Fourth interim | 38,030,323 | 2.05 | 780 | 39,974,044 | 2.55 | 1,020 |
|  |  |  |  |  |  |  |
|  |  | 6.25 | 2,434 |  | 6.15 | 2,459 |
| Global Equity Income |  |  |  |  |  |  |
| First interim | 32,377,852 | 1.40 | 453 | 31,530,677 | 1.40 | 441 |
| Second interim | 32,609,001 | 1.40 | 457 | 31,892,746 | 1.40 | 447 |
| Third interim | 32,695,170 | 1.40 | 457 | 32,995,312 | 1.40 | 462 |
| Fourth interim | 32,947,505 | 2.20 | 725 | 33,108,029 | 1.80 | 596 |
|  |  |  |  |  |  |  |
|  |  | 6.40 | 2,092 |  | 6.00 | 1,946 |
|  |  |  |  |  |  |  |
| Total paid in respect of the year |  |  | 4,526 |  |  | 4,405 |

No dividends have been paid to Balanced Risk and Managed Liquidity shareholders during the year (2016: nil).

The Company's dividend policy permits the payment of dividends by the UK Equity and Global Equity Income Portfolios from capital. An analysis of dividends paid for the year from revenue and capital follows.

|  |  |  |  |
| --- | --- | --- | --- |
| 2017 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | COMPANY  TOTAL  £'000 |
| Dividends paid in respect of the year: |  |  |  |
| - from revenue | 2,102 | 1,839 | 3,941 |
| - from capital | 332 | 253 | 585 |
|  | 2,434 | 2,092 | 4,526 |

|  |  |  |  |
| --- | --- | --- | --- |
| 2016 | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | COMPANY  TOTAL  £'000 |
| Dividends paid in respect of the year: |  |  |  |
| - from revenue | 2,321 | 1,782 | 4,103 |
| - from capital | 138 | 164 | 302 |
|  | 2,459 | 1,946 | 4,405 |

9.     Investments held at fair value

The portfolio is made up of investments which are listed, i.e. traded on a regulated stock exchange, and a small proportion of investments which are valued by the Directors as they are unlisted or not regularly traded. Gains and losses are either:

·      realised, usually arising when investments are sold; or

·      unrealised, being the difference from cost of those investments still held at the year end.

(a)   Analysis of investments by listing status

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| UK listed investments | 100,596 | 87,317 |
| UK unlisted investments | 714 | 750 |
| Overseas listed investments(i) | 66,496 | 56,173 |
| Unquoted hedge fund investments | 18 | 18 |
|  | 167,824 | 144,258 |

(i) Includes the Short-Term Investments Company (Global Series) plc positions held by the Balanced Risk Portfolio of £2,440,000 (2016: £2,190,000) and Managed Liquidity Portfolio of £548,000 (2016: £418,000).

(b)   Analysis of investment gains/(losses)

|  |  |  |  |
| --- | --- | --- | --- |
|  |  | 2017  £'000 | 2016  £'000 |
|  | Opening valuation | 144,258 | 149,849 |
|  | Movements in year: |  |  |
|  | Purchases at cost | 73,749 | 31,998 |
|  | Sales - proceeds | (74,635) | (33,524) |
|  | Sales - net realised gains on sales | 21,527 | 3,664 |
|  | Movement in investment holding gains in year | 2,925 | (7,729) |
|  | Closing valuation | 167,824 | 144,258 |
|  | Closing book cost | 136,391 | 115,750 |
|  | Closing investment holding gains | 31,433 | 28,508 |
|  | Closing valuation | 167,824 | 144,258 |
|  | Realised gains based on historical cost | 21,527 | 3,664 |
|  | Movement in investment holding gains/(losses) in year | 2,925 | (7,729) |
|  | (Losses)/gains on investments | 24,452 | (4,065) |

(c)    Transaction costs

Transaction costs were £110,000 (2016: £57,000) on purchases and £55,000 (2016: £42,000) on sales.

10.   Derivative instruments

Derivative instruments are contracts whose price is derived from the value of other securities or indices. The Balanced Risk Portfolio uses futures, which represent agreements to buy or sell commodities or financial instruments at a pre-determined price in the future.

Excluding forward currency contracts used for currency hedging purposes.

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Opening derivative assets held at fair value through profit and loss | 388 | 159 |
| Opening derivative liabilities held at fair value through profit and loss | (68) | (125) |
| Opening net derivative liabilities held at fair value shown in balance sheet | 320 | 34 |
| Closing derivative assets held at fair value through profit and loss | 209 | 388 |
| Closing derivative liabilities held at fair value through profit and loss | (142) | (68) |
| Closing net derivative assets held at fair value shown in balance sheet | 67 | 320 |
| Movement in derivative holding gains | (253) | 286 |
| Net realised gains on derivative instruments | 1,028 | (366) |
| Net capital gain/(loss) on derivative instruments as shown in the income statement | 775 | (80) |
| Net income arising on derivatives | 45 | 66 |
| Total gain/(loss) on derivatives instruments | 820 | (14) |

The derivative assets/liabilities shown in the balance sheet are the unrealised gains/losses arising from the revaluation to fair value of futures contracts held in the Balanced Risk Share Portfolio, as shown on page 23.

11.   Debtors

Debtors are amounts due to the Company, such as monies due from brokers for investments sold and income which has been earned (accrued) but not yet received.

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Amounts due from brokers | 28 | 164 |
| Collateral pledged for futures contracts | 443 | 176 |
| Taxation recoverable | 166 | 165 |
| Prepayments and accrued income | 749 | 741 |
|  | 1,386 | 1,246 |

12.   Other creditors

Creditors are amounts owed by the Company, and include any bank loans, amounts due to brokers for the purchase of investments and amounts owed to suppliers, such as the Manager and auditor.

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Bank loan | 15,200 | 13,750 |
| Taxation payable | 137 | 137 |
| Amounts due to brokers | 119 | 594 |
| Performance fee accrued | 1,021 | 1,021 |
| Accruals | 358 | 341 |
|  | 16,835 | 15,843 |

At the year end the Company had a maximum uncommitted overdraft facility of 10% of net assets and a £25 million (2016: £25 million) committed 364 day multicurrency revolving credit facility, which is due for renewal on 18 May 2018 (2016: 19 May 2017), both with The Bank of New York Mellon. The interest payable on the credit facility is based on LIBOR +0.85% on amounts drawndown.

13.   Provision

The provision arises from the UK Equity Portfolio's performance fee. The movements on the performance fee provision are as follows:

|  |  |  |
| --- | --- | --- |
|  | 2017  £'000 | 2016  £'000 |
| Provision bought forward | 284 | 313 |
| Underperformance offset in year | (280) | - |
| Transferred to performance fee accrued | - | (29) |
| Provision carried forward | 4 | 284 |

14.   Share capital

Share capital represents the total number of shares in issue.

All shares have a nominal value of 1 penny.

(a)   Movements in Share Capital During the Year

Issued and fully paid:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  |  | UK  EQUITY | GOLBAL  EQUITY  INCOME | BALANCED  RISK | MANAGED  LIQUIDITY | TOTAL  SHARE  CAPITAL |
|  | ORDINARY SHARES (NUMBER) |  |  |  |  |  |
|  | At 31 May 2016 | 40,013,223 | 32,627,852 | 7,199,116 | 5,906,165 | 85,746,356 |
|  | Shares bought back into treasury | (1,545,540) | (636,000) | (58,000) | (264,000) | (2,503,540) |
|  | Arising on share conversion: |  |  |  |  |  |
|  | - August 2016 | (130,868) | 231,149 | (91,769) | (55,664) | (47,152) |
|  | - November 2016 | 115,323 | 86,169 | (7,487) | (336,027) | (142,022) |
|  | - February 2017 | (421,615) | 418,335 | 2,025 | (55,209) | (56,464) |
|  | - May 2017 | (21,068) | 20,408 | - | - | (660) |
|  | At 31 May 2017 | 38,009,455 | 32,747,913 | 7,043,885 | 5,195,265 | 82,996,518 |
|  | TREASURY SHARES (NUMBER) |  |  |  |  |  |
|  | At 31 May 2016 | 5,973,000 | 3,418,000 | 4,240,000 | 6,837,785 | 20,468,785 |
|  | Shares bought back into treasury | 1,545,540 | 636,000 | 58,000 | 264,000 | 2,503,540 |
|  | At 31 May 2017 | 7,518,540 | 4,054,000 | 4,298,000 | 7,101,785 | 22,972,325 |
|  | ORDINARY SHARES OF 1 PENNY EACH (£'000) |  |  |  |  |  |
|  | At 31 May 2016 | 400 | 327 | 72 | 59 | 858 |
|  | Shares bought back into treasury | (15) | (6) | (1) | (3) | (25) |
|  | Arising on share conversion: |  |  |  |  |  |
|  | - August 2016 | (2) | 2 | - | (1) | (1) |
|  | - November 2016 | 1 | 1 | - | (3) | (1) |
|  | - February 2017 | (4) | 4 | - | - | - |
|  | - May 2017 | - | - | - | - | - |
|  | At 31 May 2017 | 380 | 328 | 71 | 52 | 831 |
|  | TREASURY SHARES OF 1 PENNY EACH (£'000) |  |  |  |  |  |
|  | At 31 May 2016 | 60 | 34 | 42 | 68 | 204 |
|  | Shares bought back into treasury | 15 | 6 | 1 | 3 | 25 |
|  | At 31 May 2017 | 75 | 40 | 43 | 71 | 229 |
|  | TOTAL SHARE CAPITAL (£'000) |  |  |  |  |  |
|  | Ordinary share capital | 380 | 328 | 71 | 52 | 831 |
|  | Treasury share capital | 75 | 40 | 43 | 71 | 229 |
|  | At 31 May 2017 | 455 | 368 | 114 | 123 | 1,060 |
|  | Average buy back price | 170.4p | 176.1p | 129.6p | 101.0p |  |

The total cost of share buy backs was £4,126,000 (2016: £252,000). As part of the conversion process 256,895 (2016: 226,861) deferred shares of 1p each were created and subsequently cancelled during the year. No deferred shares were in issue at the start or end of the year.

No ordinary shares were issued from treasury during the year (2016: 550,000 UK Equity Shares and 1,120,000 Global Equity Income Shares).

(b)   Movements in Share Capital after the Year End

No shares have been issued or bought back since the year end.

(c)    Voting Rights

Rights attaching to the Shares are described in the Directors' Report on page 50.

(d)   Deferred Shares

The Deferred shares do not carry any rights to participate in the Company's profits, do not entitle the holder to any repayment of capital on a return of assets (except for the sum of 1p) and do not carry any right to receive notice of or attend or vote at any general meeting of the Company. Any Deferred shares that arise as a result of conversions of Shares are cancelled in the same reporting period.

(e)   Future Convertibility of the Shares

Shares are convertible at the option of the holder into any other class of Share. Further conversion details are given on the inside front cover and in the Shareholder Information on page 98.

15.   Reserves

This note explains the different reserves attributable to shareholders. The aggregate of the reserves and share capital (see previous note) make up total shareholders' funds.

The share premium comprises the net proceeds received by the Company following the issue of new shares, after deduction of the nominal amount of 1 penny and any applicable costs. The special reserve arose from the cancellation of the share premium account, in January 2007, and is available as distributable profits to be used for all purposes under the Companies Act 2006, including buy back of shares and payment of dividends. The capital redemption reserve arises from the nominal value of shares bought back and cancelled; this and the share premium are non-distributable.

Capital investment gains and losses are shown in note 9(b), and form part of the capital reserve. The revenue reserve shows the net revenue retained after payments of any dividends. The capital and revenue reserves are distributable.

16.   Net asset value per Share

The total net assets (total assets less total liabilities) attributable to a share class are often termed shareholders' funds and are converted into net asset value per share by dividing by the number of shares in issue.

The net asset value per Share and the net assets attributable at the year end were as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| ORDINARY SHARES | 2017 | 2016 |  |  |
|  | NET ASSET  VALUE PER  SHARE   PENCE | NET ASSETS  ATTRIBUTABLE  £'000 | NET ASSET  VALUE PER  SHARE  PENCE | NET ASSETS  ATTRIBUTABLE  £'000 |
| UK Equity | 193.5 | 73,537 | 164.3 | 65,727 |
| Global Equity Income | 198.6 | 65,049 | 159.2 | 51,943 |
| Balanced Risk | 134.7 | 9,485 | 122.8 | 8,837 |
| Managed Liquidity | 103.2 | 5,359 | 103.1 | 6,091 |

Net asset value per Share is based on the net assets and on the number of Shares in issue (excluding Treasury Shares) for each Share class at the year end.

17.   Financial instruments

This note summarises the risks deriving from the financial instruments that comprise the Company's assets and liabilities.

The Company's financial instruments comprise the following:

-      investments in equities, fixed interest securities and liquidity funds which are held in accordance with the Company's investment objectives and the investment objectives of the four Portfolios;

-      short-term debtors, creditors and cash arising directly from operations;

-      short-term forward foreign currency and futures contracts; and

-      bank loans and short-term overdrafts, used to finance operations.

The financial instruments held in each of the four investment portfolios are shown on pages 10, 16, 22, 23 and 27.

The accounting policies in note 1 include criteria for the recognition and the basis of measurement applied for these financial instruments. Note 1 also includes the basis on which income and expenses arising from financial assets and liabilities are recognised and measured.

The Company's principal risks and uncertainties are outlined in the ***Strategic*** Report on pages 34 to 37. This note expands on risk areas in relation to the Company's financial instruments. The portfolios are managed in accordance with the Company's investment policies and objectives, which are set out on pages 28 to 31. The management process is subject to risk controls, which the Audit Committee reviews on behalf of the Board, as described on pages 43 and 44.

The principal risks that an investment company faces in its portfolio management activities are set out below:

Market risk- arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk:

Currency risk- arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in foreign exchange rates;

Interest rate risk- arising from fluctuations in the fair value or future cash flows of a financial instrument because of changes in market interest rates; and

Other price risk- arising from fluctuations in the fair value or future cash flows of a financial instrument for reasons other than changes in foreign exchange rates or market interest rates, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Liquidity risk- arising from any difficulty in meeting obligations associated with financial liabilities.

Credit risk, incorporating counterparty risk- arising from financial loss for a company where the other party to a financial instrument fails to discharge an obligation.

Risk Management Policies and Procedures

As an investment trust the Company invests in equities and other investments for the long-term in accordance with its investment policies so as to meet its investment objectives. In pursuing its objectives, the Company is exposed to a variety of risks that could result in a reduction in the Company's net assets or a reduction of the profits available for dividends. The risks applicable to the Company and the Directors' policies for managing these risks follow. These have not changed from those applying in the previous year.

The Directors have delegated to the Manager the responsibility for the day-to-day investment activities of the Company as more fully described in the Directors' Report.

The main risk that the Company faces arising from its financial instruments is market risk - this risk is reviewed in detail below. Since the Company mainly invests in quoted investments and derivative instruments traded on recognised exchanges, liquidity risk and credit risk are significantly mitigated.

17.1   Market Risk

Market risk arises from changes in the fair value or future cash flows of a financial instrument because of movements in market prices. Market risk comprises three types of risk: currency risk (17.1.1), interest rate risk (17.1.2) and other price risk (17.1.3).

The Company's portfolio managers assess the individual investment portfolio exposures when making each investment decision for their Portfolios, and monitor the overall level of market risk on the whole of their investment portfolio on an ongoing basis. The Board meets at least quarterly to assess risk and review investment performance for the four Portfolios and the Company, as disclosed in the Board Responsibilities section of the Directors' Report on page 45. Borrowings can be used by the UK Equity and Global Equity Income Portfolios, which will increase the Company's exposure to market risk and volatility. The borrowing limits for these Portfolios are 25% and 20% of attributable net assets, respectively.

17.1.1 Currency Risk

A majority of the Global Equity Income Portfolio, derivative instruments in the Balanced Risk Portfolio and a small proportion of the UK Equity Portfolio consist of assets, liabilities and income denominated in currencies other than sterling. As a result, movements in exchange rates will affect the sterling value of those items.

Management of Currency Risk

The portfolio managers monitor the separate Portfolios' exposure to foreign currencies on a daily basis and report to the Board on a regular basis. Forward foreign currency contracts can be used to limit the Company's exposure to anticipated future changes in exchange rates and to achieve portfolio characteristics that assist the Company in meeting its investment objectives in line with its investment policies. All contracts are limited to currencies and amounts commensurate with the exposure to those currencies. No such contracts were in place at the current or preceding year end. Income denominated in foreign currencies is converted to sterling on receipt. The Company does not use financial instruments to mitigate the currency exposure in the period between the time that income is accrued and its receipts.

Foreign Currency Exposure

The fair value or amortised cost of the Company's monetary items that have foreign currency exposure at 31 May are shown below. Where the Company's equity investments (which are not monetary items) are priced in a foreign currency they have been included separately in the analysis in order to show the overall level of exposure.

UK EQUITY PORTFOLIO:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CURRENCY | DEBTORS  (DUE FROM  BROKERS AND  DIVIDENDS)  £'000 | CASH/  (OVERDRAFT)  AT BANK  £'000 | CREDITORS  (DUE TO  BROKERS AND  ACCRUALS)  £'000 | CURRENCY  EXPOSURE ON  NET MONETARY  ITEMS  £'000 | INVESTMENTS  AT FAIR VALUE  THROUGH  PROFIT OR  LOSS THAT  ARE EQUITIES  £'000 | TOTAL NET  CURRENCY  £'000 |
| YEAR ENDED 31 MAY 2017 |  |  |  |  |  |  |
| Euro | 2 | - | - | 2 | 3,154 | 3,156 |
| Swiss Franc | 48 | - | - | 48 | 2,307 | 2,355 |
| US Dollar | - | - | - | - | 2,959 | 2,959 |
|  | 50 | - | - | 50 | 8,420 | 8,470 |
| YEAR ENDED 31 MAY 2016 |  |  |  |  |  |  |
| Swiss Franc | 48 | - | - | 48 | 3,867 | 3,915 |
| US Dollar | - | - | - | - | 4,714 | 4,714 |
|  | 48 | - | - | 48 | 8,581 | 8,629 |

GLOBAL EQUITY INCOME PORTFOLIO:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| CURRENCY | DEBTORS  (DUE FROM  BROKERS AND  DIVIDENDS)  £'000 | CASH/  (OVERDRAFT)  AT BANK  £'000 | CREDITORS  (DUE TO  BROKERS AND  ACCRUALS)  £'000 | TOTAL FOREIGN  CURRENCY  EXPOSURE ON  NET MONETARY  ITEMS  £'000 | INVESTMENTS  AT FAIR VALUE  THROUGH  PROFIT OR  LOSS THAT  ARE EQUITIES  £'000 | TOTAL NET  FOREIGN  CURRENCY  EXPOSURE |
| YEAR ENDED 31 MAY 2017 |  |  |  |  |  |  |
| Australian Dollar | - | - | - | - | 1,087 | 1,087 |
| Canadian Dollar | - | - | - | - | 1,168 | 1,168 |
| Euro | 63 | - | - | 63 | 19,565 | 19,628 |
| Hong Kong dollar | 42 | - | - | 42 | 2,323 | 2,365 |
| Japanese Yen | 4 | - | - | 4 | 1,328 | 1,332 |
| Korean Won | - | - | (104) | (104) | 915 | 811 |
| Norwegian krone | 29 | - | - | 29 | 1,524 | 1,553 |
| Swedish krona | 57 | 9 | - | 66 | 905 | 971 |
| Swiss Franc | - | - | - | - | 4,661 | 4,661 |
| Taiwanese Dollar | - | - | - | - | 1,684 | 1,684 |
| US Dollar | 68 | - | - | 68 | 21,810 | 21,878 |
|  | 263 | 9 | (104) | 168 | 56,970 | 57,138 |
| YEAR ENDED 31 MAY 2016 |  |  |  |  |  |  |
| Australian Dollar | - | - | - | - | 915 | 915 |
| Chinese Renminbi | 18 | - | - | 18 | - | 18 |
| Euro | 137 | - | - | 137 | 12,788 | 12,925 |
| Hong Kong Dollar | 25 | - | - | 25 | 2,860 | 2,885 |
| Japanese Yen | 5 | - | - | 5 | 1,307 | 1,312 |
| Norwegian Krone | 26 | - | - | 26 | 1,286 | 1,312 |
| Swedish Krona | - | - | - | - | 924 | 924 |
| Swiss Franc | 45 | - | - | 45 | 5,041 | 5,086 |
| Taiwan New Dollar | - | - | - | - | 1,101 | 1,101 |
| US Dollar | 147 | - | (209) | (62) | 18,864 | 18,802 |
|  | 403 | - | (209) | 194 | 45,086 | 45,280 |

BALANCED RISK PORTFOLIO:

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | DERIVATIVE  ASSETS AT  FAIR VALUE  THROUGH  PROFIT OR  LOSS  £'000 | CASH  AT  BANK\*  £'000 | DERIVATIVE  LIABILITIES  AT FAIR  VALUE  THROUGH  PROFIT OR  LOSS  £'000 | DEBTORS DUE  FROM/  (CREDITORS  DUE TO)  BROKERS &  DIVIDENDS/  (ACCRUALS)  £'000 | TOTAL  FOREIGN  CURRENCY  EXPOSURE  ON NET  MONETARY  ITEMS  £'000 | INVESTMENTS  AT FAIR  VALUE  THROUGH  PROFIT OR  LOSS THAT  ARE EQUITIES  £'000 | TOTAL NET  FOREIGN  CURRENCY  EXPOSURE  £'000 |
| YEAR ENDED 31 MAY 2017 |  |  |  |  |  |  |  |
| Australian Dollar | 82 | 73 | - | (32) | 123 | - | 123 |
| Canadian Dollar | 15 | 65 | - | 19 | 99 | - | 99 |
| Euro | 49 | 84 | - | 24 | 157 | - | 157 |
| Hong Kong Dollar | 3 | 83 | - | 45 | 131 | - | 131 |
| Japanese Yen | 14 | 46 | - | 14 | 74 | - | 74 |
| US Dollar | 19 | 198 | (142) | 357 | 432 | 18 | 450 |
|  | 182 | 549 | (142) | 427 | 1,016 | 18 | 1,034 |
| YEAR ENDED 31 MAY 2016 |  |  |  |  |  |  |  |
| Australian Dollar | 31 | 20 | - | (7) | 44 | - | 44 |
| Canadian Dollar | 5 | 10 | - | 21 | 36 | - | 36 |
| Euro | 26 | 50 | - | 40 | 116 | - | 116 |
| Hong Kong Dollar | 9 | 18 | - | 25 | 52 | - | 52 |
| Japanese Yen | 20 | 17 | - | 16 | 53 | - | 53 |
| US Dollar | 280 | 124 | (68) | 45 | 381 | 18 | 399 |
|  | 371 | 239 | (68) | 140 | 682 | 18 | 700 |

\* Cash includes collateral pledged for futures contracts.

Foreign Currency Sensitivity

The preceding exposure analysis is based on the Company's monetary foreign currency financial instruments held at each balance sheet date and takes account of forward foreign exchange contracts, if used, that offset the effects of changes in currency exchange rates.

The effect of strengthening or weakening of sterling against other currencies to which the Company is exposed is calculated by reference to the volatility of exchange rates during the year using the standard deviation of currency fluctuations against the mean, giving the following exchange rate fluctuations:

|  |  |  |
| --- | --- | --- |
|  | 2017 | 2016 |
| £/Australian Dollar | +/- 4.9% | +/- 4.6% |
| £/Canadian Dollar | +/- 3.6% | +/- 3.8% |
| £/Euro | +/- 3.0% | +/- 4.2% |
| £/Hong Kong Dollar | +/- 4.3% | +/- 3.6% |
| £/Japanese Yen | +/- 4.7% | +/- 7.7% |
| £/Korean Won | +/- 4.8% | +/- 3.2% |
| £/Norwegian Krone | +/- 4.1% | +/- 3.5% |
| £/Swedish Krona | +/- 2.4% | +/- 4.6% |
| £/Swiss Franc | +/- 3.3% | +/- 3.4% |
| £/Taiwan Dollar | +/- 5.5% | +/- 2.8% |
| £/US Dollar | +/- 4.3% | +/- 3.7% |

The tables that follow illustrate the exchange rate sensitivity of revenue and capital returns arising from the Company's financial non-sterling assets and liabilities for the year for the UK Equity, Global Equity Income and Balanced Risk Portfolios using the exchange rates shown above.

If sterling had strengthened against the currencies shown by the table above, this would have had the following after tax effect:

UK EQUITY PORTFOLIO:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |
|  | REVENUE  RETURN | CAPITAL  RETURN | TOTAL  RETURN | REVENUE  RETURN | CAPITAL  RETURN | TOTAL  RETURN |
| Euro | - | (95) | (95) | - | - | - |
| Swiss Franc | (4) | (76) | (80) | (5) | (131) | (136) |
| US Dollar | (7) | (127) | (134) | (16) | (174) | (190) |
|  | (11) | (298) | (309) | (21) | (305) | (326) |

GLOBAL EQUITY INCOME PORTFOLIO:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |
|  | REVENUE  RETURN | CAPITAL  RETURN | TOTAL  RETURN | REVENUE  RETURN | CAPITAL  RETURN | TOTAL  RETURN |
| Australian Dollar | (2) | (53) | (55) | (1) | (42) | (43) |
| Canadian Dollar | - | (42) | (42) | - | - | - |
| Euro | (18) | (587) | (605) | (27) | (540) | (567) |
| Hong Kong Dollar | (4) | (100) | (104) | (1) | (104) | (105) |
| Japanese Yen | (2) | (62) | (64) | (3) | (101) | (104) |
| Korean Won | - | (39) | (39) | - | - | - |
| Norwegian Krone | (3) | (62) | (65) | (3) | (45) | (48) |
| Swedish Krona | (1) | (22) | (23) | - | (43) | (43) |
| Swiss Franc | (2) | (154) | (156) | (8) | (171) | (179) |
| Taiwan Dollar | (2) | (93) | (95) | (1) | (31) | (32) |
| US Dollar | (24) | (938) | (962) | (9) | (701) | (710) |
|  | (58) | (2,152) | (2,210) | (53) | (1,778) | (1,831) |

BALANCED RISK PORTFOLIO:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
|  | 2017 | 2016 |  |  |  |  |
|  | REVENUE  RETURN | CAPITAL  RETURN | TOTAL  RETURN | REVENUE  RETURN | CAPITAL  RETURN | TOTAL  RETURN |
| Australian Dollar | (1) | (6) | (7) | - | (2) | (2) |
| Canadian Dollar | - | (4) | (4) | - | (1) | (1) |
| Euro | - | (5) | (5) | - | (5) | (5) |
| Hong Kong Dollar | - | (6) | (6) | - | (2) | (2) |
| Japanese Yen | - | (3) | (3) | - | (4) | (4) |
| US Dollar | - | (19) | (19) | (1) | (15) | (16) |
|  | (1) | (43) | (44) | (1) | (29) | (30) |

If sterling had weakened against the currencies shown, the effect would have been the converse.

17.1.2  Interest Rate Risk

Interest rate movements may affect:

-      the fair value of the investments in fixed-interest rate securities;

-      the level of income receivable on cash deposits; and

-      the interest payable on variable rate borrowings.

Management of interest rate risk

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account as part of the portfolio management and borrowings processes of the portfolio managers. The Board reviews on a regular basis the investment portfolio and borrowings. This encompasses the valuation of fixed-interest and floating rate securities and gearing levels.

When the Company has cash balances, they are held in variable rate bank accounts yielding rates of interest dependent on the base rate of the custodian. The Company has a £25 million (2016: £25 million), 364 day multicurrency revolving credit facility which is due for renewal on 18 May 2018. The Company uses the facility when required at levels approved and monitored by the Board.

Interest rate exposure

At 31 May the exposure of financial assets and financial liabilities to interest rate risk is shown by reference to:

-      floating interest rates (giving cash flow interest rate risk) - when the interest rate is due to be reset; and

-      fixed interest rates (giving fair value interest rate risk) - when the financial instrument is due for repayment.

The following table sets out the financial assets and financial liabilities exposure at the year end:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | TOTAL  £'000 |
| 2017 |  |  |  |  |  |
| *Exposure to floating interest rates:* |  |  |  |  |  |
| Investments held at fair value through profit or loss\* | - | - | 2,440 | 5,448 | 7,888 |
| Cash and cash equivalents | 148 | 167 | 626 | 51 | 992 |
| Bank loans | (10,600) | (4,600) | - | - | (15,200) |
|  | (10,452) | (4,433) | 3,066 | 5,499 | (6,320) |
| *Exposure to fixed interest rates:* |  |  |  |  |  |
| Investments held at fair value through profit or loss including UK Treasury Bills | - | - | 5,894 | - | 5,894 |
| Net exposure to interest rates | (10,452) | (4,433) | 8,960 | 5,499 | (426) |
| 2016 |  |  |  |  |  |
| *Exposure to floating interest rates:* |  |  |  |  |  |
| Investments held at fair value through profit or loss\* | - | - | 2,190 | 5,312 | 7,502 |
| Cash and cash equivalents | 629 | 701 | 654 | 917 | 2,901 |
| Bank loans | (7,150) | (6,600) | - | - | (13,750) |
|  | (6,521) | (5,899) | 2,844 | 6,229 | (3,347) |
| *Exposure to fixed interest rates:* |  |  |  |  |  |
| Investments held at fair value through profit or loss including UK Treasury Bills | - | - | 5,490 | - | 5,490 |
| Net exposure to interest rates | (6,521) | (5,899) | 8,334 | 6,229 | 2,143 |

\* Comprises holdings in the Short-Term Investments Company (Global Series) plc and Invesco Perpetual Money Fund.

The income on the Invesco Perpetual Money Fund and Short Term Investments Company (Global Series) plc investments is affected by interbank lending rates; the principal amount should normally remain stable regardless of interest rate movements.

Interest rate sensitivity

At the maximum possible borrowing of £25 million (2016: £25 million), the effect over one year of a 0.5% movement in interest rates would result in a £125,000 (2016: £125,000) maximum movement in the Company's income and net assets.

The effect over one year of a 1% movement in the interest rates on fixed interest investments held at fair value through profit and loss would result in a £28,000 (2016: £15,000) maximum movement in the Company's income and net assets.

The above exposure and sensitivity analysis are not representative of the year as a whole, since the level of exposure changes frequently throughout the year.

17.1.3  Other Price Risk

Other price risks (i.e. changes in market prices other than those arising from interest rate risk or currency risk) may affect the value of the equity investments, but it is the business of the portfolio managers to manage the Portfolios to achieve the best returns they can.

Management of Other Price Risk

The Directors monitor the market price risks inherent in the investment portfolios by meeting regularly to review performance.

The Company's investment portfolios are the result of the Manager's investment processes and as a result are not wholly correlated with the individual Portfolios' benchmarks or the markets in which the Portfolios invest. The value of the investment portfolios will not move in line with the markets but will move as a result of the performance of the shares held within the investment portfolios.

If the value of an investment portfolio moved by 10% at the balance sheet date, the profit after tax and net assets for the year would increase/decrease by the following amounts:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 |
| 2017 |  |  |  |  |
| Profit after tax increase/decrease due to rise/fall of 10% | 8,473 | 6,929 | 835 | 545 |
| 2016 |  |  |  |  |
| Profit after tax increase/decrease due to rise/fall of 10% | 7,358 | 5,767 | 770 | 531 |

17.2 Liquidity Risk

Management of liquidity risk

Liquidity risk is minimised as the investments held by the Company's four portfolios are diversified and the majority are readily realisable securities which can be sold to meet funding commitments. If required, the Company's borrowing facilities provide additional long-term and short-term flexibility.

The Directors' policy is that in normal market conditions short-term borrowings be used to manage short term liabilities and working capital requirements rather than to realise investments.

Liquidity risk

The contractual maturities of financial liabilities at the year end, based on the earliest date on which payment can be required, are as follows:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | UK EQUITY  3 MONTHS  OR LESS  £'000 | GLOBAL  EQUITY  INCOME  MORE THAN  3 MONTHS  £'000 | BALANCED  RISK  3 MONTHS  OR LESS  £'000 | MANAGED  LIQUIDITY  3 MONTHS  OR LESS  £'000 | MORE THAN  3 MONTHS  £'000 | 3 MONTHS  OR LESS  £'000 | COMPANY  TOTAL  £'000 |  |  |
| 2017 |  |  |  |  |  |  |  |  |  |
| Bank loan | 10,600 | - | 4,600 | - | - | - | 15,200 |  |  |
| Amount due to brokers | 1 | - | 104 | 14 | - | - | 119 |  |  |
| Other creditors and accruals | 173 | - | 155 | 25 | - | 142 | 495 |  |  |
| Performance fee accrued and provided | - | 1,025 | - | - | - | - | 1,025 |  |  |
| Derivative financial instruments | - | - | - | 61 | 81 | - | 142 |  |  |
|  | 10,774 | 1,025 | 4,859 | 100 | 81 | 142 | 16,981 |  |  |
| 2016 |  |  |  |  |  |  |  |  |  |
| Bank loan | 7,150 | - | 6,600 | - | - | - | 13,750 |  |  |
| Amount due to brokers | 332 | - | 261 | - | - | 1 | 594 |  |  |
| Other creditors and accruals | 171 | - | 136 | 26 | - | 145 | 478 |  |  |
| Performance fee accrued and provided | - | 1,305 | - | - | - | - | 1,305 |  |  |
| Derivative financial instruments | - | - | - | 68 | - | - | 68 |  |  |
|  | 7,653 | 1,305 | 6,997 | 94 | - | 146 | 16,195 |  |  |
|  |  |  |  |  |  |  |  |  |  |

17.3 Credit Risk

Credit risk is that the failure of the counterparty in a transaction to discharge its obligations under that transaction could result in the Company suffering a loss.

This risk is managed as follows:

-      investment transactions are carried out with a selection of brokers, approved by the Manager and settled on a delivery versus payment basis. Brokers' credit ratings are regularly reviewed by the Manager, so as to minimise the risk of default to the Company;

-      the derivative financial instruments are all exchange traded and the exchange guarantees their settlement;

-      the risk of counterparty exposure due to failed trades causing a loss to the Company is mitigated by the daily review of failed trade reports and the use of daily stock and cash reconciliations. Only approved counterparties are used;

-      the Company's ability to operate in the short-term may be adversely affected if the Company's Manager, other outsource service providers, or their delegates suffer insolvency or other financial difficulties. The Board reviews annual controls reports from major service providers;

-      where an investment is made in a bond, corporate or otherwise, the credit rating of the issuer is taken into account so as to minimise the risk to the Company of default; and

-      cash balances are limited to a maximum of £2.5 million for each Portfolio with any one deposit taker (other than cash collateral on derivative instruments), with only deposit takers approved by the Manager being used. Cash held at brokers includes any cash collateral on futures contracts and during the year only one futures clearing broker, Merrill Lynch, was used.

The following table sets out the maximum credit risk exposure at the year end:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED  LIQUIDITY  £'000 | TOTAL  £'000 |
| 2017 |  |  |  |  |  |
| Bonds (UK Treasury bills) | - | - | 5,894 | - | 5,894 |
| Invesco Perpetual Money Fund | - | - | - | 4,900 | 4,900 |
| Cash held as short term investment(1) | - | - | 2,440 | 548 | 2,988 |
| Unquoted securities | 714 | - | 18 | - | 732 |
| Derivative financial Instruments | - | - | 67 | - | 67 |
| Debtors(2) | 454 | 451 | 479 | 2 | 1,386 |
| Cash and cash equivalents | 148 | 167 | 626 | 51 | 992 |
|  | 1,316 | 618 | 9,524 | 5,501 | 16,959 |
| 2016 |  |  |  |  |  |
| Bonds (UK Treasury bills) | - | - | 5,490 | - | 5,490 |
| Invesco Perpetual Money Fund | - | - | - | 4,894 | 4,894 |
| Cash held as short term investment(1) | - | - | 2,190 | 418 | 2,608 |
| Unquoted securities | 750 | - | 18 | - | 768 |
| Derivative financial Instruments | - | - | 320 | - | 320 |
| Debtors(2) | 477 | 570 | 191 | 9 | 1,247 |
| Cash and cash equivalents | 629 | 701 | 654 | 917 | 2,901 |
|  | 1,856 | 1,271 | 8,863 | 6,238 | 18,228 |

(1) Comprises holdings in the Short-Term Investments Company (Global Series) plc.

(2) Cash collateral pledged for futures contracts of £444,000 is included in debtors (2016: £176,000).

18.   Fair Values of Financial Assets and Financial Liabilities

'Fair value' in accounting terms is the amount at which an asset can be bought or sold in a transaction between willing parties, i.e. a market-based, independent measure of value. This note sets out the fair value hierarchy comprising three 'levels' and the aggregate amount of investments in each level.

The financial assets and financial liabilities are either carried in the balance sheet at their fair value (investments and derivative instruments), or the balance sheet amount is a reasonable approximation of fair value.

FRS 102 as amended for fair value hierarchy disclosures (March 2016) sets out three fair value levels. These are:

Level 1 -           The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2 -           Inputs other than quoted prices included within Level 1 that are observable (ie developed using market data) for the asset or liability, either directly or indirectly.

Level 3 -           Inputs are unobservable (ie for which market data is unavailable) for the asset or liability.

Categorisation within the hierarchy is determined on the basis of the lowest level input that is significant to the fair value measurement of each relevant asset/liability.

The valuation techniques used by the Company are explained in the accounting policies note. The majority of the Company's investments are quoted equity investments and Treasury bills which are deemed to be Level 1. Level 2 comprises all other quoted fixed income investments, the UK Equity Portfolio's holdings of Barclays Bank Nuclear Power Notes, derivative instruments and liquidity funds held in the Balanced Risk and Managed Liquidity Portfolios. Level 3 investments comprise any unquoted securities and the remaining hedge fund investments of the Balanced Risk Portfolio.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | GLOBAL  EQUITY  INCOME  £'000 | BALANCED  RISK  £'000 | MANAGED   LIQUIDITY  £'000 | TOTAL  £'000 |
| 2017 |  |  |  |  |  |
| Financial assets at fair value through profit or loss: |  |  |  |  |  |
| Level 1 | 84,019 | 69,290 | 5,894 | - | 159,203 |
| Level 2 | 1 | - | 2,649 | 5,448 | 8,098 |
| Level 3 | 714 | - | 18 | - | 732 |
| Total for financial assets | 84,734 | 69,290 | 8,561 | 5,448 | 168,033 |
|  |  |  |  |  |  |
| Financial liabilities: |  |  |  |  |  |
| Level 2 - Derivative instruments | - | - | 142 | - | 142 |
| 2016 |  |  |  |  |  |
| Financial assets at fair value through profit or loss: |  |  |  |  |  |
| Level 1 | 72,827 | 57,669 | 5,490 | - | 135,986 |
| Level 2 | 2 | - | 2,578 | 5,312 | 7,892 |
| Level 3 | 750 | - | 18 | - | 768 |
| Total for financial assets | 73,579 | 57,669 | 8,086 | 5,312 | 144,646 |
|  |  |  |  |  |  |
| Financial liabilities: |  |  |  |  |  |
| Level 2 - Derivative instruments | - | - | 68 | - | 68 |

A reconciliation of the fair value movement in Level 3 is set out below.

|  |  |  |  |
| --- | --- | --- | --- |
|  | UK  EQUITY  £'000 | BALANCED  RISK  £'000 | TOTAL  £'000 |
| 2017 |  |  |  |
| Opening fair value | 750 | 18 | 768 |
| Sales - proceeds | - | (4) | (4) |
| Sales - net realised losses | - | (1) | (1) |
| Movement in investment holding gains | (36) | 5 | (31) |
| Closing fair value of Level 3 | 714 | 18 | 732 |
| 2016 |  |  |  |
| Opening fair value | 730 | 23 | 753 |
| Sales - proceeds | - | (8) | (8) |
| Sales - net realised losses | - | (4) | (4) |
| Movement in investment holding gains | 20 | 7 | 27 |
| Closing fair value of Level 3 | 750 | 18 | 768 |

19.   Capital Management

This note is designed to set out the Company's objectives, policies and processes for managing its capital. The capital is funded from monies invested in the Company by shareholders (both initial investment and any retained amounts) and any borrowings by the Company.

The Company's total capital employed at 31 May 2017 was £168,360,000 (2016: £146,348,000) comprising borrowings of £15,200,000 (2016: £13,750,000) and equity share capital and other reserves of £153,430,000 (2016: £132,598,000).

The Company's total capital employed is managed to achieve the Company's investment objective and policy as set out on pages 28 to 31, including that borrowings may be used to raise equity exposure up to a maximum of 25% of net assets. At the balance sheet date, gross gearing of 15.5% (2016: 16.0%) and equalled net gearing. The Company's policies and processes for managing capital are unchanged from the preceding year.

The main risks to the Company's investments are shown in the Directors' Report under the 'Principal Risks and Uncertainties' section on pages 34 to 37. These also explain that the Company has borrowing facilities which can be used in accordance with each Portfolio's investment objectivity and policy and that this will amplify the effect on equity of changes in the value of the portfolio.

The Board can also manage the capital structure directly since it has taken the powers, which it is seeking to renew, to issue and buy back shares and it also determines dividend payments.

The Company is subject to externally imposed capital requirements with respect to the obligation and ability to pay dividends by Corporation Tax Act 2010 and by the Companies Act 2006, respectively, and with respect to the availability of the overdraft facility, by the terms imposed by the lender. The Board regularly monitors, and has complied with, the externally imposed capital requirements. This is unchanged from the prior year.

Borrowings comprise any drawings on the credit and/or overdraft facilities, details of which are given in note 12.

20.   Contingencies, guarantees and financial commitments

Any liabilities the Company is committed to honour but which are dependent on a future circumstance or event occurring would be disclosed in this note if any existed.

There were no contingencies, guarantees or financial commitments of the Company at the year end (2016: £nil).

21.   Related party transactions and transactions with the Manager

A related party is a company or individual who has direct or indirect control or who has significant influence over the Company. Under accounting standards, the Manager is not a related party.

Under UK GAAP, the Company has identified the Directors as related parties. The Directors' remuneration and interests have been disclosed on pages 54 to 56 with additional disclosures in note 4. No other related parties have been identified.

Details of the Manager's services and fees are disclosed in the Directors' Report on page 49 and note 3.

22.   Post Balance Sheet Events

Any significant events that occurred after the Company's financial year end but before the signing of the balance sheet will be shown here.

There are no significant events after the end of the reporting period requiring disclosure.

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The financial information set out above does not constitute the Company's statutory accounts for the year ended 31 May 2017.  The financial information for 2016 is derived from the statutory accounts for the year ended 31 May 2016, which have been delivered to the Registrar of Companies.  The auditor has reported on the 2016 accounts; the audit report was unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain a statement under section 498 of the Companies Act 2006.  The statutory accounts for the year ended 31 May 2017 have been finalised and audited but have not yet been delivered to the Registrar of Companies.

The audited annual financial report will be available to shareholders, and will be delivered to the Registrar of Companies, shortly.  Copies may be obtained during normal business hours from the Company's Registered Office, from its correspondence address, 6th Floor, 125 London Wall, London EC2Y 5AS, and via the web pages of all of the Share classes on the Manager's website at[*http://www.invescoperpetual.co.uk/investmenttrusts*](http://www.invescoperpetual.co.uk/investmenttrusts).

The Annual General Meeting will be held on 21 September 2017 at 11.30am at 6th Floor, 125 London Wall, London EC2Y 5AS.

By order of the Board

Invesco Asset Management Limited

31 July 2017

Contacts:

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**Load-Date:** August 1, 2017

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ICIS Chemical Business

May 11, 2018

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**Section:** NEWS IN BRIEF

**Length:** 15789 words

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**Body**

Americas

US withdraws from Iran deal, imposes sanctions

The US will withdraw from the Iranian nuclear deal and reimpose sanctions on the country, the president said. The reimposed sanctions will target critical sectors of Iran’s economy, such as its energy, petrochemical and financial sectors. Companies doing business in Iran will have time to wind down operations there. After the deal was signed back in 2015, oil prices fell and market watchers raised concerns about oversupply. The country made ***plans*** to increase oil production by 1m bbl/day once the sanctions were lifted.

Formosa picks process tech for US PE, PP

Formosa Plastics Corp has chosen the process technologies it will use in the polyethylene (PE) and polypropylene (PP) plants it is building in Point Comfort, Texas. The technology for the tubular low-density PE (LDPE) plant has been licensed from ExxonMobil. It will have a capacity of 400,000 tonnes/year and ***produce*** Formosa’s new line of Formolene LDPE resins, said Ken Mounger, vice president and general manager of polyolefins. The new 250,000 tonne/year PP project’s technology has been licensed from Japan Polypropylene Corporation.

BASF lifts butanediol FM declared in January

BASF lifted the force majeure on US butanediol (BDO) and derivatives that the company declared in January because of events at its Louisiana plant. BASF shut down its 162,000 tonne/year BDO unit in Geismar, near Baton Rouge, following two separate events there in mid-January. The plant is the largest BDO unit in the US. On 14 January, a natural gas fire near the Geismar facility disrupted the site’s natural gas supply, followed two days later by record low temperatures plus rain, sleet and snow in southern Louisiana.

Air Products buys Shell coal gasification tech

Air Products completed the acquisition of Shell’s coal-gasification-technology business for an undisclosed amount. The two companies also formed a ***strategic*** alliance that covers residue gasification technology for refineries. The acquisition includes Shell’s patent portfolios for coal and biomass gasification and sharing patent rights for residue gasification. Under the ***strategic*** alliance, Air Products will offer sale of gas residue gasification units to refiners.

Solvay aims to source more renewable energy

Belgium-based Solvay will aim to source more renewable energy in the US with the start-up of a 71.4-megawatt solar farm in South Carolina. The solar farm is owned by Dominion Resources. Solvay agreed to acquire the farm’s renewable energy certificates (RECs) in March 2017 for a 15-year period. The solar farm is called Solvay Solar Energy-Jasper County, in South Carolina’s county of the same name. The farm has more than 250,000 solar panels.

US IFF to acquire Israel’s Frutarom for $7.1bn

US-based International Flavours & Fragrances (IFF) has agreed to acquire Israel’s nutrition ***producer*** Frutarom for $7.1bn. The transaction will be based on cash and stock. Frutarom’s shareholders will receive for each of their shares $71.19 in cash and 0.249 of a share of IFF common stock, which represents a total value of $106.25/share.

DuPont to raise polyimide film capacity in Q1 2019

DuPont ***plans*** to raise production capacity of its Kapton polyimide film by up to 20% by the end of Q1 2019. DuPont is increasing capacity at sites in the US and Asia. The company did not specify where it will add the capacity or the magnitude of the increase. DuPont will also spend money on R&D to introduce more Kapton and Oasis film products. Oasis is DuPont’s brand of fluoropolymer-coated polyimide.

Arsenal to sell Dutch UV curable materials firm

Arsenal Capital Partners has agreed to sell Netherlands-based IGM Resins to France-registered equity firm Astorg for an undisclosed amount. IGM develops and manufactures radiation curable materials – including photoinitiators, acrylate oligomers and monomers, as well as additives – for the UV coatings and inks market. It has manufacturing facilities in Europe, Asia and the US. The transaction is expected to close in Q2 2018. Arsenal acquired IGM in September 2012.

Sendero ***plans*** to build four natgas plants

US-based Sendero Midstream ***plans*** to build four more natural gas processing plants that will be able to handle a total of more than 1bn cubic feet/day of gas. Sendero ***plans*** to make the investments over the next five years. The company recently started up a 130m cubic feet/day plant in Eddy county, New Mexico, which processes gas ***produced*** in the Delaware basin in the Permian.

US must revisit steel tariff exclusions

A bipartisan group of 39 US lawmakers wrote a letter to the nation’s Department of Commerce, urging it to make it easier for companies to request exemptions from recently proposed steel and aluminium tariffs. As it stands, the process is moving far too slowly, the letter said, and it is placing a significant burden on manufacturers, especially small businesses. In March, US President Donald Trump proposed tariffs of 25% on steel products and 10% on aluminium products.

OxyChem pre-tax income up on higher sales in Q1

Occidental Chemical (OxyChem) reported a Q1 pre-tax income of $298m, up from $170m from the same time in 2017. OxyChem attributed the increase to higher prices for most of its products, lower ethylene costs and better margins. The company also benefited from the December 2017 start-up of an expansion in Geismar, Louisiana, that ***produces*** 4CPe, a feedstock used to make the latest generation of refrigerants. After-tax Q1 earnings were $230m, up from $109m. Revenue was $1.15bn, up from $1.07bn.

europe

Brudermuller takes over as CEO of BASF

BASF chief technology officer Martin Brudermuller took over as CEO of the company from Kurt Bock on 4 May. Bock presented Brudermuller with a 3D-printed model of a storage tank at the company’s annual general meeting (AGM). In his final speech as CEO, Bock noted that BASF hopes to ***produce*** a financial result broadly on par with the banner profits generated in 2017.

INEOS begins engineering work on cumene plant

INEOS has taken the next step in the development of a “world-scale” cumene plant in Germany, commencing preparatory engineering work and ***planning*** for a final investment decision (FID) before the end of the year. The company has commenced front-end engineering and design (FEED) work on the plant, to be located in Marl, Germany, nearly 10 months after first announcing it was considering a significant new investment in cumene capacity in Europe.

DSM doubles Q1 net profit on higher margins

DSM’s net profit more than doubled to 331m in the first quarter of 2018 from 149m in the year-ago period, on the back of higher margins. Sales rose by 13% year on year to 2.44bn in the first quarter while adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) surged by 56% to 538m.

Bayer appoints Condon head of Crop Science

Liam Condon will lead Bayer’s Crop Science division once the company gets its acquisition of US agrochemicals major Monsanto approved by antitrust authorities. Condon is currently responsible for Bayer’s Animal Health business unit. In related news, Bayer said that Monsanto CEO Hugh Grant had announced his intention to leave the company once the acquisition is completed.

Brenntag Q1 net profit rises 11.8% on flat sales

Brenntag’s net profit rose by 11.8% year on year to 105.6m in the first quarter of this year amid stronger contributions from its Asia-Pacific business, the German chemicals distributor said. Group sales rose by 0.1% year on year to 2.98bn on a reported basis in the first quarter while operating earnings before interest, tax, depreciation and amortisation (EBITDA) rose 2.4% to 206.6m.

Henkel Q1 operating profit hit by currency

Henkel’s adjusted operating profit fell by 1.4% year on year in the first quarter of 2018, with currency effects weighing down on results. Adjusted operating profit amounted to 842m, down by 1.4% from 854m a year earlier. Currencies had a negative effect of 6.2%. The company’s sales recorded organic growth of 1.1% but actually fell by 4.5%, impacted by negative currency effects of 8.6%.

EU carmakers seek CO2 standards for trucks

The European Automobile Manufacturers’ Association (ACEA) on 9 May urged the European Commission not to mirror the approach used for passenger cars when setting carbon dioxide (CO2) emission standards for heavy-duty vehicles like trucks. ACEA pointed to the fact that there are thousands of shapes and sizes of trucks, which are used for a variety of different jobs ranging from long-haul and regional transport to urban delivery or municipal services.

SGL swings to Q1 net profit as sales rise 22%

SGL posted a Q1 net profit of 32.2m, a reversal of the 300,000 loss recorded in the same period last year, due to a one-off gain, the German carbon-based products maker said. The company booked fair value adjustments of 26.7m in the first three months of 2018. Sales from continuing operations were up 21.8% year on year to 263.4m, with operating profit ballooning to 47.2m from 9.0m in the same period last year.

asia

Indian Oil to build EG plant at Paradip complex

Indian Oil Corp (IOC) ***plans*** to build a 357,000 tonne/year ethylene glycol (EG) plant at a cost of rupee (Rs) 42.2bn ($633m) at its Paradip complex in Odisha state, a company source said. The company’s board recently “accorded approval for implementation of the ethylene glycol project along with associated facilities”, the source said. IOC expects to use the byproducts generated from its 15m tonne/year refinery at the Paradip complex to ***produce*** EG. The project, which is expected to be completed by 2021, would help in meeting growing domestic demand from downstream polyester fibre, polyethylene terephthalate (PET) and resins ***producers***.

PTTGC Q1 profit falls on strong baht, low margin

PTT Global Chemical’s (PTTGC) Q1 net profit fell by 6% year on year to Thai baht (Bt) 12.4bn ($389m), weighed down by the strong baht and lower margins for aromatics. The company’s sales rose by 9% year on year to Bt120.9bn, but earnings before interest, tax, depreciation and amortisation (EBITDA) were down by 14% at Bt16.3bn. Its adjusted EBITDA margin fell to 13% from 17% in the same period last year.

China April crude oil imports grow by 14.7%

China’s crude imports in April increased by 14.7% year on year to 39.5m tonnes. The increase was mainly due to purchases by Shandong-based refiners ahead of the Shanghai Cooperation Organisation (SCO) Summit in Qingdao next month. China typically imposes restrictions on petrochemical production and transportation when hosting international events like the SCO, to minimise pollution. To avoid disruption in operation, companies will need to build up inventories in advance.

Showa Denko completes NPAC expansion project

Japan’s Showa Denko has completed the expansion project at its n-propyl acetate (NPAC) plant in Oita which boosts its annual capacity to 18,200 tonnes from 16,000 tonnes previously. NPAC is a solvent mainly used for ink for special gravure printing on packaging materials for food. SDK earlier in 2016 increased the annual production capacity of the NPAC plant to 16,000 tonnes by getting rid of a bottleneck at the plant.

China April acetic acid output falls from march

China’s overall production of acetic acid in April decreased by 4.4% month on month to 595,984 tonnes, ICIS data showed. Domestic acetic acid plants’ average operating rate in April stood at around 82.7%, down from 86.5% in March. The decline in April acetic acid output was mainly due to turnarounds at Tianjin Soda’s 250,000 tonne/year plant, Great Wall Energy’s 300,000 tonne/year unit, and Henan Longyu Coal Chemical’s 400,000 tonne/year unit.

Benzene inventories in eastern China keep rising

Benzene inventories at shore tanks along eastern China increased to 220,900 tonnes in the week ended 4 May. Inventories at Jiangsu ports were up by 2.65% from 215,200 tonnes in the previous week. The inventories continued to increase for three weeks and to a record high for 2018. Import arrivals this week stood at 18,000 tonnes, outweighing consumption at 12,300 tonnes.

India starts antidumping probe on epoxy resins

India has commenced anti-dumping investigations into epoxy resins imports from the EU, China, South Korea, Taiwan and Thailand. India’s Directorate General of Anti Dumping and Allied Duties (DGAD) was acting on a complaint filed by domestic ***producer*** Atul. The epoxy resins under scrutiny are reaction products of bisphenol A (BPA) and epichlorohydrin (ECH). Affected parties were asked to respond to the DGAD notification of the probe by 14 May.

Grasim expands caustic soda capacity by 67%

India’s Grasim Industries has increased its caustic soda capacity in Gujarat by 67% to 365,000 tonnes/year following a brownfield expansion at its Vilayat complex, a company source said. “Approximately 50% of the expanded capacity has been commissioned and commercial production has commenced,” the source said, adding that the company expects to fully commission the plant by the end of May. The Vilayat complex in India’s west coast previously had a 219,000 tonne/year of caustic soda capacity.

Lotte Q1 net profit falls by 15.3% on currency

Lotte Chemical’s net profit fell by 15.3% year on year to won (W) 543bn ($504.6m) in the first quarter on the back of negative currency effects, the South Korean ***producer*** said. The company’s revenue rose by 3.1% year on year to W4.12bn in the first quarter while operating profit was down by 18.8% at W662bn, the company said in a statement. Lotte Chemical is expected to complete its new 200,000 tonne/year polypropylene (PP) unit in Malaysia by the middle of this year, while its revamping project in Yeosu will be mechanically complete by the end of 2018.

JOURNAL : Farmers Weekly

Farmers and landowners should review their succession ***plans***, say advisers, as the government in turn reviews how inheritance tax (IHT) works.

The Office of Tax Simplification (OTS) has issued a call for evidence and launched a survey on IHT, having been asked by Chancellor Philip Hammond to examine the regime and how it may be simplified.

See also: Video: Estate comes to market as family leaves farming after 70 years

While accountants are extremely cautious about the likely outcome of the review, they say this is a good prompt for farming families to review their IHT position, succession and retirement ***plans***.

***Agriculture*** benefits from up to 100% relief from IHT on qualifying assets through ***agricultural*** property relief (APR), with the result that proper organisation and ***planning*** can mean no IHT is due on many farms and estates.

Scope of the Office of Tax simplification review

The process of submitting IHT returns and paying any tax

Gifts rules including the annual threshold for gifts (up to £3,000 with no IHT due), small gifts, their interaction with each other and the wider IHT framework

Other administrative and practical issues of routine estate ***planning***, compliance and disclosure

Complexities arising from the reliefs and their interaction with the wider tax framework

The scale and impact of any distortions to taxpayers’ decisions, investments, asset prices or the timing of transactions because of the IHT rules, relevant aspects of the taxation of trusts, or interactions with other taxes such as capital gains tax

The perception of the complexity of the IHT rules among taxpayers, advisers and industry bodies

“It’s a very benign regime for ***agriculture*** and if people are minded to leave assets to the next generation, then it may be best to do so before people start changing the rules,” said Rob Hitch of Cumbria accountant Dodd & Co.

In almost every Budget of the past 20 years there has been a degree of nervousness about possible changes to IHT reliefs.

While much of the Chancellor’s target was the administration of the tax, there was perhaps a warning shot for landowners, said Mr Hitch, referring to the OTS also looking at how gift rules interact with the wider IHT system.

Inheritance tax facts

Introduced in 1988, replacing capital transfer tax

Charged at 40% but only on any value above the personal ‘nil rate band’ of £325,000 for an estate

Raises about £5bn/year

Annual gift exemption of £3,000 (same for past 30 years)

***Agricultural*** property relief and business property relief offer up to 100% relief from IHT

It will also consider whether the current framework causes any distortions to taxpayers’ decisions surrounding transfers, investments and other relevant transactions.

Even if a farmer or landowner does not expect to make changes in terms of passing on assets, it is good practice to regularly review and understand what the tax position would be in the event of a transfer or a death.

The more diversified a business is, the more important it is to perform such a review, as diversification can take assets outside of the scope of APR, although business property relief (BPR) may still be available, also at up to 100%.

Carlton Collister of tax adviser landtax said farmers and landowners needed to be aware changes were likely as a result of the review. “It is speculation at this stage what form those changes might take and the timescale,” said Mr Collister. “However, If one considers any changes to the current favourable tax treatment for APR and BPR are likely to detrimental, the timetable for the consultation reporting back in the autumn provides a reason to carry out succession ***planning*** that is currently being worked on before the date of the autumn budget.”

The budget is expected in late November or early December and while the OTS will make recommendations, the Chancellor is responsible for final decisions on tax policy.

The OTS wants to hear from anyone with experience of the system including farmers and their advisers.

Advice on inheritance tax reliefs for farmers and landowners

Eligibility for ***agricultural*** property relief (APR) depends on assets qualifying – in general this means that they must have been owned and occupied and used in ***agriculture*** by that owner for at least two years. Alternatively they must have been owned for seven years and may have been used by another person for ***agriculture*** during that time.

Where APR is not achievable, then business property relief (BPR) may be available but accountant Saffery Champness warns that entitlement to BPR can be jeopardised when land or property is let.

Two cases from 1999 and 2010 determined that where more than 50% of a property consists wholly or mainly of making or holding investments, that property would fall outside the scope of BPR.

Furnished holiday lets are often denied IHT relief as they are deemed primarily to be investment businesses unless a certain level of service is included in the lettings.

There has also been a number of cases relating to caravan parks, grazing land and commercial property and in most of these the taxpayer’s BPR claim has failed unless there is evidence of a significant related trading element, warns the firm.

Saffery Champness also cautions not to make significant changes without checking out whether these may affect the position with regard to other taxes.

How to respond

Email [*ots@ots.gsi.gov.uk*](mailto:ots@ots.gsi.gov.uk) or write to: Office of Tax Simplification, Inheritance tax review, Room G/41, 1 Horse Guards Rd, London SW1A 2HQ

JOURNAL : Farmers Weekly

This spring’s blizzards, sub-zero temperatures and flooding delayed sowing for a month and meant animals were kept under cover instead of grazing on the fields.

But as we moan about the inclement weather of 2018, spare a thought for the farmers of February and March 1947, who suffered the heaviest snowfalls and lowest temperatures ever recorded, followed by the worst floods in living memory.

Among them was farmer Maurice Wilks, who owned sprawling estates in Warwickshire and on Anglesey.

He borrowed a neighbour’s ex-Second World War Jeep to get through the deep snowdrifts and clear fallen trees, while the rest of the country ground to a halt. He was suitably impressed.

Wilks was, in truth, a hobby farmer; in his day job he was engineering director of the Rover car company.

But his experience of the adversities faced by fellow farmers during the terrible winter of 1947 were to change the face of modern farming, because when he turned his brilliant engineering brain to the problem he came up with a solution that was eventually to become the Land Rover.

See also: A nostalgic drive in the retiring Land Rover Defender

Keeping it simple

Although impressed with the Jeep’s simplicity and capability, Wilks was frustrated by the much-abused vehicle’s tendency to break down – and the difficulty in obtaining spare parts when it did.

But his experiences with that battered old Jeep were enough to convince him that a go-anywhere versatile 4x4 was exactly what the nation’s farmers needed.

Besides being the ideal farm runaround and towing vehicle, it could also be adapted for light ploughing, sowing, harvesting, baling and a host of other duties around the farm.

During the Easter weekend of early April 1947, Maurice shared his ideas with his brother, Spencer, who was Rover’s managing director.

Spencer was eager to press ahead with his brother’s ***plans***, because he knew that Maurice’s proposed Land Rover would also solve the company’s problem with exports – or, rather, the lack of them.

In those austere post-war years, steel was strictly rationed and the lion’s share went to manufacturers who exported most of their production to bring in much-needed foreign cash.

Unfortunately, there was little demand overseas for the outdated saloon cars that Rover was still building from pre-war designs and, as a result, the company was in dire straits.

But aluminium wasn’t rationed so it was decided that the new Land Rover would be built with aluminium bodywork bolted on a ladder chassis made from welded offcuts of steel.

A 1.6-litre Rover petrol engine would supply the power. The Wilks brothers sold the idea to the Rover board by telling them that the new vehicle would be a useful stopgap until steel was no longer rationed and reasoned that it would achieve welcome export orders, too.

Production line

Within weeks, Rover’s engineers were building prototypes. The first one had its steering wheel in the middle, so that it could be built without expensive conversions to left-hand drive for export.

But the so-called Centre-Steer was abandoned when it was realised that nobody would be able to see the hand signals of a driver sitting in the middle of the vehicle.

But they soon got it right and the finished vehicle was on sale less than a year after its conception (a feat unlikely ever to be surpassed in the modern motor industry, where the development period of any new model is measured in years).

For maximum versatility for the farmer, the transfer box had three power take-off (PTO) points for auxiliary equipment, including a standard splined drive shaft to the rear to be connected to towed powered machinery such as mowers and binders, while an optional capstan winch could be mounted on the front.

The central PTO featured a pulley to drive vehicle-mounted welding equipment or a compressor to power a bench saw, for example.

Dutch launch

The new vehicle was launched on 30 April 1948 at that year’s Amsterdam Motor Show. It was a low-profile affair with little fanfare, but the Land Rover was an instant success.

What had been intended by its parent company as a stopgap aluminium-bodied vehicle to beat post-war steel shortages soon became Rover’s best-seller – and it did indeed achieve excellent overseas sales.

This was an era when the sun still didn’t set on the British Empire and that versatile 4x4 was exactly what was needed out in the colonies.

Back in the 1950s, it was said that the first motor vehicle seen by three-quarters of the world’s population was a Land Rover.

The Land Rover was a hit with Kenyan coffee growers and Ceylon tea plantation owners alike, but nowhere was it more popular than in the British countryside, among grateful farmers.

They didn’t mind the fact that the seats were uncomfortable and that both heaters and door tops were optional extras. It was very comfortable compared with the tractors of its time.

More importantly, this was an era when the British Government had decreed that food production, and the acreage dedicated to it, had to be increased.

This was at a time when there was a severe labour shortage on the land, as a result of German and Italian PoWs being repatriated.

Mechanisation was essential and the Land Rover’s sheer versatility was invaluable on the farm.

Design improvements

The original 80in wheelbase Series I was steadily improved over the next 10 years until its successor, the Series II, was launched in 1958.

That was followed by the Series III in 1973, which was replaced in the 1980s by the Stage One V8 (with a 3.5-litre petrol engine to address the lack of power in the standard 2.25-litre petrol and diesel engines) and the Ninety and One Ten coil-sprung models.

Early in 1990, these utility vehicles were given the same 2.5-litre turbodiesel engine that was under the bonnet of the Discovery, launched the previous year, and the new model was badged Defender, so as not to cause confusion in the ever-growing Land Rover family.

During its lifetime, the fortunes of the utility Land Rover had changed. In its early years, there was nothing to rival its all-round ability.

If you lived and worked in the countryside, a go-anywhere Land Rover was essential. But from the late 1960s, rival 4x4s from other manufacturers ended Land Rover’s monopoly.

Few enjoyed the same off-road capability or the longevity of the aluminium-bodied Land Rover, but nearly all were cheaper.

Of course, Land Rover launched a few new models of its own to rival those new competitors. The first, in 1970, was the Range Rover.

Today it is seen as a rich man’s luxury 4x4, and priced accordingly, but nearly half a century ago the original two-door model was aimed at the farmer and was seen as a dual-purpose working vehicle that was equally at home in the fields during the day or going out to dinner on a Saturday night.

It was very basic, with footwells designed to be hosed down after a hard day out in the mud.

As the Range Rover headed steadily upmarket, it was joined in 1989 by a new model, the Discovery, which was priced to take the fight to Land Rover’s Japanese rivals.

It succeeded and became Europe’s best-selling 4x4 until it was ousted by its own sibling, the Freelander, in 1998.

Aware that farmers would appreciate more workmanlike versions of these new vehicles, the company ***produced*** van-style models badged “Commercial” that offered comfort, carrying capacity and excellent towing capability as well as excellent off-road ability.

Growing family

These days, a bewildering choice of models bearing the green oval badge is available, including the Range Rover Sport, Range Rover Evoque, Range Rover Velar and Discovery Sport.

What they all have in common is class-leading off-road ability – it’s part of Land Rover’s heritage and something the company insists upon before any new model is launched – but they all have a bit too much carpet and bling for the tastes of many who work in the countryside.

Meanwhile, throughout all these changes, the original Land Rover lived on under the Defender badge.

It still comprised an aluminium body on a steel ladder chassis and was essentially hand-built, although the vehicle had evolved greatly since 1947, with creature comforts such as power steering, comfortable seats and decent heating added over the years.

Sadly, the Defender was discontinued in 2016. After decades of upgrades to keep it within safety and EU emissions rules, the company finally decided that it was time to tear up the 68-year-old design and start again.

But as the last models rolled off the Solihull production line in January 2016, the family resemblance with the 1948 original was striking. Stand them alongside each other and you wouldn’t need to take DNA samples to confirm the parentage.

As it celebrates its 70th birthday in 2018, it is only fitting that a long-awaited new Defender is expected to join the line-up later this year – but whether a new generation of green Land Rovers will conquer the countryside as comprehensively as that 1948 original remains to be seen.

Land Rover landmarks

1948      Original Land Rover makes its debut

1953      Long wheelbase version introduced

1958      Series II unveiled

1966      500,000th Land Rover ***produced***

1967      Rover nationalised and becomes part of British Leyland (BL)

1970      Range Rover launched

1971      Series III

1976      Millionth Land Rover built

1982      Four-door Range Rover released

1986      BL renamed Rover Group

1988      Rover Group is privatised and becomes part of British Aerospace

1989      Discovery becomes third Land Rover

1990      Original Land Rover renamed Defender to avoid confusion

1992      Second-generation Range Rover

1994      BMW buys Rover Group (includes Land Rover)

1995      Annual production at Solihull factory tops 100,000

1997      Freelander is Land Rover’s fourth model

2000      BMW sells Land Rover to Ford

2002      Third-generation Range Rover

2004      Discovery 3

2005      Range Rover Sport is fifth model

2006      Freelander 2 built at Halewood on Merseyside

2007      Record sales of 226,000 vehicles

2008      Ford sells Land Rover to Tata Motors

2011      Range Rover Evoque is sixth model

2015      Discovery Sport replaces Freelander

2016      Defender production ends

2017      Range Rover Velar becomes seventh Land Rover

2018      New Defender expected this autumn

JOURNAL : Farmers Weekly

UK dairy processor Meadow Foods has increased its A litre milk price by 1p from 1 June, while also announcing it would recruit more ***producers***.

The move means the milk buyer’s 650 ***producers*** will receive 27p/litre for milk with 4% butterfat and 3.3% protein.

See also: Dairy farmers capitalise on higher milk prices

For ease of comparison, the manufacturing litre of 4.2% butterfat and 3.4% protein will pay 27.38p/litre for Chester and 27.25p/litre for Cumbria.

Meadow Foods cited improved cream prices and reduced milk production in Europe due to recent bad weather as reasons behind the change.

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The rise follows a price hold in May, which was preceded by 5p worth of cuts in 2018 alone.

“We are pleased to pass on the improvements in the market to our farmers just as soon as we can,” said Meadow Foods CEO Mark Chantler.

“We are now also looking to recruit a number of ***producers*** to meet the ever-increasing demand for Meadow’s products.”

“This is an exciting time for the business as we grow and extend our product range and reach, so I would encourage ***producers*** to take a fresh look at Meadow Foods to see what we have to offer you.”

Expert analysis

Peter Meehan at FC Stone said: "Europe’s EEX Dairy commodity futures remained firm this week as less-than-ideal grazing conditions throughout parts of western Europe continue to affect milk supply.

"European spot commodity prices moved higher again this week, with European butter prices climbing 17% over the past four weeks and SMP prices up more than 8% in the past three weeks.

"Supply-side concerns continue to provide support to the market, with the latest March milk collections numbers showing UK milk collections down 2.1% on last year [-0.4% in milk solid terms due to higher fat and protein content], New Zealand milk collections down 1.5%, while US collections increased by 1.3%.

"On the demand side, Chinese imports were somewhat subdued in March versus 2017, with WMP, SMP and cheese imports seeing multi-year lows for March.

"The latest European milk price numbers are showing the average monthly European price for February coming in at 34.39 [£30.05] per 100kg of standard milk at 4.2% fat and 3.4% protein. This is down 1.07 [94p] on January’s price, but up +2.4% or 0.82 [72p] on February 2017.

"The current butter and SMP futures prices suggest EU milk prices may be close to hitting their lowest ebb for 2018 and show signs of increases for the remainder of the year."

JOURNAL : Farmers Weekly

Battery and brushless motor technology has improved so much in recent years that even power-hungry machines such as brushcutters are beginning to go fossil-fuel free.

At a recent press event our ears pricked up when a certain German power tool maker proudly pointed out its professional range of cordless kit could match its best petrol models for performance.

That included items such as pole pruners, leaf blowers and brushcutters, with just chainsaws and disc cutters still to catch up.

See also: How to patch up farm pickups with second-hand spare parts

As well as their petrol-like oomph, these engineless machines promise the benefit of quiet, low-vibration operation, no more fiddly starting problems and an end to mixing-up gallons of stinky two-stroke.

So, to see if batteries really can compete, we got hold of the best cordless brushcutters from market leaders Stihl and Husqvarna.

To assess their power, battery life and build quality we then put them to work in some dense scrub alongside their petrol counterparts.

For those looking to spend a little less, we also lined up a more domestic spec Oregon machine.

Here’s how they got on

Stihl FSA130 cordless brushcutter (Score: 4/5)

Unit price £415 rrp (about £350 online)

Battery price £187 rrp (about £160 online)

Charger price £120 rrp (about £100 online)

See also: How to get a chainsaw's tired two-stroke engine to run

What’s it like?

Likes and gripes

Likes

Bags of power

Good ergonomics once strapped in

Light to handle

Gripes

A fiddle to strap into

Short battery life on full power

No option of on-board battery

The FSA130 is the most powerful pro-spec cordless brushcutter Stihl offers and unlike the other models on test, it has the motor at the rear of the machine.

This means there’s no option of having the battery stowed on board, so the operator has to wear a belt or harness with a pouch attached.

A lead then transfers the power to the cutter.

It isn’t really a problem for the bike handle version we had as you have to wear a harness anyway.

But if you’ve got the loop-handle machine, it means you can’t just pick it up and go.

Power wise it took some beating and we found it almost on par with its 36cc petrol counterpart – the FS131.

On full speed it smashed though thick undergrowth with ease and even the lowest power setting was sill ahead of the Oregon at full tilt.

As for the battery, ours came with the biggest of Stihl’s handheld units – the AP300.

On paper this 6Ah block will apparently offer up to 85mins of cutting time, but on full power we managed to mince it in just 23 minutes.

On the second of the three power settings it lasted a similar length of time, but the lowest setting allowed it to run for about 35 minutes.

In all cases, the strimmer maintained full power until the last minute or so where there’s a noticeable drop, as if to warn you your time is almost up.

We found the supplied AL500 fast charger would get the battery back up to full power in about 35mins, so two units won’t quite cut it if you want to work flat out continuously.

However, for those who do want that sort of performance there are bigger backpack units available.

Specs

Rated voltage 36V

Battery AP300 – 6Ah

Battery location Pouch on harness or backpack

Motor location Rear of machine

Handles Bike or top handle

Throttle Variable-speed with three power settings

Tool weight 4.5kg

Battery weight 1.7kg

Test results

Run time to a charge 23min on full power and mid-power settings, 35min on low power.

Charging time 35min

Perceived cutting ability/power Almost as good as the petrol-powered FS131

Noise 86db

Husqvarna 536LiRX (Score: 4/5)

Unit price £325 rrp (about £270 online

Battery price £270 rrp (about £230 online)

Charger price £115 rrp (about £95 online)

What’s it like?

Likes and gripes

Likes

Neat design

Long run time

Twin-direction head

Gripes

Not as powerful as Stihl

Flex in handles

Touchpad buttons hard to press in gloves

The Swede’s top-spec offering comes in the form of the 536LiRX, which has a sealed brushless motor directly at the cutting head and a slot for the battery at the rear.

This will accept all of Husqvarna’s battery units and for those that want ultra-long cutting performance it can also be teamed with a backpack battery.

All you have to do is insert a battery-shaped adapter the backpack can plug into.

It’s a neat setup, particularly as the compact motor in the cutting head is no larger than the head on some conventional machines.

Husky says it’s fully waterproof too, so there’s no need to worry about getting it wet.

Power was impressive and it chopped though everything we poked it at, only stalling when we pushed it into a patch of woody nettles and brambles.

For longer running times there’s an eco mode, which gave us about an hour of continuous operation.

It’s useful for keeping your string in tact when strimming along fence lines, but is a bit tedious on larger patches.

It couldn’t match the Stihl for power, but when we weren’t working the two side-by-side we were pretty happy with its performance.

Our machine came with the biggest of Husky’s handheld batteries, which is rated to a whopping 9.4Ah. At full power this gave us 42 minutes of continuous cutting and 61 minutes when we worked in eco mode. In both modes there was no drop in power whatsoever – it just cut out.

There’s also a handy button for reversing the cutting head.

The QC500 charger supplied got the unit back up to full charge in about 57 minutes, so like the Stihl it wasn’t quite up to continuous operation at full power with two batteries.

Specs

Rated voltage 36V

Battery BLi300 – 9.4Ah

Battery location Rear of machine

Motor location Cutting head

Handles Bike or loop handle

Throttle Variable speed with normal and eco setting

Tool weight 3.8kg

Battery weight 1.8kg

Test results

Run time to a charge 42min on full power and 61min in eco mode

Charging time 57min

Perceived cutting ability/power Strong, but not as powerful as the Stihl FSA130

Noise 81db

Oregon ST275 string trimmer (Score: 3/5)

Unit price About £120 online

Battery price About £160 online

Charger price About £45 online

What’s it like?

Likes and gripes

Likes

Neat all-in-one design

Very simple to set up and use

Long run time

Gripes

Too front heavy

More of a domestic-spec machine

No option of bike handles

Oregon’s ST275 is a more domestic-spec machine than the Stihl and Husky, but it shows the sort of performance you can expect when you spend just over half the price.

Like the Husky, it has the battery at the rear of the machine and the motor is housed in the cutter head. However, this is a much bulkier unit and it makes the machine a little head heavy.

It’s unfair to compare the Oregon’s performance directly with the Stihl and Husky machines, but as a guide its power seems to be about that of the other two on their lowest power settings. We still cut plenty of tough stuff with it, though, and it’s handy for lighter jobs.

As the power is lower, the 6Ah battery (the biggest of three offered by the firm) lasted for about 43 minutes of medium grade work and 34 minutes when we really thrashed it.

Unfortunately, the power did tail off towards the end of the charge, particularly when we weren’t working it as hard.

The fast charger we were supplied with got the battery back to full power in about 90 minutes.

Specs

Rated voltage 36V

Battery 36V 6.0Ah lithium ion (biggest of three options)

Battery location Rear of machine

Motor location In the cutter head

Handles Loop handle only

Throttle Variable-speed

Tool weight 4.3kg including 4Ah battery

Test results

Run time to a charge 43min in medium grade work and 34min in heavier going

Charging time 90min

Perceived cutting ability/power Roughly the same as the Stihl and Husqvarna on their lowest power settings

Noise 84.6db

The petrol benchmarks

Stihl FS131 – £756 rrp (about £530 online)

Husqvarna 525RTX – £430 rrp (about £320 online)

Our two petrol benchmark machines were Stihl’s FS131 and Husqvarna’s 525RTX, both of which were picked out by the makers as a fitting match for their best cordless machines.

The Stihl’s 36cc engine makes it the second largest machine in its professional line-up, while the 25cc in the Husky, makes it one of the smaller pro-spec models.

Both were good performers, but the noise and vibration was particularly unpleasant after we’d spent some time using the cordless models.

Power wise, we reckon they’ve still got a slight edge over the cordless machines, but there wasn’t much in it. As for running times, the Stihl worked considerably longer run than its cordless cousin, managing 50 minutes to a tank of fuel, while the Husky was similar at 41 minutes.

Verdict – can batteries cut it?

In power terms,  these cordless machines are now seriously close to the best petrol has to offer and they come with the added bonus of relatively quiet and fume-free operation.

For out-and-out power, the Stihl is the one to go for, but the Husky is more convenient, particularly if you want a grab-and-go loop-handle model. The Oregon is also worth a punt if you haven’t got too much to do.

If not hammering them hard, all of the machines we tested can just manage continuous operation with two batteries – one in the machine and one on charge.  This does assume you have access to a mains power point or vehicle with an inverter in which you can juice up the second battery, though.

As for price, the machine and one battery will come in around the same as a petrol equivalent, but opting for a second battery will push that up by another £200 or so.

However, once purchased, these will cost a fraction of the price of a two-stoke machine to run and remove the inconvenient task of running to the pumps and mixing the fuel.

In the same vein as the cordless drill market, these batteries can be used in the makers’ other kit, such as hedgetrimmers or leaf blowers, which are handy for cleaning down combines and balers.

As for their life expectancy, Stihl units are rated to last for 1,200 full charging cycles and Husky says its can do 1,500, depending on how well they’re looked after. If you do an average of 10 charging cycles per month, that works out at a life expectancy of 10 and 12-and-a-half years respectively.

For those that do want longer run times to a charge, both Stihl and Husky offer larger backpack battery units. However, they’ll set you back a good bit more than £500.

Watch out for specs

If you’re considering buying one of these machines it’s important to check the specs of the batteries you’re buying. We had the top-end units and all manufacturers featured offer smaller versions, which will have considerably shorter run times.

It’s a similar story with chargers, and lesser versions will take longer to juice the batteries back up.

JOURNAL : Farmers Weekly

Oilseed rape growers could suffer substantial losses after a study revealed an important source of genetic resistance against phoma stem canker is becoming less effective.

Researchers from the University of Hertfordshire have declared that host resistant gene Rlm7 has become less successful in controlling the stem canker pathogen, Leptosphaeria maculans.

Phoma, the second most common disease to affect oilseed rape crops after light leaf spot, can causes losses of more than £95m/year to UK farmers.

See also: 6 varieties added to sugar beet Recommended List

Growers rely on varieties that have good resistance against the pathogen causing phoma, after some effective fungicides for treating the disease have been withdrawn.

The disease is caused by two closely related fungal pathogens, Leptosphaeria maculans and Leptosphaeria biglobosa, with Rlm7 the most dominant gene which is used to give oilseed rape varieties resistance.

Georgia Mitrousia, lead author of the study, which was published in Plant Pathology, believes it is important growers take note of this latest development.

“This study acts as a warning to the oilseed rape industry and they will hopefully develop strategies to prevent the loss of commercially available cultivars,” Dr Mitrousia said.

JOURNAL : Farmers Weekly

In the week that the government’s consultation on the future of farm policy closes, Defra has made it clear that it ***plans*** to abolish direct payments for farmers after Brexit.

How should they be phased out? Let us know by responding to our poll below.

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See also: Gove ***plans*** to redirect £150m BPS savings to the environment

JOURNAL : Farmers Weekly

Rapeseed prices will need to tick higher to encourage a bigger oilseed rape crop to be drilled this summer as growers watch their crops struggling in the current wet weather.

With a likely late oilseed rape harvest and wheat prices showing a rally towards £150/t and so becoming more competitive, the attractions of drilling rapeseed this summer will be tempered.

Rapeseed prices ex-harvest are currently trading at about £275/t ex-farm and, even with an oil bonus, prices will struggle to break through the psychological barrier of £300/t.

See also: Oilseed rape growers urged to be on alert for stem rot disease

Owen Cligg, trading manager at co-operative United Oilseeds, says growers’ interest in the crop tends to fade if prices before oil bonuses are below £300/t.

“If we don’t get a price rally or see yields up at harvest, then it is difficult to see the area showing a big increase this summer,” he tells Farmers Weekly.

The oilseed rape area is estimated to have risen to 600,000ha this season from a Defra figure of 554,000ha last year, which represented its first rise after five years of falls and down from a record crop area of 756,00ha at harvest 2012.

Mr Cligg is pencilling in an average yield of 3.5t/ha from this year’s harvest to give a crop of 2.1m tonnes, down from harvest 2017 when a 3.9t/ha yield from a smaller area gave a crop of 2.2m tonnes.

Late harvest

Geoff Hall, commercial lead for north-west Europe at rapeseed breeder Monsanto, estimates that this year’s harvest could be around one week later than normal after wet and cold weather this spring.

He believes the area will be little changed his summer, with any movement largely due to conditions at planting. The breeder controls about a third of the UK oilseed rape seed market with varieties such as Extrovert and Exalte.

“The weather and soil conditions at drilling will be critical, but the area in some parts of Europe, such as northern Germany, are down, which may encourage more plantings here,” he says.

One area of expansion could be in Clearfield varieties, which are bred conventionally with tolerance to the herbicide imazamox, which has good activity against brassica weeds such as charlock and runch.

These varieties are particularly useful where brassica weeds are a problem, and the high erucic acid content of the weed seed can lead to rapeseed loads being rejected.

Mr Hall expects the Clearfield area to rise from 60,000ha to 80,000ha or even as much as 100,000ha this season. His group markets Clearfield varieties Imperial, Impression and Impressario.

Opportunist growers

Barry Barker, national arable seed product manager at agronomy group Agrii, says that about 5-10% of the rapeseed area is down to opportunist growers who drill more rapeseed if conditions at the time are favourable.

“The overall area could be as big as this year but not any bigger, and will probably be 90-100% of this year’s crop, depending on conditions at drilling,” he says.

Mr Barker adds the top varieties are set to be dominated by the hybrids Exalte, Extrovert and Alizze, and conventional varieties Elgar and Campus, with the Clearfield variety Imperial also set to be a good seller.

He expects Clearfield varieties could do well and take a 15% share of the market as growers worry about rapeseed loads being rejected for higher erucic acid content, especially as standards are being tightened up.

The European Union is reducing the food standard for rapeseed to a maximum 2% erucic acid from 5% previously, which could be implemented as early as this autumn, and Britain is likely to follow suit even after Brexit.

JOURNAL : Farmers Weekly

After months of rain, the sun’s out, the soil’s dried and the wheels of machines are beginning to roll.

It's all going so well until you hear a snap, or notice a crack, or a light appears on the dash, and everything comes to a grinding halt until the part can be replaced.

See also: Massey parts up for grabs as dealer has final clear out

Part searching can often be a time-consuming process, so a new online parts store – buyanypart.co.uk – has been launched as a go-to platform which allows farmers to browse more than 500,000 parts for any type of machine in one place, rather than trawling the web and phoning suppliers to compare prices.

Finding the part can by done by entering the part number or by clicking on one of the manufacturers and scrolling through the listed items available.

Results of both original and replacement parts matching the exact model are shown and, if there’s no part available, the company can help with further searching.

The service is available every day of the year with prices quoted including delivery and VAT.

JOURNAL : Farmers Weekly

Three members of Somerset Young Farmers earned the right to celebrate in Blackpool this weekend after cycling more than 230 miles to this year's NFYFC Annual Convention, raising money for charity, in the process.

Ben Druitt from Bridgwater YFC, plus Tom Pope and Joshua Fincham, from Ilminster YFC, left the Weston-super-Mare pier in the early hours of Thursday morning (3 May), supported by fellow young farmer Pip Cusack.

Setting off at 6.15am, the team cycled for 20 hours and 15 minutes before arriving at Blackpool pier at 2.30am on Friday (4 May), allowing a few hours to sleep, before the weekend festivities got under way at the Winter Gardens.

See also: Video: Young Farmers raise almost £1,000 for charity

The young farmers have raised more than £2,000 so far, with the money being split between the Royal ***Agricultural*** Benevolent Institution (Rabi) and St Margaret’s Hospice.

As tiring as the epic journey was, Ben says it was a unique way to travel to the convention and a great method of raising money.

“Josh has done a lot of long-distance cycling in the past, so that’s where we got the inspiration. The response from people has been excellent and we’ve managed to raise a significant amount of money for charity, which is great," he added.

You still have time to donate to the team's fundraising page and support their efforts.

JOURNAL : Farmers Weekly

Since my last Spud Watch, conditions have improved dramatically and there’s been a flurry of activity.

We’ve avoided the extremes of temperatures and rainfall that areas further south have experienced in the past few weeks and growers have made steady progress with planting.

Soils have warmed up quickly and are at temperature’s similar to last year already.

Seed planting began in the last week of April which is not particularly late, and conditions have been in general good with only the heaviest soils needing time to dry out and become workable.

See also: Midlands potato grower develops time-saving chitting system

Ware growers are also making progress and although they did start significantly later than normal, hopefully, the yield potential won’t be hit too hard (although it might help the price).

The very earliest planted crops of salads are almost emerging, so attention will soon be on herbicide choices.

With little or no linuron on farm to use up by the 3 June which is the final use date, the ***programmes*** will be based around metribuzin as the main residual active.

However, with a lot of sand soils up here and also varieties which are sensitive to metribuzin there’s going to be several options to consider depending on the weed spectrum.

Soleto (metobromuron) and Quidam (prosulfocarb) will be used in many situations, but other products may be needed.

JOURNAL : Farmers Weekly

Tens of thousands of individuals and organisations with an interest in food, farming and rural issues are believed to have responded to Defra’s “Health and Harmony” consultation, in the hope of influencing future policy.

The ideas and priorities now submitted to Defra will be pored over in the coming months and some of it will finally emerge as the new policy for British ***agriculture*** outside the European Union.

Here we summarise the key points put forward by some of the bodies that have taken part.

See also: Key points to consider in Health and Harmony consultation

Tenant Farmers Association

Tenancies should be reformed to give growers and livestock ***producers*** greater security and incentive to invest in their businesses, says the Tenant Farmers Association (TFA).

Farm businesses tenancies, let under the ***Agricultural*** Tenancies Act 1995, lack the necessary security of tenure for a vibrant, productive and prosperous farm industry, argues the TFA, which advocates a series of fiscal changes to stimulate a “more sustainable approach to letting land”.

Recommendations include restricting 100% ***Agricultural*** Property Relief (APR) from inheritance tax to landlords prepared to let for 10 years or more – or on new tenancies, including successions, with security of tenure under the ***Agricultural*** Holdings Act 1986.

The TFA says the government should also clamp down on landowners who use share farming, contract farming, share partnerships and grazing licences as “thin veneers of trading activity and as vehicles for aggressive tax avoidance”.

Arguing that these schemes are promoted by agents and accountants, the TFA says landlords taking advantage of them in practice “take no risk in the business, have little, if any, entrepreneurial input and lack any management control”.

To further encourage longer tenancies, the TFA says landlords prepared to let land for 10 years or more should be able to declare their income as if it was trading income for taxation purposes. Stamp duty land tax should also be reformed to end discrimination against longer tenancies, it adds.

A further issue to be resolved is “dual use”, which allows landowners to enter land into an agri-environment scheme – and receive the benefits from the scheme directly – even if they have let that same land to an ***agricultural*** tenant.

“This practice supports the non-active individual and provides the opportunity for landlords to impose scheme requirements on their tenants who often get no return from the scheme itself,” says the TFA. “These practices must be outlawed in any new arrangements.”

Country Land and Business Association

While favouring a move towards greater environmental delivery, the CLA is especially wary of a sudden change, such as a sharp drop in direct farm payments following Brexit. It has therefore set out three crucial preconditions:

There must be absolute clarity about the long-term EU/UK trade arrangements before there is any transition away from direct payments

There is a clear ***plan*** in place for investing in ***agricultural*** productivity during the transition period.

There must be clarity on what will replace the Basic Payment Scheme before steps are taken to start dismantling it.

The CLA is totally against the capping of payments to larger farmers and landowners as part of the process of winding down direct payments, saying cuts should be made in small increments (no more than 20% a year) and spread across all farmers equally. A five-year transition is deemed “reasonable”, while the CLA also sees no merit in retaining “greening” requirements.

It also insists that the current budget for ***agriculture*** should continue beyond 2022, while payments for a new environmental scheme should do more than just cover “income forgone” and actually provide a profit to participating farmers.

“It must also come with an effective delivery mechanism which has been shown to work,” it says. The CLA is advocating a system of land management contracts, including a non-competitive “universal” element that most farmers can sign up to, and an “enhanced” element, with extra payments for those who want to take the provision of public goods a stage further.

The CLA favours a new system of “rolling application windows”, with area payments, stand-alone grants and a “light touch” from inspectors.

It has welcomed the recognition of improved productivity and competitiveness as a public good worthy of support.

National Sheep Association

Transition and ending direct payments

The NSA wants a minimum transition period of five years to give farmers time to adapt – and this should only start when there is clarity on the terms of trade with the EU, the new ***Agriculture*** Bill is on the statute books, and a food policy agreed. As for direct payments, the NSA wants a “fair” percentage cut across all businesses.

Barriers to progress

A lack of core profitability due to high business costs and comparatively low product prices is holding businesses back, exacerbated by a culture of cheap food prices. Encouraging young people into ***agriculture*** is also constrained by a lack of reward. This must be addressed.

Collaboration

The NSA believes it is beneficial to retain as many individual farm businesses as possible, but to seek scale through collaboration. A new policy should encourage farmers to work together in areas of research, land management initiatives (such as water catchment areas and landscape management), and marketing to increase efficiency and negotiating strength.

Farm support

The current budget for ***agriculture*** should be maintained and funding redirected to support capital investment, efficiency improvements (in particular a sheep health scheme), and public goods (including environmental and social goods).

Animal welfare

The NSA does not agree with raising welfare standards per se, as this could raise costs in comparison with production elsewhere. But it does aspire to raise welfare “outcomes” through investment in health measures to improve productivity, efficiency, carbon footprints and welfare.

Devolved issues

A level regulatory platform between all UK nations is needed, with consistent movement and traceability rules and, within reason, comparable financial support ***programmes*** and no trade disruption within the UK.

Sustain

Sustain, “the alliance for better food and farming”, is the umbrella organisation representing about 100 environmental and ***agricultural*** lobby groups. Its members include Compassion in World Farming, the Campaign to Protect Rural England, the Family Farmers Association, the Landworkers Alliance, Friends of the Earth, the National Trust and the Soil Association.

It describes Defra's 64-page consultation document as “uneven”, but says it has some real strengths, in particular its focus on the public goods that government should support via regulation, advice, rewards and disincentives.

Sustain welcomes the focus on environmental outcomes, and soil and water, as well as biodiversity. But it says Defra needs to go further with “delivering public health outcomes”, including measures based on public procurement, mitigating climate change and organic farming.

“We need to talk more about growing more, and sustainable fruit and vegetables, less sugar and growing for sustainable diets, as well as air pollution, pesticides, access to nature and reducing farm antibiotics,” says campaign co-ordinator Vicki Hird. “It needs to offer much stronger support for higher animal welfare.”

Sustain is especially concerned with ensuring greater fairness in farming matters – with a better regulated supply chain to ensure farmers get a fair price. And it favours “a diversity of farm businesses”, with specific help for smaller farmers.

On the phasing out of direct payments during the transition period, Sustain says cuts should be deep enough to generate sufficient funds for new pilot environmental schemes, but the burden should be spread more widely than just capping payments to the largest farmers. It suggests linking payments to employment levels, with the smallest farms exempt from cuts.

Sustain does not favour the removal of “greening rules” as part of the transition, but payments should be made conditional on delivering public goods.

Generally, Sustain has expressed concern about the long-term commitment of the Treasury to support Defra’s ambitions for delivering public goods and a support structure, including grants, advice and better IT.

It also wants farmworkers to be able to negotiate collectively on wages, “as they can in Scotland, Wales and Northern Ireland”.

NFU Scotland

Even though the consultation is primarily focused on a new policy for England, it does touch on devolved issues, acknowledging the need for some policy divergence, while ensuring the UK single market works properly.

NFU Scotland says it is vital that future ***agricultural*** policy meets the distinctly different needs of Scotland. It is especially interested in the frameworks needed to facilitate intra-UK trade and future funding levels for Scottish farming.

“The UK’s various governments should jointly take every step to retain and protect single market access for food, ***agricultural*** commodities, live animals and plant and plant products throughout the UK,” says policy director Jonnie Hall.

NFUS is also seeking a clear statement on future funding levels for ***agriculture*** and rural development in Scotland. “At least the same level of public investment in Scottish ***agriculture*** must be retained and this budget must be ring-fenced to ***agriculture*** and rural support.”

Sustainable Food Trust

The Sustainable Food Trust says it supports the high emphasis on sustainability, animal welfare and using public money for public goods. “If designed in the right way, such a future support package has the potential to correct the economic distortions which currently exist within food and farming,” it says.

However, it cautions against getting rid of area payments per se, because of the “social security element” of the current scheme, which keeps many businesses afloat. “Instead, we believe that many of the desired changes in farming practice would be most effectively delivered through a whole-farm support package, based on land area,” it says.

Such a scheme could include a number of options, some applicable on a field scale, or even whole-farm scale, and some of a more tailored stewardship nature.

The Sustainable Food Trust welcomes Defra’s proposed Environmental Land Management Agreement, which is set to become the main vehicle for delivering post-Brexit farm support. But it is wary that such an approach might perpetuate the separation of food production from nature conservation.

“We feel that the continued structural separation of nature conservation from food production – physically, financially and in the public mindset – will fail to reverse the catastrophic declines in biodiversity and natural capital which have occurred over the last 50 years.”

The trust says it is also concerned about the possibility of significant areas of land being taken out of food production and given over entirely to nature conservation.

“For a country which is nowhere near self-sufficient, this will either result in further increases in intensification on the areas remaining in production or increased imports of food from countries where environmental and public health standards are not as high.”

A new system of conditional area payments should reward/encourage:

Crop rotations which include a soil fertility building phase

A reduction in the use of chemical fertilisers/pesticides

Farming practices which build soil carbon and promote biodiversity

High standards of animal welfare

Increased employment and staff development

Greater sales to local processing facilities and markets.

Soil Association

The Soil Association has expressed its frustration that, while the consultation is entitled “Health and Harmony”, there is “bugger all” in it about human health.

“The need to reduce farm antibiotic use gets a mention, as does the possibility that access to green spaces might benefit our wellbeing, but there is so much more to it than this,” says policy director Peter Melchett.

“The government is keen on the ‘public money for public goods’ principle, but it has, so far, failed to recognise public health as a public good.”

As such, the Soil Association is urging government to pay farmers to change their practices, including increasing vegetable production, reducing antibiotic usage and getting schoolchildren out onto farms and into green spaces.

Lord Melchett also calls for a change in public procurement policy to support British farmers, “particularly those ***producing*** to high quality standards, such as high-welfare food that is good for wildlife and organic”.

“There is still time to stop-the-clock on our declining public health by empowering farmers to join the battle for a healthier Britain. Failure to do so will exacerbate the pressures already on the NHS, entrench already dire diet inequalities, and create not ‘health and harmony’, but worsening ill-health and social disharmony.”

AIC

The ***Agricultural*** Industries Confederation (AIC) says environmental enhancement must be coupled with ***agricultural*** production and support for innovation. Specifically, it wants:

A greater acknowledgement of the need for productive ***agriculture***

Incentives to reward farmers for balancing production and environmental goals

Better education and training, to improve farm productivity

Continuous professional development that includes environmental management

Research and development that is more relevant to farmers’ needs

Increased sharing of best practice between farmers

RSPB

A focus on public money for public goods – rewarding farmers who deliver environmental benefits such as more wildlife, cleaner water and carbon storage – presents the best case for ongoing public investment into farming, argues the RSPB.

“A significant increase in investment is needed compared to existing agri-environment schemes,” it says. “Defra should retain, but refocus the overall budget associated with the CAP, in order to drive the restoration of nature that we need.”

Alongside this, the RSPB says the government should develop a Sustainable Food Strategy for England – including measures that improve supply chain transparency, help farmers to get a fair return from the market and promote more sustainable, healthy diets.

Recognising the “urgent need” to rebuild the confidence of the farming community in Defra’s ability to deliver Countryside Stewardship, the RSPB says Defra's proposed new environmental land management scheme should learn lessons and build on the best of previous initiatives.

Recognising the scale of change faced by farmers, the RSPB says Defra should establish a transition fund to help farmers adapt to life after direct payments. This would provide support for succession ***planning***, business management advice and new entrants.

“Securing a stable transition will be essential in making a success of a new, expanded environmental land management system,” says the RSPB. So too will proper enforcement of rules that maintain high environmental standards.

JOURNAL : Farmers Weekly

Oilseed rape growers in Scotland and northern England could be set to benefit from the launch of two new varieties, which should deliver consistently higher yields across more difficult terrain.

Elevation and Broadway offer high gross output, good oil content and solid resistance to the crop’s most destructive disease – light leaf spot. They entered the AHDB Recommended List late last year.

Both conventional varieties have been bred by independent breeder Mike Pickford who is based in the north Cotswolds and aims for varieties with high yield and consistency over a range of locations.

See also: New maize varieties offer high yields and quality

Mr Pickford believes that his varieties should allow growers to see a rise in their oilseed rape yields.

“There’s no reason why with good soils, correct sowing times, good agronomy, they shouldn’t all be getting on average over 5t/ha, which is significantly higher than the national average,” he says.

[*https://infogram.com/north-region-osr-varieties-at-a-glance-1hxj48rjej3q6vg*](https://infogram.com/north-region-osr-varieties-at-a-glance-1hxj48rjej3q6vg)

Elevation

Elevation, the first of Mr Pickford’s new varieties, is the joint highest for gross output on the AHDB list in the northern region at 107%, including all hybrids and across different regions. In Recommended List trials, the variety averaged a yield of 5.8t/ha.

Clive Sutton, business development manager at DLF Seeds & Science, the company selling the seed, believes that the figures help to highlight the consistency of Elevation and says the variety offers growers a number of benefits.

“We like to believe it’s a farmer-friendly variety and statistics so far show it has solid all-round characteristics. It has a good, robust agronomic package, ***produces*** short straw, good stem stiffness and its pollination provides high gross output,” he says.

In terms of disease resistance, Elevation has a good rating of 6 for light leaf spot, but only 4 for stem canker.

It has a prostrate autumn growth habit, a medium to late flowering pattern, with medium maturity and has a recommended sowing rate of 70 seeds/sq m, for a target of 40 plants/sq m established.

Broadway

The second variety, Broadway, also in its first year of AHDB recommendation, has a similar gross output yield to Elevation of 107% in the northern region.

Mr Sutton highlights a few of the key benefits that growers could experience with the variety.

“Broadway is a robust variety and has a very strong light leaf spot rating, helping give growers a bit more flexibility, in terms of the timings of their sprays,” he says.

It has a more vigorous and erect growth habit in the autumn than Elevation, which goes down well with growers who are looking for early ground cover over the winter period.

A further benefit of growing Broadway is its medium to late maturity, meaning the variety misses some of the late frosts experienced in the north of the country.

With good resistance to lodging, high oil content and a rating of seven for light leaf spot, the variety has the same recommended sowing rate as Elevation.

Who is independent UK breeder Mike Pickford?

Became a self-employed oilseed rape plant breeder in 1995

Breeding site based 900ft up in north Cotswolds,

Has ***produced*** 15 varieties to date for both UK and EU distribution

Elevation and Broadway are his first varieties to achieve Recommended List status

His number one objective for varieties is gross output yield

Another principle aim is to breed varieties that show consistency over a range of locations and weather

JOURNAL : Farmers Weekly

Farming unions have welcomed a decision by EU farm commissioner Phil Hogan to agree a derogation for some arable farmers from the three-crop rule for 2018.

In a statement, Mr Hogan said he would agree to UK requests for EU rules on crop diversification to be relaxed following excessive rain that has delayed crop planting.

The decision follows requests from the NI Department of ***Agriculture***, Environment and Rural Affairs (Daera), the Scottish government and Defra to exempt arable farmers in Northern Ireland and Scotland from the requirements for crop diversification under the greening provisions of the common ***agricultural*** policy (CAP).

See also: Five top tips for growing a profitable spring barley crop

Requirements will also be eased for farmers in other parts of the UK.

The derogation for arable farmers in Northern Ireland and Scotland and an easing of the rules for farmers in parts of England and Wales follows an earlier decision to propose a derogation for arable farmers in Ireland.

In Scotland, autumn plantings substantially down on the year and the cold, wet conditions this spring have worked against ground preparation and planting, narrowing the window of opportunity to plant and establish spring crops in 2018.

‘Impossible task’

For many farmers, meeting the requirements of the three-crop rule has been almost impossible, NFU Scotland said.

Although now late in the planting season, the derogation may help some growers whose planting schedules have been delayed.

NFUS president Andrew McCornick said: “Although we are deep into the planting season, a derogation from the three-crop requirement may yet make a difference to some of our farmers.

“It is already so late for some parts of the country, that fallow may be a more economic option than planting.”

Scottish rural economy secretary Fergus Ewing described the decision as “sensible” and said it will provide “much needed relief to farmers across Scotland”.

UFU welcomes news

The Ulster Farmers’ Union (UFU) said a spell of prolonged wet weather last autumn left many farmers unable to plant winter crops due to poor field conditions and the delayed planting of spring crops has left them with very few options.

UFU president Ivor Ferguson said: “This is welcome news for farmers who can be reassured that their greening payments will not be impacted on now the derogation has been agreed.”

JOURNAL : Farmers Weekly

Government has been told to develop a comprehensive food policy in order to make a success of Brexit for the food and farming industries and consumers, as outlined in a House of Lords report.

Brexit: food prices and availability, ***produced*** by the House of Lords EU Energy and Environment Sub-Committee, stresses the government has to be clearer over what it wants regarding maintaining high food and welfare standards or delivering on promises of lower food prices for consumers.

See also: Young farmers optimistic about Brexit but fear ‘trade-offs’

The report found there was a “striking difference” between government confidence and the industry’s concerns surrounding a successful outcome for ***agriculture*** and its related industries following Brexit.

“[George Eustice] may not be worried about the potential for Brexit to impact on the price and availability of food, but the representatives of the food and farming industry, importers, port authorities and consumer organisations were vocal in their concerns,” said chairman of the EU Energy and Environment Sub-Committee, Lord Teverson.

In total, 41% of UK food comes from overseas, 11% of which emanates from outside of the single market and is imported under 40 EU free-trade agreements covering 56 different countries.

Maintaining these free-trade agreements as well as achieving near-frictionless access to the single market would be essential in order to maintain the UK’s food supply and security when the transition period ends after December 2020, says the report.

[*https://www.youtube.com/watch?v=cX1k4hAb7gk&feature=youtu.be*](https://www.youtube.com/watch?v=cX1k4hAb7gk&feature=youtu.be)

However, the committee found even in a best-case trade scenario with the EU, with no tariffs and few customs barriers, international rules would force the UK to undertake more customs and borders checks than it does now.

Displacing EU imports with increased UK production or higher imports from non-EU countries would not be easy, according to the report, stating 30 years of declining UK self-sufficiency would take time to be reversed.

“The government has some important choices to make. They have said they want to maintain high food standards but also that they would be willing to have minimal customs checks to avoid disruption at borders,” said Lord Teverson.

Industry needs time to prepare

“We are calling on the government to set out what checks they do intend to carry out on food imports, to allow the food industry and customs authorities time to prepare and to reassure consumers that standards will be upheld.”

He added the government had presented a paradox where it would seek trade deals that secure lower prices for consumers, while UK food and farming were expected to be exemplars of high-quality production post Brexit.

“We would urge the government to consider the impact Brexit may have on food inequality in the UK: will we have a situation where high quality, local ***produce*** is available for those who can afford it, with cheaper food imported for those on lower incomes?” added Lord Teverson.

“The UK needs a comprehensive food policy, to tackle these complex issues, and we urge the government to ***produce*** one with some urgency.”

JOURNAL : Farmers Weekly

Dutch machinery manufacturer Vervaet has purchased a 50% share of its UK importer, J Riley Beet Harvesters.

The deal comes as no members of the Riley family are in a position to continue running the business. It was a logical move as the two family-run companies have been in partnership for more than 25 years.

See also: Root-crop chasers take the headache out of harvest haulage

J Riley Beet Harvesters was established in 1994 by managing director Jeremy Riley, and now employs 14 staff from its base in Attlebridge, Norfolk.

Since day one, J Riley has been the sole UK importer of Vervaet beet harvesters and Hydro-Trike self-propelled spreaders, supplying and servicing both new and refurbished second-hand machines throughout the country.

JOURNAL : Farmers Weekly

Farmers have been warned to be aware of the complexities surrounding the use of sideways loss relief  to minimise income tax bills.

Accountant Saffery Champness said it was offering “a word of caution” about the relief for losses arising from farming after a number of tax tribunals involving farmers which have ruled in favour of HMRC.

In principle, sideways loss relief can be used where losses, arising from a trade undertaken on a commercial basis and with a view to making a profit, can be offset against any other income arising in the same or previous tax year, thereby reducing an individual’s liability to income tax.

See also: Farmers to face new digital tax regime

Losses can also be carried forward and automatically offset against the first profits arising from the same trade, in the absence of any other claims, but not against future other income.

There is, however, a restriction on the amount of losses that can be offset against other income in a given tax year, the limit being the greater of £50,000 or 25% of an individual’s adjusted net income.

Hobby farming rules

The hobby farming rules also introduce further restrictions on the use of losses arising from farming.

These rules mean after five successive years, sideways loss relief will usually be denied for any losses made in year six, and these can then only be carried forward for use against future farming profits.

The rules were introduced in the 1960s to stop people claiming they were farming and then claiming their losses against other non-farming income.

Reasonable expectation

An exemption is available from the five-year restriction where farming activities meet the reasonable expectation of profit test, and where a “competent farmer” carrying on farming activities in the current year would reasonably expect future profits, but could not over the previous five years have expected their activities to become profitable until after the end of the current tax year.

Martyn Dobinson, director at Saffery Champness, and a member of the firm’s landed estates and rural business group, said: “This is a very complex area which has been tested a number of times at the tax tribunal, with victories for the taxpayer [ie the farmer] being few and far between.

“The ‘hobby farming’ rules still apply in the case of unforeseen and one-off events, such as poor weather and disease, and market factors are not an acceptable argument for longer-term losses being made.” Mr Dobinson added the losses clock would be reset by a year of profit.

“However, transferring the business between spouses, or to or from limited companies, cannot, due to anti-avoidance rules, restart the clock.”

Accounting year

Complications also arise where the farm’s accounting year and the tax year do not match.

In such instances, it can mean the restriction regarding the number of years can also kick in a year earlier than anticipated.

JOURNAL : Farmers Weekly

Brothers Rich and Chris Norman will make history this summer by being the first autumn block grazed herd to host the Gold Cup Open Day on Thursday 14 June.

During the day, the winners of the coveted trophy will reveal the secrets behind their success through a series of talks from some of the people who inspired the achievements that saw them winning the 2017 Gold Cup.

Throughout the day, attendees will get an insight into the running of the 580-head cross-bred herd and its other enterprises, including the 200,000 broiler unit and anaerobic digester, where managers will be on-hand to answer questions.

See also: Cross-bred dairy herd wins Gold Cup

***Programme*** of speakers

Future market predictions, presented by dairy market analyst Chris Walkland

Succession ***planning*** and the role of governance,presented by Tony Evans of the Andersons Centre

Factors driving business and team performance and success, presented by LIC and Real Success

The benefits of linking your farm to the environment, presented by the Wye and Usk Foundation

Rich Norman said he hopes they are able to demonstrate how success is possible for all herd types and he hopes the day will attract visitors from far and wide, from the whole range of dairy systems.

He added: “We are thrilled to be in this position and look forward to sharing some of our practices with visitors through specialist speakers who are integral to our business and its success.

“Above all, we hope we are able to provide some key take-home points that people can apply to their own businesses. Equally, we look forward to learning some new ideas ourselves.”

Entry is free, but pre-registration is essential and can be done online on the RABDF website. If you have any queries, please call the office on 02476 639 317.

JOURNAL : Farmers Weekly

When Richard Spencer sold 4.4ha of farmland for residential development, it was an opportunity to relocate the farmyard and build new housing for his beef herd.

Mr Spencer, who farms with his father, John, needed a shed to hold 80 suckler cows and followers on a greenfield site at Mansell Farm, Newbold-on-Stour.

See also: What’s In Your Livestock Shed: £5k sheep shed transformation

He opted to have two mono-pitch steel portal frame buildings facing each other.

At £87,695 for the sheds, and another £38,053 for the fittings and labour, it was a substantial investment.

But it means cattle are easy to manage in their new environment and there have been no cases of pneumonia since the cattle occupied the buildings.

Farm facts

Suckler herd of Shorthorns with some Shorthorn cross Belgian Blues and South Devons

Herd number reduced from 80 to 70 this spring due to TB

Herd split, with 40 calving in spring and 30 in the autumn

Cattle sold to Woodheads to supply Morrisons

How did you set about choosing the design?

We wanted a simple design, something that was suitable for a one-man system. It needed to have good ventilation and to hold up to 200 cattle of different age groups.

We chose two identical single-span sheds and constructed these opposite each other so in fact it looks like one shed with a 2.4m gap between the overhangs.

The environment is very airy and the layout lends itself well to handling different groups.

What are the shed’s dimensions?

Each half is 36m long and 12m wide, with a ridge height of 6.36m and 3.65m to the eaves. The central passageway is 7.3m wide.

At capacity, we can house 180-200 cattle, including calves and followers.

What is the building made of?

The frame is galvanised steel and the roof is fibre cement sheeting with clear plastic corrugated skylights.

The walls are a combination of Yorkshire boarding and concrete panelling. The bedded areas have compacted stone floors.

How is the shed laid out?

Each side has six bays and the straw-bedded areas can be shut off from the feed passageway, which means we can hold the cattle in those pens when we scrape.

How much did the whole thing cost?

The shed itself was £87,695 excluding VAT. The internal fittings such as gates and other metal work cost £15,840 and we paid £22,213 to have those fitted.

As it was a greenfield site we needed to get three-phase electricity from a point 200m away, so that cost us another £28,000.

The ***planning*** fee was £5,390. We created a track from the farmhouse down to the shed using our own limestone and that worked out at about £25,000.

We had an existing steel portal frame building at the old farmyard and spent another £18,690 relocating that.

Who was your supplier?

The shed was supplied by SA Mogg at Astwood Bank, Redditch, and constructed by Dudfield Farm Buildings at Stow-on-the-Wold.

The gating and barriers were from IAE, but supplied by Stow Ag. It took two months to complete. This has been our second winter using it.

Has it been a good investment?

It seems a lot of money for an 80-cow suckler herd, but we had the funds from the housing development and we wanted to continue with the beef enterprise.

If we hadn't had the income from the development, we would not have been able to do it.

Dad does the mucking out. It takes him an hour a day to scrape and to run a straw chopper down each side.

It had been taking two men three hours to bed and feed 80 sucklers because the old housing set-up was a rabbit warren of buildings. We are now using about 750kg of straw a day.

The herd is mostly housed from September and out again by the end of March, but we have had to delay turnout this spring because it has been so wet and grass growth has been slow.

We muck out the bedding every six to eight weeks. The shed is laid out in a way that we can shut the cattle into the concrete passage while we do this.

How has it improved cattle health?

In our old buildings pneumonia and scours had been a big problem, but I’m happy to say we haven’t had a case for two winters.

We vaccinate for pneumonia. The cows get a rotavirus corona jab too and they pass that benefit on to their calves.

What is your favourite feature?

There are removable metal bars in the barriers of one of the pens which acts as a creep feeding passageway for calves.

They stay with their mothers, but they can come and go from a separate pen to get extra feed.

When we don't have calves in that pen we use it to house our stock bulls.

What would you change?

The water troughs are positioned behind the feed barriers and we find that the cattle have a tendency to muck in them.

I didn’t want them on the back wall because I thought we would get more dirty bedding.

Also, if there had been a leak, the water would have soaked onto the bedding.

We have a temporary handling system, but ideally we would have a permanent area where we could isolate the cattle to PD and foot-trim them.

Have you made any changes since the shed was built?

We have fitted hardboard under the doors to stop badgers getting in. We had been TB-free for 10 years, but currently have a herd breakdown.

There are also bits that we need to finish. For instance, we created a manure store from some materials we had at the old site and will put a roof on that this year.

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JOURNAL : Farmers Weekly

The National Federation of Young Farmers’ Clubs is facing a six-figure funding shortfall after a proposal to increase its funding from members was watered down in an AGM rebellion.

The national body is set to be short of £380,000 over the next two years after northern counties, led by Lancashire, lined up to voice their disapproval of a £5 increase per YFC member in the national levy, currently set at £16.38.

They succeeded in passing a more modest increase of £1.64 per member after winning support from representatives from Yorkshire and Northumberland at the AGM, held in the Winter Gardens, Blackpool, as part of the NFYFC Annual Convention.

See also: Video: Pints of milk and miles of smiles in Blackpool

Katy Dutton, speaking on behalf of Lancashire YFC, said that they could not sanction such a significant increase in funding for Stoneleigh without putting services in their home county under threat, as subscriptions had already been fixed for this year.

“If your mortgage payments increased by 30% in one year you might have something to say about it,” she said. “Why so much at once with no warning?”

But incoming NFYFC council chairman Lynsey Martin, while praising young farmers for exercising their democratic rights, warned that the smaller increase could cause funding shortfalls in future.

She said: “The approved increase of £1.64, will still go some way to help NFYFC’s finances but is obviously not the amount needed to support the necessary changes.

“While there are challenges ahead for the Federation, NFYFC will work hard to ensure we can still provide services that support and develop rural young people across England and Wales.”

What is the NFYFC levy?

County federations are obliged to send a portion of the subscriptions they collect from members to the National Federation of Young Farmers’ Clubs, which uses it to fund administrative staff and events such as national competitions and the Annual Convention.

The rest of the subscription is retained by counties to fund local organisers and events, such as the annual Rally and other competitions.

County federations have also been under financial pressure in recent years after other sources of funding, such as county council children’s services budgets, have been slashed.

JOURNAL : Farmers Weekly

Young farmers are optimistic about the future of ***agriculture*** post-Brexit but still fear that uneven trade deals, cheap food imports and a failure to buy British could see them lose out.

Members of Wales YFC were invited to give evidence at the Welsh Affairs Committee’s Brexit parliamentary inquiry about ***agriculture***, trade and the repatriation of powers on Tuesday (8 May).

Wales YFC member Jacob Anthony told the panel he was “totally optimistic” and was looking forward to embracing change, new opportunities and different markets.

“Let’s look to the future, not be negative,” he said. “We need to think about things globally, not just within the EU.”

See also: Farmers Weekly’s coverage of this year’s YFC AGM

Trade deals

However, the young farmers do have concerns, and their biggest one lies with future trade deals and the possibility of food ***produced*** to lower standards, such as US hormone-treated beef and chlorine-washed chicken, entering the UK market at cheap prices.

“We ***produce*** top quality food,” said senior member of the year Cennydd Jones. “The last thing I would want to see is a cheap trade-off with, for example, the USA, so that Welsh farmers can’t compete. It will make family farms non-sustainable.”

Vice-chairman Dafydd Jones said a level playing field would be important, and that high food safety and animal welfare standards were the best selling points of British food.

What changes would you like to see for subsidies post Brexit?

Cennydd Jones: “There must be a drive to push efficiencies most of all. Subsidies should go to the farm practitioner rather than the landowner – the farmer knows the land better than anyone else.”

Dafydd Jones: “The crucial thing is it has to be simple to be effective. We also need to be upskilling in the sector, especially if we want to compete with the technology and skills in places like New Zealand.”

Laura Elliott: “In the future policy is going to have to support farmers who are being innovative and pushing boundaries.”

Laura Elliott, Wales YFC chairman, told the committee: “We fear ***agriculture*** may be used as a cheap trade-off for other things, treated as a commodity rather than understanding its background. Farming is the lifeblood of Wales.”

Buying British

Brecon and Radnorshire MP Chris Davies asked how young farmers would play their part in selling British food and products.

Cennydd Jones said: “There is a responsibility there and we want to take it up because we want a strong future more than anyone else.”

Inviting school groups on to farms on educational visits worked well, he added, and formed part of one of NFYFC chairman Lynsey Martin’s key aims to spread messages about food, farming and careers.

Mr Anthony said social media could also be used to raise awareness, educate and spread positive stories.

Wales’ voice in Westminster

Dwyfor Meirionnydd MP Liz Saville Roberts questioned the YFC members on how the interests of Welsh farmers could be reconciled in Westminster and how to ensure Wales’ voice was heard.

Ms Elliott said emphasising the importance of ***agriculture***, food and farming was a “fundamental priority” and the YFC was keen to engage with government to make that happen.

Cennydd Jones stated that policy had to be set in Cardiff. “There are farms across Wales that are completely different so if you spread that across the whole of the UK, the differences are going to be even bigger,” he explained.

However, he acknowledged that bigger issues such as bovine TB needed a UK-wide approach.

JOURNAL : Farmers Weekly

A young father-of-three has died following a farm accident in Northern Ireland.

Farmworker Toirdealbhach Larkin, aged 22, from Bessbrook, south Armagh, was erecting an outbuilding at a farm in Katesbridge, County Down, on Friday (4 May), morning when he was killed.

According to local reports, it is understood a concrete slab fell and hit him on the head. His death is being treated as an accident.

See also: How to stay safe as silage season begins

Police officers from attended the scene and Northern Ireland’s Health and Safety Executive (HSENI) has also been informed.

Mr Larkin is the son of Sinn Féin local councillor Mickey Larkin, who is also a loyal club supporter of Dromintee Gaelic Athletic Club (GAC).

In a statement on their Facebook page, Dromintee GAC said: “We tender deepest sympathy to Mickey and to the entire family circle on this sad occasion.”

Tragic death

Newry & Armagh Sinn Féin MLA Megan Fearon said she was “shocked and deeply saddened” by Mr Larkin’s death.

“The thoughts and prayers of all are with Toirdealbhach’s family as they come to terms with the news of his tragic death and I extend my condolences to them on behalf of myself and Sinn Féin,” she added.

Mourners gathered at St Catherine's Dominican Chapel in Newry on Sunday (6 May) for the requiem mass to pay their respects to Mr Larkin. His burial took place at St Mary’s cemetery in Newry on Monday (7 May).

Mr Larkin is survived by his partner Aofie, and children, Thomas, Scarlett and Lily-Mae.

He is the fourth person to die following a farm accident in the UK in the past 19 days.

**Load-Date:** May 11, 2018

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[***Register of Commission documents: Report from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Report on the Implementation of the Trade Policy Strategy Trade for All Delivering a Progressive Trade Policy to Harness Globalisation Document date: 2017-09-13 COM\_COM(2017)0491 COM documents***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5PX4-DD71-JDG9-Y3BP-00000-00&context=1516831)

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EN EN EUROPEAN COMMISSION Brussels, 13.9.2017 COM(2017) 491 final REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS Report on the Implementation of the Trade Policy Strategy Trade for All Delivering a Progressive Trade Policy to Harness Globalisation 2 I. INTRODUCTION Two years ago, the Trade for All strategy set out a vision for a trade policy that is transparent and responsible, benefits all citizens, provides jobs and growth, and modern solutions for the realities of today's global trade. Since then, the environment in which the EU conducts trade policy has changed considerably. At home, Europe saw an unprecedented public debate about the purpose and legitimacy of trade agreements, linked with renewed concerns about the effects of globalisation. In world trade, there is a real danger of a protectionist resurgence. An increasingly frequent use of domestic policies that damage other countries, even on part of the biggest economies, undermines the rules-based multilateral trading system.

In this environment, a trade policy that is effective, transparent and based on values is needed more than ever before. The fundamentals of the Trade for All strategy thus continue to guide the EU’s approach: openness combined with a level playing field, high standards of labour, environmental, consumer and social protection combined with the right policies at home remains the most fitting way to make globalisation work for all Europeans. The EU is committed to a rules-based multilateral trading system that underpins our prosperity, and that is essential to making trade a positive force around the globe in line with the Sustainable Development Goals. The EU’s policy response seeks out partners such as Canada, Japan, Mexico, Mercosur, Australia or New Zealand who want to team up in building open and progressive rules for the realities of 21st century trade. The Trade for All strategy anticipated many of the issues businesses, consumers and workers now expect trade agreements to deliver. The commitments to enforce fair competitive conditions for the EU’s companies, safeguard European social and environmental standards and negotiate transparently are just as valid today as then. The full implementation of these commitments is however not without its challenges: two years on, this Report is an opportunity to chart progress to date. Rather than covering the entire universe of EU trade policy actions, the focus of this Report is the work on the Trade for All commitments since October 2015. It complements other reporting such as the first annual Report on Implementation of Free Trade Agreements, published later in this autumn, the annual Report on Trade and Investment Barriers, and the numerous documents published in relation to ongoing negotiations. This Report includes achievements; areas where there is more work to do; lessons learned; and implications for the Commission’s priorities in the next phase of implementation. 3 II. A TRADE POLICY THAT HARNESSES GLOBALISATION In May, the Commission invited a debate on what the EU can do to shape globalisation in line with our shared interests and values.1 Globalisation is about more than trade and its effects are combined with those of technological change; but there is no doubt trade policy has an important role to play in making these effects positive for people and businesses in Europe and beyond. Global trade is an opportunity, if we choose to shape it: openness to flows of goods, services, people and capital has fuelled EU growth, competitiveness and consumer welfare, and there is potential to do more. Globalisation has created complex production chains, where value is added across a number of countries. Removing trade barriers is essential if the EU is to continue to be able to use these global value chains to generate growth, and benefit all European citizens — as importers, exporters, workers, consumers and more. Shutting the EU market or putting up protectionist barriers would hurt not just the highly integrated EU economy, but also those of the EU’s partners, including the world's poorest countries. As the world’s largest trading bloc and a committed international actor, the EU has the potential to shape globalisation in the spirit of multilateral governance. However, trade policy alone cannot deliver on this ambition: making globalisation work for all calls for the strengthening of global governance in all areas, including climate. A comprehensive domestic policy response is needed, ranging from education to investment, to innovation, to energy, to fiscal and social policies and more, starting at the level of Member States. The Commission is making its contribution for example through the European Pillar of Social Rights proposal2 or through the EU’s cohesion policy. Addressing issues such as inequality and social inclusion, these policies also ought to be better linked to the European Semester. Trade has a positive effect on employment, with 1 in 7 EU jobs (or 31 million) dependent on exports. Export-related EU jobs are also on average better paid, with up to 16% wage premium. Still, globalisation can have negative effects on some sectors and regions. The EU works to help those negatively affected to adjust, and to increase the European economy’s resilience to change. A modernised Common ***Agricultural*** Policy will be essential for the agri-food sector to successfully integrate into international markets and further promote high standards. The Commission is working on making the European Globalisation Adjustment Fund more flexible, deploying its assistance faster in case of company closures. In responding to sudden shocks in production chains, the Fund could also address the effects of innovation-driven changes. At the same time, European Structural and Investment Funds could help further enhance the resilience of local economic systems and labour force, and anticipate the dynamic changes stemming from globalisation and technological change. Global competition must also be fair: multilateral rules-based trade is the best way to safeguard the European competitive and innovative edge that creates high quality jobs. Trade policies securing a level playing field for EU companies – be it by securing reciprocal market opening, tackling unfair practices or enforcing the EU’s rights and upholding high standards – will help Europe take advantage of the next production revolution, driven especially by digitalisation. 1 European Commission, “Reflection Paper on Harnessing Globalisation”, COM (2017) 240. 2 European Commission, Communication “Establishing a European Pillar of Social Rights”, COM (2017) 250. 4 Moreover, essential EU interests must be protected in the face of new challenges. This is why today, the Commission is proposing to establish a framework to screen foreign direct investment coming into the EU. The aim is to prevent take-overs of ***strategic*** assets that could threaten security or public order, while maintaining the openness of the EU market to investment as a whole.3 This Report sets out how the Trade for All strategy is shaping globalisation into an opportunity. 3 European Commission, Communication, “Welcoming Foreign Direct Investment while protecting Essential Interests”, COM (2017) 494. 5 III. DELIVERING BENEFITS OF TRADE TO ALL The EU’s ***strategic*** focus is on ensuring trade agreements deliver concrete benefits to its economy and people. Over the past two years, multilateral achievements include the World Trade Organisation (WTO) agreement on combatting distortions in ***agricultural*** markets, on freeing up information technology trade, and on facilitating access to medicines in least-developed countries (LDCs). The Trade Facilitation Agreement entered into force this year, modernising customs procedures to help even the smallest businesses and the poorest countries benefit from trade. On the bilateral front, the EU has concluded free trade agreement (FTA) negotiations with Vietnam, Partnership and Cooperation Agreements with Kazakhstan and Armenia, and reached an agreement in principle on an FTA with Japan. These are modern and progressive agreements with wide-reaching scope, and the Commission now works on their ratification and implementation so that real effects are felt as soon as possible. Following the provisional application of the agreement between the EU and Canada (CETA) on 21 September, preparations will continue for the ratification of agreements negotiated with Singapore, Vietnam, and Armenia. The last two years also saw the application of agreements with Ukraine, Georgia, Moldova, Ecuador, Ghana, Côte d’Ivoire and the South African Development Community. The right architecture for these agreements can ensure the EU’s ability to act effectively and offer predictability to both EU citizens and its negotiating partners. The European Court of Justice opinion on the Singapore FTA4 provides welcome clarity on the division of competence in trade and investment agreements. CETA is the EU’s most progressive agreement to date Boosting trade in goods, services and investment, the EU – Canada Comprehensive Economic and Trade Agreement (CETA) creates opportunities for both exporters and importers, and new jobs for people across Europe and Canada. It delivers ambitious outcomes on sustainable development, while respecting the EU’s high standards on labour, environment and consumer protection and explicitly preserving the right of governments to regulate in the public interest. CETA makes it easier for all traders and especially SMEs to do business. It eliminates 99% of tariffs on trade between the EU and Canada and removes barriers to trade in services in sectors ranging from finance to telecoms to environmental services. The agreement makes technical requirements more compatible, eliminating the need for expensive double testing for conformity standards on for example electrical goods or toys. Consumers will enjoy lower prices and more choice, while CETA also protects 143 distinctive EU ***agricultural*** products with Geographical Indications. The agreement promotes an innovative and competitive economy by safeguarding intellectual property, including by bringing Canada’s rules in line with EU laws for protecting new technologies and managing digital rights. CETA opens up public procurement markets at federal, provincial and municipal level, giving EU firms better access than to any other trading partner. 4 Opinion 2/15 of the Court of Justice of the European Union pursuant to Article 218(11) TFEU delivered on 16 May 2017. 6 Ensuring a level playing field: enforcing the EU’s rights Open trade must also be fair. The EU actively uses all available tools to enforce commitments undertaken by our partners, to remove trade barriers and to combat unfair practices so as to safeguard a level playing field for EU companies. The ***interventions*** range from intensive contact with partner administrations, to numerous processes under FTAs and within the WTO, to leveraging ongoing negotiations and using trade defence instruments. Better coordination with EU Member States and business via the Market Access Partnership has enabled the Commission to successfully tackle a number of trade barriers and deliver concrete improvements for EU exporters. In 2016 alone, the Commission resolved 20 different cases affecting EU exports worth €4.2 billion (the annual Trade and Investment Barriers Report5 gives more details). Tackling discriminatory treatment in the sanitary and phytosanitary area is of great importance for the EU as the world’s foremost trader in agri-food products, and the Commission has for example had success in opening markets for EU beef and pork exports. The Commission is also addressing regulatory barriers and protecting intellectual property including the EU food names (Geographical Indications, GIs). When necessary, the EU enforces its rights through dispute settlement. The EU is currently pursuing 21 complaints in the WTO relating to 10 different trading partners, making it the biggest user of the system alongside the US. In the past couple of years, WTO rulings have secured fair conditions in cases such as imports of raw materials from China or paper and refrigerator exports to Russia. Trade Defence Instruments (TDI) help ensure that EU enterprises face fair competition, forming a necessary pillar of an open economy. The Council and European Parliament are currently considering two Commission proposals aiming to make TDI even more effective in tackling threats to a level playing field: alongside a wholesale modernisation, the Commission also proposed a new anti-dumping calculation methodology to address significant market distortions and to strengthen the EU's ability to counteract unfair subsidisation practices. In order to prepare these proposals, the Commission held a public consultation which attracted a large of number of responses and position papers, and organised a stakeholder conference as well as a dedicated meeting with the EU social partners. The proposals form part of a continuous process of stock-taking of the efficiency and effectiveness of our TDI. Making the most of the EU’s trade agreements The Commission is working closely with Member States, the European Parliament (EP) and other stakeholders under the enhanced partnership for implementation to enable the widest possible take-up of the opportunities created by FTAs. Almost 40% of EU exports are now covered by an FTA (implemented or concluded). For example, the first five years of the EU - South Korea FTA saw European exports increase by 55%, and European companies have saved €2.8 billion in scrapped or discounted customs duties. The forthcoming Report on Implementation of Free Trade Agreements from the Commission will give details for each agreement. The EU Institutions and Member States are also working on a more coordinated economic diplomacy approach, improving the coherence of external policies to better promote the EU’s economic interest abroad. At the same time, this year's review of the Aid for Trade 5 European Commission, Commission Report, “Trade and Investment Barriers 1 January 2016 – 31 December 2016”, COM (2017) 338. 7 strategy aims to enhance the capacity of developing countries to make better use of the opportunities offered by EU trade agreements. The EU recognises that small and medium-sized enterprises (SMEs) can face specific challenges in taking advantage of FTAs. The Commission surveys trade barriers faced by SMEs as part of the impact assessments. Dedicated SME provisions are now tabled in all negotiations, and the Commission will seek a special SME chapter in all future FTAs, building on the Japan FTA. SMEs account for 30% of EU exports, and targeted implementation projects aim to increase their participation even further. Simple and easy-to-use rules of origin help EU enterprises maximise the preferential treatment offered by FTAs. The EU strives to craft the easiest and most appropriate set of rules with each FTA partner, including on cumulation. Negotiations have also advanced on the convention providing a single set of rules throughout the 43 countries of the Euro-Mediterranean area. The EU cooperates with its partners within the World Customs Organisation on international instruments and standards in customs matters. An active and targeted approach to regulatory cooperation prevents regulatory fragmentation and makes liberalisation provisions more effective. For example, a Mutual Recognition Agreement with the US on good manufacturing practices in pharmaceutical products concluded this year reduces the administrative burden facing manufacturers, including smaller ***producers*** while fully respecting the levels of protection on both sides. The Commission is updating and improving online information tools to facilitate trade. The Market Access Database providing information for EU exporters will soon be complemented by further information tools on how to make the most out of the EU’s FTAs, with particular focus on SMEs. Taking stock of existing deals provides invaluable feedback for both agreements already being implemented, and new ones under negotiation. Ex-post evaluations will now be carried out systematically, starting with the Korea agreement later this year. A ***strategic*** partnership with Japan shapes the rules of global trade In July, the EU and Japan reached an agreement in principle on the main elements of an Economic Partnership Agreement. As ***strategic*** partners and two of the world’s biggest economies, the EU and Japan are shaping global trade rules to promote open and fair trade. Setting ambitious global standards, this innovative and progressive agreement upholds the EU and Japan’s shared high standards of environmental, labour, and consumer protection, and fully safeguards public services. It is the first international trade agreement to explicitly support the implementation of the Paris climate agreement. The deal will remove the vast majority of duties paid by EU companies, which sum up to EUR 1 billion annually. It could increase EU exports by as much as EUR 20 billion, creating new opportunities for European companies, big and small, their employees and consumers. The agreement covers areas ranging from medical devices, to telecoms and public procurement; while also including an ambitious chapter on competition and subsidies. The agreement will open the Japanese market to key EU ***agricultural*** exports such as cheese and beef, and ensure the protection of more than 200 distinctive European ***agricultural*** products with Geographical Indications. The Commission is now working to conclude a final text of the agreement by the end of the year. 8 A forward-looking strategy The EU's “Trade for All” strategy adapts to new economic realities and seeks to take advantage of new trade opportunities. Securing the ability of EU companies to build and participate in global value chains requires free access not only for goods but also for services, professionals and capital. The Commission is stepping up liberalisation in areas key to EU competitiveness, such as energy and raw materials—which has dedicated provisions in the Vietnam and Ukraine agreements and in all new FTA negotiations, contributing to the EU energy security strategy. The EU pursues investment liberalisation through both FTAs and stand-alone investment agreements. A reformed approach to investment protection and dispute settlement with clearer emphasis on the states’ right to regulate in the public interest led to the setting up of a new Investment Court System with Canada and Vietnam which will be used in future agreements. Going beyond the bilateral context, the Commission is canvassing partners on the possibility of establishing a Multilateral Investment Court for the settlement of investment disputes. Exploratory talks were already carried out with third countries to ensure that this potential major innovation in governance would be truly global. The Commission is today recommending to the Council to open negotiations to establish such a court. This follows an impact assessment and an extensive public consultation carried out by the Commission throughout the past year, such as a dedicated stakeholder meeting with civil society in February 2017. Currently consulting on investment policy more widely, in 2018 the Commission ***plans*** to review the 2010 Communication on international investment and map out the way forward. Today’s modes of production blur the distinction between goods and services, where many EU services directly enable trade in goods. The Commission is therefore working to liberalise services trade hand-in-hand with goods trade across all FTAs and in plurilateral negotiations, including by working to resume the Environmental Goods Agreement (EGA) and the Trade in Services Agreement (TiSA) negotiations. Mobility of professionals also facilitates both goods and services exports, and enabling provisions now feature in CETA and in the FTA with Japan. In addition, provisions on intra-corporate transfers and on recognition of professional qualifications are under consideration on a case-by-case basis. Where mobility is facilitated, cooperation on return and readmission should be strengthened. The continued rise of digital trade has led the Commission to develop a new dedicated FTA chapter on e-commerce for future negotiations to facilitate electronic contracts and transactions, including enhanced consumer protection. Already proposed to Mexico, the EU is advocating for exploring the topic further in the WTO. The Commission will continue to analyse the effect of digitalisation on the European economy and to identify how trade policy can best reflect these new developments. 9 IV. ANCHORING TRADE AND INVESTMENT POLICY IN UNIVERSAL VALUES A trade and investment policy that delivers for everyone responds to citizens’ concerns and reflects the universal values the Union adheres to. First of all, this means that no trade agreement will lead to lower levels of consumer, environmental or social and labour protection than offered in the EU today, or compromise on fundamental rights. Further, EU agreements leave governments hands free to achieve legitimate public objectives, and all the EU’s negotiating texts reaffirm this point. This approach safeguards progress within the Union. In turn, the EU's values and standards also shape its engagement abroad. Basing trade policy on EU and universal values allows the EU to shape globalisation to promote sustainable development both at home and abroad, contributing to the UN Sustainable Development Goals and initiatives such as the Paris climate agreement. Comprehensive, binding sustainable development provisions are now part of all FTA negotiations, projecting key principles of global governance through the whole agreement. Commitments range from respecting core labour standards to conserving natural resources – as seen, for example, in the deals concluded with Canada and Vietnam. Inclusive growth and sustainable development are a cornerstone of the Economic Partnership Agreements with African, Caribbean and Pacific (ACP) countries, and of the EU’s unilateral preference schemes “Everything but Arms” (EBA), the “Generalised System of Preferences” (GSP) and GSP+. The EU is committed to monitoring and enforcement of sustainable development provisions. The Report on Implementation of Free Trade Agreements will give details on their implementation under each existing EU trade agreement. The EU systematically engages with partner governments, international organisations, social partners, business and civil society to monitor GSP+ commitments, and in 2016 and 2017 monitoring missions covered all nine beneficiaries of the scheme. This engagement extends also to EBA partners such as Bangladesh and Cambodia. Genuine and effective implementation on the ground requires time. It was long-term partnership that helped Sri Lanka advance on human and labour rights: the country gained GSP+ preferences in May 2017. To build on this approach, the Commission has published a paper on the implementation and enforcement of sustainable development provisions in July, 6 kicking off a debate with the Member States, the European Parliament and with stakeholders on whether the current trade and sustainable development chapters are meeting expectations, and what could be done to improve them. The EU monitors fundamental rights during negotiations, and suspends talks where there are serious concerns, as has happened in Thailand. FTAs contain revision clauses to ensure the most effective approach: the EU and Canada will launch a review of the sustainable development enforcement provisions in CETA once the agreement is provisionally applied on 21 September. The EU has also updated its Regulation to prevent exports of goods that can be used for capital punishment or torture. The product lists have been updated and certain services including brokerage have been added. This revised Regulation will provide the basis for 6 Non-paper of the Commission services, Trade and Sustainable Development (TSD) chapters in EU Free Trade Agreements (FTAs), 11 July 2017: [*http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc\_155686.pdf*](http://trade.ec.europa.eu/doclib/docs/2017/july/tradoc_155686.pdf) 10 discussions with partner countries under a Global Alliance to encourage them to develop similar trade restriction policies, with the aim to minimise the markets globally for this kind of products. The Global Alliance, launched under instrumental EU leadership together with Argentina and Mongolia at the UN in New York this September, will be used to exchange information and to facilitate measures and speed up processes when new products that could be used for capital punishment and torture appear on the markets. Conflict Minerals Regulation undercuts rights abuse in some of the world’s most vulnerable regions A new EU law, adopted in May 2017, will stop the export of conflict minerals and metals to the EU. It obliges EU companies in the supply chain to ensure they import gold, tin, tungsten and tantalum metals and minerals from responsible sources only—rather than from sources that might fund violence or lead to human rights abuses. The Regulation shows how a partnership on supply chain management can facilitate local community development through trade, while respecting fundamental rights and decent working conditions. Building on this success, the EU is proposing self-standing articles on responsible supply chain management in ongoing negotiations. Corporate social responsibility (CSR) principles based on guidelines for multinational companies from the Organisation for Economic Cooperation and Development (OECD) and the International Labour Organisation (ILO) are already anchored in FTAs such as the one with Vietnam. The Commission also encourages companies’ voluntary non-financial reporting. The EU is actively engaged with other countries and international players to reinforce existing instruments and promote similar approaches. For example, the EU participates in the Bangladesh Sustainability Compact and works with the OECD on decent working conditions in the garment sector. The EU continues to pursue new avenues in making trade policy more responsive to citizen’s concerns. The Commission is delivering its pledge to negotiate trade- and investment-related anti-corruption provisions and has developed an ambitious text proposal ready to be tabled in future negotiations, starting with Mexico and Chile. Addressing gender equality would help ensure that the benefits of trade reach everyone, and by the same token maximise the overall gains from trade opportunities. The Commission is exploring how to build on existing anti-discrimination provisions and on support for sectors and operators key for women’s economic empowerment such as SMEs. Better understanding the impact of trade instruments on gender equality is a crucial step. To that effect a dedicated Commission study on women's participation in exports published in June7 complemented the assessment of impacts of trade actions on gender carried out in the context of the latest Impact Assessments, Sustainability Impact Assessments and ex post evaluations. Ideas from the International Forum on Women and Trade held this June in Brussels as well as co-operation launched in that context with relevant international actors, including the WTO, the International Trade Centre and others, will inform future policy and negotiations, starting with the negotiations with Chile. Building on the New European Consensus on 7 Chief Economist Note   [*http://trade.ec.europa.eu/doclib/docs/2017/june/tradoc\_155632.pdf*](http://trade.ec.europa.eu/doclib/docs/2017/june/tradoc_155632.pdf) 11 Development and furthering the Commission's commitment to addressing gender issues as part of this year's review of the Aid for Trade strategy, this reinforced focus on the gender angle of trade inclusiveness will continue to be reflected in the Commission's positions across the board, including in the context of the upcoming WTO Ministerial Conference in December. Promoting sustainable production standards as well as fair and ethical trade and sustainability assurance schemes increases consumers’ confidence in the products they buy in the EU. The Commission continues its work to promote these schemes via awareness-raising actions both within the EU, with partner countries and within international fora. Fair and ethical trade is discussed regularly with our partners as part of FTA implementation, and will be addressed in this year’s review of the Aid for Trade strategy. The Commission is teaming up with the International Trade Centre to fund a study on ethical trade, with the “EU City for Fair and Ethical Trade Award” due to be launched in 2018. Values-based trade policy is more effective if it is complementary to other EU policies and instruments, including funding. Simplifying the rules of origin for goods arriving from Jordan has directly helped Syrian refugees' economic integration in Jordan, consistently with the EU's 2016 Partnership Framework on migration. To reflect the new European Consensus for Development, this year's review of the Aid for Trade strategy supports sustainability and helps implementation of FTAs, Economic Partnership Agreements (EPAs), and GSP. The Commission also joins forces with organisations like the ILO, and directs the EU’s Partnership Instrument funds towards targeted capacity-building projects promoting good governance and respect of human rights. 12 V. TRANSPARENT AND INCLUSIVE POLICY-MAKING To ensure that trade benefits everyone, effective trade policy must also be accountable, open and inclusive. Transparency is the responsibility of all EU Institutions, all Member States and all national parliaments. They all play their role as trade agreements are negotiated and adopted, and correspondingly share in the responsibility to inform and consult. The Commission is committed to conducting trade negotiations in transparency The EU now regularly publishes its negotiating proposals and reports of negotiating rounds. The Commission systematically invites the Member States to consult national parliaments on proposed negotiating directives, and to publish them as soon as adopted. The public will soon be able to consult for example the mandate for the Japan agreement, building on earlier publications for TTIP, CETA and TiSA. As an effective trade policy must be transparent, the Commission has also decided to go a step further and to publish from now on its recommendations for negotiating directives, following the practice set out for the Article 50 negotiations. Publishing the negotiating directives, starting today with those for Australia and New Zealand, will also mean that they are automatically transmitted to national parliaments at the same time as they are submitted to the Council for deliberations as with any other Commission proposal, allowing for an inclusive debate on the EU's negotiating proposals from the outset. This will also facilitate the dialogue on trade agreements that governments need to engage in within each Member State. The Member State governments' early involvement of a variety of their national constituents is indispensable in crafting a transparent and inclusive trade policy. As of October 2015, these texts are available on the dedicated “Transparency in Action” webpages, together with other documents relating to negotiations. At the same time, certain proposals such as market access offers must, initially, remain confidential to maintain the EU's negotiating leverage. Once negotiations are concluded, the entire text is published – even before legal scrubbing and European Parliament and Council procedures have begun. The CETA, Vietnam and Japan texts are recent examples. The Commission has also increased transparency in trade defence investigations. The “TRON” online platform gives the parties to any new investigation direct access to the full open file. Detailed executive summaries of all complaints, including reviews, are available to the general public. The Commission is now actively working to move

beyond transparency in the simple sense of information sharing. Truly inclusive policy-making demands active engagement with a broad spectrum of stakeholders. To make information not just available but more accessible, the Commission provides additional explanatory material when needed to complement published negotiating texts. The Commission also publishes fact sheets, statistics and a wealth of other information online and via social media to encourage a well-informed, fact-based policy debate – including the dedicated portals “Let’s Talk Trade” or interactive maps of companies across the EU that export to our trading partners (“CETA in Your Town”). The Commission continues to systematically publicly consult, so that all opinions expressed inform EU decision-making and help the EU respond to people's concerns. For example, the 13 EU approach to investment protection and investment dispute settlement was reshaped following public consultation. As part of its emphasis on transparent and inclusive trade policy-making, the Commission will be creating an advisory group on EU Trade Agreements to provide advice on EU trade negotiations and their implementation. Through this group the Commission will be able to benefit from different perspectives and insights on trade from European organisations such as employers’ organisations, trade unions, representative associations, consumer associations and other civil society organisations. Evaluations (Impact Assessments, Sustainability Impact Assessments and ex post analysis) have been enhanced wherever possible, canvassing stakeholders including social partners in greater detail: assessment has been deepened in the areas of consumer protection, human rights and SMEs in particular. The Commission actively encourages and assists with discussion and debate on trade policy, whether in the European Parliament, Member State parliaments, the European Economic and Social Committee or the civil society at large. This should be a broad policy debate that would go beyond trade specialists. Since taking on the trade portfolio, Commissioner Malmström has so far visited national parliaments in virtually all EU Member States, as well as taking part in citizen's dialogues. Meetings of a regular Civil Society Dialogue also take place in Brussels, including this May when the Commissioner personally updated participants on the negotiations with Japan and the future of EU trade policy. The EU negotiates FTA provisions giving civil society in both the EU and its partner countries a formal role in monitoring how the sustainable development provisions of trade agreements are implemented. In future negotiations, it will be proposed to extend this oversight to all provisions of FTAs. 14 VI. ENGAGING PARTNERS AROUND THE WORLD The WTO is central to the EU’s trade policy and negotiating as underlined by the European Council in June 2017.8 The EU believes the rules-based multilateral trading system is essential for delivering an effective and fair trade policy that benefits all citizens in all countries. The WTO’s daily work on monitoring, transparency, enforcement and mediation is invaluable and can always count on the EU’s active participation. Still, much remains to be done to ensure that the WTO performs to its full potential as a rule-making body driving the global governance agenda forward. The Trade Facilitation Agreement and Information Technology Agreement expansion are both delivering significant progress in the WTO setting, and the EU played a crucial role in brokering the final agreements. These examples show that to arrive at a meaningful outcome, WTO members, and emerging countries in particular, must be ready to make a substantial contribution to the system. The WTO's negotiating agenda needs to be dynamic and respond to the changing needs and expectations of traders. A broad range of issues needs to be addressed to make WTO tools more relevant to today’s realities of global trade and to level the playing field. Since the Nairobi Ministerial Conference of December 2015, the EU has led the way in reshaping the WTO negotiating agenda, championing proposals to limit the use of distortive ***agricultural*** and fisheries subsidies, to promote transparency in industrial subsidies, to create new and much-needed rules on e-commerce, or to agree on domestic regulation disciplines. The EU is also co-sponsoring proposals helping SMEs engage in international trade or promoting gender equality; and is actively engaging in a dialogue on investment facilitation for development. In the run-up to the Ministerial Conference in Buenos Aires later this year, the EU is stepping up discussions with other WTO members on how to modernise world trade rules, and to restore the primacy of the WTO in rule-making. The EU will pursue multilateral solutions while, where necessary, plurilateral approaches should also be further explored – with a strong preference for open platform solutions that would be fully anchored within the WTO framework. The EU’s bilateral relationships can provide a more ambitious reinforcement of the rules-based multilateral system. Nowhere is this consideration more pertinent than in the relationship between the EU and its two biggest trading partners, the United States (US) and China respectively. Given their combined economic weight’s influence on global governance, these relationships need to live up to their potential to lead on progressive and open rules for international trade. TTIP talks have now been paused, but the US remains the EU's biggest export market and a key ally. An EU-US convergence on a high level of ambition and on key global governance stances concerning trade rules as well as areas such as climate is a necessary prerequisite for any agreement. In the meantime, the EU and the US are exploring ways to enhance cooperation on global trade challenges – such as overcapacity – as well as concrete initiatives to facilitate transatlantic trade. 8 European Council Conclusions, 23 June 2017 (EUCO 8/17) paragraph 16. 15 Overcapacity is a problem in China’s economy in particular, and its consequences can only be effectively dealt with by international economic governance such as seeking to address urgent problems in the steel sector within the Global Forum on Steel Excess Capacity, established by the G20 and OECD members. Here, the EU was instrumental in negotiating a set of commitments to cut steel excess capacity, notably by removing market-distorting subsidies and other government support. The EU works with China to encourage its active participation in multilateral trade structures, commensurate with China’s weight in the system and the benefits it draws from it. In the bilateral relationship, the EU uses all available actions to address Chinese policies undermining the level playing field for all ***producers*** and traders, including unfair subsidisation and extensive export support. Pursuing reciprocity, the EU is negotiating an investment agreement with China. The EU’s negotiating strategy adapts to both economic and political shifts, and takes advantage of new opportunities. The wide scope of the EU’s bilateral engagement has broadened even further, in particular in respect to the future growth engines in Asia and Latin America. In Latin America, talks on the modernisation of the Mexico agreement and the Mercosur negotiations are advancing fast. Since the launch of the Trade for All strategy, negotiations started with Indonesia and the Philippines, and are ready to resume with Malaysia and Thailand when the conditions are right. Negotiations with India were launched in 2007, and the last formal round took place in 2013. The EU is preparing to launch investment negotiations with Hong Kong and Taiwan.9 In the future, investment talks could also complement the existing Korea FTA. In the EU’s neighbourhood, negotiations with Tunisia are ongoing and could soon be resumed with Morocco. Negotiations were launched with Azerbaijan in the framework of a Partnership and Cooperation Agreement, furthering the EU’s commitment to the Eastern Partnership. At the end of 2016, the Commission proposed to the Council draft negotiating directives on modernisation of the EU’s Customs Union with Turkey. The EU continues to support our partners’ regional integration projects, and is exploring deeper trade relations with for example the Association of Southeast Asian Nations or African regional integration initiatives. The EU and the African Union are working together to develop guiding principles on investment policy-making. Looking ahead, the Commission has recently proposed negotiating directives to launch negotiations with Chile, and is doing so today for Australia and New Zealand. 9 The separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. 16 VII. CONCLUSION The first two years implementing the Trade for All strategy have seen considerable concrete progress towards an effective, transparent and responsible trade policy that responds to economic challenges and seizes opportunities. The EU is shaping rules of global trade by pursuing progressive and innovative agreements, as exemplified by the Canada and Japan agreements. This work is however not complete, and will continue. The Commission must bring ongoing work to a successful conclusion: first, by carefully implementing achieved agreements so as to ensure that the new opportunities create real benefits on the ground. Second, the EU will continue to pursue its strategy for modern rules fit for 21st century trade in ongoing negotiations within the WTO and with bilateral partners. The EU can also learn from practical implementation to update and adapt its action, leading to reflection on, for example, enforcement of sustainable development provisions. Finally, trade policy will explore new areas such as gender equality. The Commission looks forward to working with the Council, the European Parliament and all stakeholders to further implement the strategy, and ensure that EU trade policy continues serving all in Europe and beyond.

**Load-Date:** November 8, 2017

**End of Document**

[***Development Under the Threat of War in the Arab World***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-6231-F0YC-N04H-00000-00&context=1516831)

Impact News Service

February 3, 2018 Saturday

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**Body**

Melbourne : Centre for Global Research has issued the following press release:

On any indicator one wishes to use, mainstream or alternative, there is a development crisis in the Arab world. We must understand this crisis as an outcome of the ways this region is woven into the global economy. The oil and war economies, the destruction and waste side of capital accumulation, are the main channels by which the region is articulated with the global market. Waste and militarism are principal elements in an accumulation regime that ***produces*** value by consuming not only the value of labor-power, but also the value inherent in human lives. Accumulation by waste, realized through encroachment wars and environmental degradation, is constant under capitalism.

Capitalism as a historical stage is not solely about the production of trousers, laptops and chewing gum, things whose consumption satisfies social needs. It is also, in great part, about the production of waste and harmful things like bombs. Capitalism differs from past modes of production. It is a predominantly a market economy in which the production of waste itself is at the same time intrinsic to capital and alienated from social control. Waste, its war side, does not serve a function that resolves a problem facing society, it serves its own end and, more pertinently, it is itself a domain of accumulation. It is this negative dialectic that steadies the rate of capital accumulation, not only because it metabolizes socially necessary labor time at a higher rate, but also because it redresses real and ideological power balances at the level of the labor process and the state, which in turn ascertain the rule of capital. This negative dialectic, the barbaric side of capital, begins the moment labor-power sells as a commodity – this point is said to be Marx’s greatest discovery. The reproduction of such commodity (labor-power), which is itself value, entails the consumption or the setting aside of the sources of such value. People are the sources of value stored/delivered in and through labor power. Humans are both subject and object of value: they ***produce*** commodities and are consumed by the things they ***produce***: dying in wars is the extreme example. In this loop, the production of labor power, including its reproduction, is the first and last stage of realization in the cycle of value formation. Just because value formation is an unending cyclical process, where one begins or ends to assess the accounts of surplus value becomes a choice that answers to ideological inclination. Measuring value in terms of Western devised dollar-productivity and dollar-price value forms is never innocent. Power, the colonialism of the past and the many US military bases of today, decides the value of the dollar. To measure value in terms of dollars, without quantifying the dimension of power and the commodities serving as inputs and/or ***produced*** by waste and militarism, shortchanges the third world. It makes Arabs and Africans trivial in value terms to global accumulation because they do not possess the ‘right machines.’Apart from the difficulty of segregating absolute from relative surplus value, or in pinpointing whose class values the demarcation between productive/unproductive labor or absolute/relative surplus value serves, one must posit that value is first and a social and a historical relationship. The assessment of historical surplus value, as per Abdel Malik (1981), becomes identified with a production cycle that roughly begins in the long sixteenth century. Whereas the globe has long been a single factory, limiting our understanding to what is abstract and concrete to developments in the western factory and its machines, omits war as a domain of accumulation, a sphere of production and simultaneously, as a manifestation of the class struggle. Value theory does not explain everything, and no theory does. However, what to include in it and what to leave out, must obey the method of ascent from the abstract to the concrete in Marx. How private labor, the abstract category transforms into social labor, the concrete category, is not an issue of ideas auto-negating in logical space, it is about the mediation of the very object of study, that is labor, as it proletarianizes by the class struggle. Such incident is global, and therefore the concrete category of value as value relationship is also global, as in the world becomes a single factory blighted by the production of waste. Illustratively, as the sale of chewing gum in the metropolis of empire dwindles (civil-end use commodity realization), the tendency to bomb rises not only to realize the bomb itself, but also to realize the lives of humans. Capital regulates the production of labor-power by measures of depopulation. Formulaically, the more the civilian-end use commodity realization falters, the more one witnesses production by means of waste and imperialist wars;hence, the distinctive feature of the permanence of war under capitalism. Just as in any production process, waste qua militarism realizes a commodity as an object and reconstitutes the subject. It consumes humans, the environment, and war materiel, and it shapes the ideas that promote its own expansion. Imperialist wars enhance the power of imperialism or tip the balance in the class struggle – history –in its favor. Just as it colonized and enslaved people in the past, imperialism in its neocolonial mode raises the intensity by which it rips apart states and commands their sovereignty. To take away the will of peoples, their sovereignty, is to enslave them partially or totally. Exploitation assuming forms of slavery, that is commercial exploitation, generates high rates of surplus-value, which in turn undergird high profit rates. There is not an immediate interface between prices and values. Class power, of which imperialism is the cornerstone, mediates the unequal exchange wrought from value in the form of price. A stronger imperialism accrues value for low or even negative price formation, the latter arising by the exercise of genocide across history. The Arab region is subject to a dynamic of commercial exploitation by wars of encroachment that consistently break apart attempts by nations to undertake state-led development projects. Although the ***strategic*** control of oil is cause for imperialist war, war for war’s sake is no less a factor in the propagation of regional violence. Wars that set back development efforts in a short time span represent more than just actuarial risk factors; they are complete historical uncertainties. Instead of hedging the shocks of future violence, the Arab macroeconomic setup has exaggerated the negative shocks attendant upon a business cycle largely determined by oil and wars. It has thus worsened an Arab development performance whose success may have been a partial antidote to war. In the following, I discuss how some key macroeconomic economic mechanisms have worked against development. To begin with, the Arab countries are either in conflict – Syria, Yemen, Palestine, Libya, Iraq, Somalia and several Gulf states – or near-to-conflict either spatially or temporally. The constant prospect of war compounds the fragility of their developmental processes, even when they are not in conflict. From smaller oil exporters like Yemen or Syria, to say nothing of massive ones such as Iraq, these countries still depend on the export earnings from a primary product for economic growth. When oil prices fall, economic growth stumbles. An already poor development showing suffers yet another setback, thereby further denying Arab development. Arab oil is definitively more bane than boon. It is the major flow tying most of the Arab countries into global commodity and financial spaces. It is mixed up with ongoing military ***interventions*** from outside the region, principally by U.S -led imperialism. Meanwhile, minor oil exporters– for example, Tunisia and Yemen – have historically exported labor to the major oil-states, thereby making remittance flows and thus capital availability dependent on oil prices (remittances are part of geopolitical rents). Thus, we might note that for the underachieving Arab countries, which is in fact the overwhelming majority of them, the crunch on their course of development is fourfold. First, the determining undercurrent in their development is the fact that the decision-making circles often involve powerful external forces, who do not want another small country developing its productive capabilities in a world already drowning in overproduction. Furthermore, the leading global external forces, namely the ruling classes in the United States and the European Union, extract value and derive benefit from war and its social, political, and financial impact. The historical agency in this case is the capital class and not the European nation state in which class demarcations disappear. Refugees, militarism, value destruction, etc., are an immense source of surplus value to the globally interconnected capital class. As I have extensively argued elsewhere, the rate of surplus-value undergirding higher profit rates in the West is not related to higher productivity.[1] Technological and war-technology progress are objective or independent of social control. Productivity, which necessarily arises from such technical progress,only presupposes accumulation; accumulation understood as the class or social process, otherwise the law of value, which dictates societal reproduction. Moreover, surplus-value cannot be quantified by the prices that imperialist powers impose upon the developing world – such a reconciliation of price with value, or appearance with essence (the dialectical categories), is after all alien to historical materialism. The rate of surplus-value is determined by the degree to which imperialism consumes the living laborer and labor-power in a globally integrated production process. Therefore, quantification of value is not about the quantification of the commodity in terms of its dollar price, which is (the dollar that is) ex-post-facto the result of various imperialist suppression mechanisms. Value is a relationship, and for that relationship to be quantified, it is best gauged in terms of the power that capital and, its more ferocious side, imperialism, exercise in order to expropriate the direct ***producers***. Because war as production and a form of class struggle is a furnace of surplus-value creation, the imperialist historical bent is to envisage the sort of development that leads to more war. In the Arab world, there has been negative investment rates since the 1980s in long-term gestating ***agricultural*** or industrial capital, which are the sectors that impart living wage autonomy to the working class. Second, the immediate damages of war or the prospects thereof impose a drag on economic, social, and institutional development. In many cases, imperialist war reinforces commercial exploitation and acts as a massive primitive accumulation measure. It disengages labor and other resources from productive linkages, necessarily but not exclusively, in sync with the depth of the overproduction crisis. Once uprooted due to war – for example in Lebanon and Iraq – most people and resources remain so. Post-war development is a chimera. Third, although economic growth, rapid industrialization, and technological advancement are touted as indispensable conditions for development, they are pointless when governments constrain popular participation or the capabilities of people to achieve different valuable human functionings (as per the salient conventions on the right to development), or achieve meaningful participation in social life as ***producers***. For development to occur, working people have to be represented in the state.[2] Overwhelmingly, regional governments are not internally democratic. They effectively exclude large portions of the population from participation in decision-making. Furthermore, because the share of de-industrializing or merchant-comprador capital rises more as it dips into the share of labor than by productivity, the consequence is for lower wages to prevail. The familiar specter of a bloated tertiary sector, poverty employment, and endemic and undercounted unemployment abounds. Fourth, the Arab World is a region with acute income inequality.[3] Without more evenly distributed income and wealth among different classes of society, the demand component that would drive the momentum for auto-generated and knowledge-infused growth slows down. There is a demand crisis. Demand-led growth is impossible in the current context, and without the social struggles that would expand the social power, and thus purchasing power, of the region’s poorer working layers. Since the beginning of the neoliberal era, Arab economies have mostly grown from “without.” The incongruous forces of war prospects, commodity prices, and geopolitical rents, taking the form of aid infusions, are largely exogenous. Put differently, external forces have determined the region’s fate to an unusual degree. Hollow growth has generated very low employment rates and a poor development experience over the past three decades. Despite that, Arab macroeconomic structures, insofar as the crucial mechanisms of resource allocation and income distribution favoring the private sector, remained unchanged. The historical agency, or social class, in charge of development – which is also the class manning the state – has repeatedly reproduced the same policies and meagre outcomes. Pattern reflects purpose. A slow rise or even decrease in productivity indicates a near absence of “growth from within,” or growth based on the infusion of national research-and-development and knowhow in production.[4] Because of labor’s weakness vis-à-vis the imperialist class consortium, there are no rising living standards tailing productivity growth or virtuous circles of development. The productivity imbroglio is more severe in the Gulf states. Only around a decade ago, Gulf states formulated budgets based on around $20-30 per barrel oil price. In 2015, budgets required around $80-100 per barrel to be balanced.[5] Social welfare compacts adjusted for high oil prices, and oil dependency grew at very high rates. Vulnerability increased, and budgets slid into deficit once oil prices fell in 2014. State budgets are acutely vulnerable to oil price movements which are outside of local states’ control and are arguably under the stewardship of the imperial core. In times of high oil prices, output per worker growth appears positive and unusually high. But when oil revenues are deducted from total income, output per worker growth is more often negative than positive. This is a pernicious result that pertains mostly to the Gulf states, and less so for others. It means that the productive capital stock per worker, or equipment of the modern technology type that grows from the need to capitalize both capital and labour to meet demand, is not rising.[6] It also reasserts the failure of diversification policies. To re-emphasize: such an outcome is due to the institutional decisions of the regional ruling classes. As is the case with all social classes from subjugated social formations, these are by definition part of a global hierarchy in which the final ***strategic*** decision lies with American-led imperialism. As part-and-parcel of that decision apparatus, they (the regional classes) refuse to set in motion developmental processes involving improved ***agricultural*** and industrial output, which are foundational to an autonomous nationalist reproduction process. As a rule of thumb, a development that imparts relative security to the working class, also substantiates the anti-imperialist sovereignty. It is true, but more so a truism, to assert that reviving these debilitated economies requires an end to conflicts and the creation of a politically stable environment conducive to both domestic and foreign investment – investment of the higher output to capital ratio type. Along with rising internal demand, this would entail job creation. This job creation is not on a one to one basis: more capital and hence more jobs. It occurs as a result of the reassignment of moneyed form of value to socially relevant jobs. Such outcomes would almost certainly and solely be the fruit of state ***planning*** decisions, or some form of dirigisme under value retaining trade and capital accounts. Yet as true as this assertion may seem, the regional security arrangement, heavily based on accumulation by means of war and U.S support for Israel and only secondarily on Gulf arms purchases from the United States, is now anchored in a continuous war condition emerging from acute international divisions, especially the wars to contain the influence of China. This may further inhibit any serious investment over the long run, unless of course reconstruction ***plans*** proceed in times of conflict, tie development to war effort, and strengthen states. It would be practical to develop macroeconomic policies that envisage development even while accounting for ambient risks, namely those which external violence has imposed at an increasing rate since the early 1990s. However, the current policy interface between external shocks-conflicts and the national economy under the state of tensions is based almost entirely on the non-existent assumption of an even-playing field, a risk-free environment, and a market that works best with little government ***intervention***. Demanding a limited role for the government in the economy would not necessarily be of efficacy anywhere. But to propose small government under war or war-like conditions, as have the International Financial Institutions (IFIs), is beyond the pale. When the cross-national agencies and institutions that could spur development processes overlook the elephant in the room, the wars or their reverberations and the lopsided institutional context, then it is no longer myopia that is causing the repetition of past errors. Instead, there is a rather marked lack of will to develop. It is at this juncture, one may add, where reverse development transforms the region into a cradle of militarism and commercial exploitation. It is exactly this ongoing regional destructiveness of lives, assets and states as a money-making business for global capital that many fail to see. Because of declining industrialization and a deliberately low indigenous industrial supply capacity, that is the missing production that issues from a multi-layered and nationally-based supply chain, Arab countries have remained dependent on raw material exports. Their value chains are more extreme and lie elsewhere in militarism. For fast neoliberal reformers and slow reformers alike, the present condition of low oil price and steep deficits-cum-low output growth is telling of how past and present parochial policies failed or were uninterested in identifying the principal conduit of regional maldevelopment. To reiterate, that conduit has historically been overdetermination by their mode of integration with the global economy through the intertwined channels of oil and war, as opposed to civilian-end use commodity trade. This is not to say that that there have been no exceptions to the rule of development failures. But in case there is an odd but mild achiever, such as Jordan, the explanation of developmental success ought to be chalked up to geopolitics, or a result of geopolitical rents, rather than on “indigenous economic performance” grounds. The regional cordon sanitaire is a primary explanatory variable of development. Certain countries are permitted to partially develop (to stabilize only) or to be spared the wrath of Islamist terror, at times indirectly sponsored by the U.S state, due to their geopolitical alliances. But one thing is for sure, region-wide prosperity cannot occur under the prevailing institutional arrangements and externally-imposed wars ripping across the region. The refrain that one often heard as of the early 1980s was that development required diversification away from primary products – essentially, oil. However, diversification requires infrastructures, legal, social and physical that expand markets with non-predatory and similarly developed regional partners. Regionalism and/or transforming countries into regional building-blocs to combine domestic markets or entice economies of scale requires, in turn, the promotion of investment in intraregional infrastructure. Given the low rate of regional integration –intra-regional trade and investment are quite low in global standards (UN 2011)[2]–and that the Arab cooperation treaties are meaningless non-binding accords, the region’s countries have not seriously pursued moving away from oil.[8] Once a merchant-comprador mode of accumulation takes hold, based on profiting through imports and extractive industries, as opposed to an industrial mode, exploitation shifts from value-added production and market expansion of civilian-end use commodities to variants or sub-components of commercial exploitation. The destitution of lowly paid Asian domestics and service sector employees in the Gulf and elsewhere is an example of the latter case. However, the historical end of such merchant mode of accumulation is for the reigning comprador classes, whose assets are dollarized, to form subordinate inter-conflicting ruling classes and to partake with imperialism in warring against their own social formations. Oil extraction requires little labor, and its productive linkages quickly lead to production chains or processes external to the ***producing*** country. Exchange-based trade of primary products alone creates little added value. Historically, rather than opting for a policy of increasing market size to increase the number of consumers, regional entrepreneurs became sort of economic introverts. Their spoils arose from liquidating national assets and raising their shares of national income within their own fiefs at high turnover rates and, subsequently, storing their wealth in the more stable dollar form. The central banks subsidized the rich as it supported the dollar peg of the national currency with taxes drawn from the working class. The emergence of a Yemeni elite maneuvering amidst constant war, profiting from brokering grain commodity imports and hydrocarbon exports, is a crucial example. When addressing the macro allocation frameworks in a class of war-risk-exposed countries, such as Iraq and Lebanon in the past and present, and now a suite of states sweeping clear across the Arab and African regions, we must pose questions differently. There is already the inherited weakness of being born a colonially-bred “late-developer,” in which every regional economy entered their post-colonial era with extremely small industrial bases and, often, internal markets stunted by colonial underdevelopment. Their development had been stunted and they thus came small and insecure into a world where size and security matter in the race for development. Meanwhile, it is not only the weight of colonialism that these countries have to grapple with. The post-colonial imperialist assaults never ceased, whether militarily, as Israel either bulldozes through the region or creates an uneven power platform that drains resources, or in the imposition of terms of exchange and austerity policies that underprice labor and other resources. It is not solely in the Sykes-Picot demarcation lines that the causes of underdevelopment are to be sought – such lines are representation of power and can be changed. It is in the necessity of war as instrument of historical surplus-value and power creation that the causes of underdevelopment rest. Imperialist assaults cannot come to rest and the historical surplus-value of which I speak and was earlier defined by Abdel Malik (1981) is more than just the pile of commodities, it is also the pile of ideas corresponding to expanding capital, which for instance includes the acquiescence of Western feminism to the American bombing of Iraq, Syria, and Libya, states where women enjoyed relatively expansive rights. Regarding the run of the mill drainage of resources, consider why when revenues from the export of primary commodities have risen regionally, the rate of retained savings dwindles afterwards, just as in the aid syndrome where imperialist aid targets poor investment or consumption, which later lowers the saving rate. As the composition of Arab consumption shifts to affluence and rises, steadily drawing on national savings and reserves, less and less savings are left for investment in productive activity when oil revenues fall. Moreover, less oil-endowed countries, such as Egypt, Syria, and Yemen, do not secure enough foreign exchange reserves to smooth out the externally-determined fluctuations imposed by oil markets. With investment lodged in short term gestating capital and deficits in the current account frequently mounting, these countries experience prolonged economic contraction. In point of fact, Arab countries exhibit a one percent real GDP per capita growth on average between 1980 and 2010, (WDI, various years).[3] It is important to note that shifting away from the so-called white elephant investment projects of the post-independence period worsened economic performance. Nkrumah’s and the Arab socialist mega projects did not fail on their own. It is the implicit and explicit imperialist war and sanctions that shut them down. Another crucial piece of evidence regarding imperialistically sponsored economic collapse is that the governing institutions had foreknowledge that they had to diversify and support national industry, and yet for nearly four decades there was no learning curve. They persistently failed to implement such a project. Such path dependence cannot be haphazard and must be relegated to the ideology of the dominant class, which is subordinately tied with imperialism. The Arab world freed the environment to invest, but the results were repeatedly disastrous. Investment rates fell from over 30 percent in 1980 to less than 20 percent in 2010 (WDI various years). Without an investment guiding institution and an insurance framework underwriting war-like contingencies or force majeure attributed losses, small, risky, and fragmented markets cannot promote productive investment. As mentioned above, the merchant-comprador class channeled investment into short gestating capital, speculative or non-productive activity; however, it particularly decimated investment in the subsistence sectors, especially ***agriculture***, the sector most required for national wealth to incubate. Of course, neoliberal or speculative type investment entailed low productivity service-sector jobs or informal sector poverty employment. To boot, reducing the public sector’s job creation rate and spending did not better employment conditions. Alongside public-sector cuts under the region-wide dictate of the IFIs, from Egypt to Iraq, austerity and deindustrialization reduced the rate of decent job creation far below the rate of new entrants into the labor force. One must keep in mind that population growth rates tapered down steadily as of 1960. Unemployment cannot be attributed to rising population levels. Resource usurpation and the neoliberal prescription reduced the rate of job supply to below to below the rate of decent job seekers. The emphasis on rates as opposed to levels is crucial in understanding the labor problematic. Macroeconomic rates must grow together to redress unemployment. The demographic argument for unemployment is only supply-sided. And at any rate, when everyone must work at poverty wages when wealth declines, the unemployment rate fallaciously appears small. The macro policies adopted, since circa 1980, have lowered the growth rate, changed its input composition (more growth from the commerce side) and relied either on deskilling or disengaging national labor. Hence, rising unemployment and poverty were the necessary outcomes of unconditional liberalization policy. It seems unlikely that the social forces that have captured the state across the region, including to a large extent the Arab republics, would have developed welfare policies in which private interests are entrusted with the fulfillment of public interests – the so-called trickle-down effect. In a situation in which extra-national, and subordinately national, decision-making class actors seek the immiseration of the region, Milton Friedman’s “bang for buck” proposition appears to hold, but in reverse. He argued for cuts in public spending because much of it is purportedly wasteful and generates no tangible returns. He wanted to halt the buildup of value that supports the agility and autonomy of labor as a political power. That is also why he did not object to direct or ephemeral cash handouts that regiment and under-valorize labor. Hence, his famous there is no bang for buck from social investment. In the reality of the Arab world, the infusion of wars of depopulation and environmental decay, the waste side of accumulation that is so relevant to capital, turned out to be quite a shrewd imperialist investment which more than paid off the initial costs. There is more bang for buck from imperialist wars. Over the long term – that is, the long-term ***planning*** horizon of the nationalist period, roughly the mid-to-late 1950s until the early 1980s, when state-directed economies reigned roughly from Algeria and Tunisia to Egypt and on to the Mashreq states of Syria and Iraq – there were higher developmental returns from social investment, so-called market rigidities and government ***intervention***. Until today, all such spending has continued to impart a modicum of institutional integrity. Even in the ongoing neoliberal period, state-owned companies and bureaucracies have continued to contribute to ***planning*** and coordinate some economic growth. In that sense, they have more than paid back their initial costs. Yet, one is awfully aware of their increasingly diminishing size. In implementation, macro issues are interrelated and inextricable from one another. Questions about their efficacies beg their own answers. For instance, to what extent is the problem of unemployment in some of these countries an outcome of monetary policy that targets low rates of inflation with no regard to unemployment? To what extent is the problem of stagflation in some countries an outcome of a policy-mix of increasing short-term interest rates along with national currency devaluations? To what extent has the adverse impact of a chronically high rate of unemployment aggravated the contraction triggered by an external shock (falling oil price) and thus created a debilitating path dependence? The mechanisms behind these questions and the policy decisions that underlie them can be seen as various irrigation valves channeling resources between various nationally based strata and internationally based financial interests. Put another way, they are about who – which class – has enough power to get a higher share of income, and how much. The decline of state ***intervention*** in the economy and the retooling of state monetary and fiscal policies have not been class-blind decisions. They have reflected an ascendant bourgeoisie pushing back against labor. A consequence is that labor share from total income fell to the lowest global ranks due to inflation and wage compression. That meant in country after country, more of the locally-denominated wealth concentrated in fewer hands – for example in Egypt and Syria. In turn, the steadying of the national currency against the dollar – that is, currency pegs – meant more of the that locally-denominated wealth could then be converted into the reserve currency, the dollar, at the expense of the resources destined to the working population. The pegged exchange rate ceased to be a mechanism for preventing hot currency flows and turned into a means to channel wealth not only up within the same society, but also abroad.[9] Indeed, a country cannot peg to the dollar under an open capital account and still hold on to an effective monetary policy. However, it is not the effectiveness of monetary policy that matters first. It is the ownership of policy or policy autonomy emanating from the margin of state sovereignty. The sovereignty of Arab states has been less and less marked by

developmental capabilities, human well-being, and proletarian participation. Put differently, sovereignty inevitably has a class component. In times of war or war-like conditions, such as clearly prevail in Yemen, Syria, Iraq, and thus in the Arab World more broadly, the ultimate sovereign may be allegorically drawn from the inscription on the side of Louis XIV’s cannon: ultima ratio regum (the final argument of kings). The military balance of forces, including Israel and America’s military bases, has become the broker of sovereignty; it has decided on what terms countries can be sovereign. The invasion of Iraq is a telling example. Along with the ideological avalanche of neoliberalism, external violence can explain much of the lost policy autonomy since 1980. Regaining development means regaining policy autonomy, or the capacity for local states to act in the interests of the popular strata. The positive relationship between policy space and positive developmental outcome is a straightforward question. Many have stressed its significance. UNCTAD, for instance, says  “the idea of policy space refers to the freedom and ability of governments to identify and pursue the most appropriate mix of economic and social policies to achieve equitable and sustainable development.”[10] Image result for unctad Yet, in a patronizing tone, UNCTAD would also attribute the shrinkage of policy space to causes devoid of real forms of power – as if state sovereignty for the neediest countries is a by-product of a universally democratic international law. What purpose would it serve UNCTAD to attribute loss of policy space to “various legal obligations emerging from multilateral, regional and bilateral agreements,” other than to obscure the truth?[11] The higher rate of real value and resource dislocation resulting from violence, overwhelmingly caused or lubricated by foreign actors such as the United States and European Union, contravenes all the covenants of international law. There is in such half-truth an effort to conceal the hierarchically articulated social power structures, cutting across national boundaries, whose ideology targets a higher input metabolism of the developing social order (the consumption of humans and nature), often by ferocious means, as a necessary precursor to global economic growth. We simply cannot drop the study of social relations, violent social restructuring, and their accumulated historical effect to decimate and reconstitute value in the developing world. History matters, and sidestepping the constitutive history of external violence is not social science. It is science fiction.

**Load-Date:** February 19, 2018

**End of Document**

[***European Union (Withdrawal) Bill***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RJD-DBS1-JDG9-Y18W-00000-00&context=1516831)

Impact News Service

February 1, 2018 Thursday

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**Length:** 27840 words

**Body**

London: UK Government has issued the following news release:

* That the Bill be now read a second time.

Amendment moved on Tuesday 30 January by

* Lord Adonis    Share this contribution At end to insert “but that this House regrets that the bill makes no provision for the opinion of the people to be secured on the terms on which Her Majesty’s Government propose that the United Kingdom withdraw from the European Union”. Relevant document: 9th Report from the Constitution Committee

1. Baroness Byford (Con)    Share this contribution My Lords, I begin today’s debate following on from my noble friend Lady Morris of Bolton. I agree with her that we must push ahead with this Bill and give it a Second Reading. Preserving existing EU law as it currently applies to the UK is essential in providing continuity and legal certainty on the day of, and in the days after, exit. This does not mean that I am totally without concerns about the Bill as it currently stands, but it will be up to noble Lords to engage in discussions in Committee and during the following stages of the Bill. I am grateful to my noble friend the Leader of the House for restating the Government’s proposal to create a sifting committee or committees. Perhaps in winding up the debate the Minister will be able to update us on this matter. Could he also give us more details as to the timetable envisaged, because I believe that we have a very tight timetable, not only for primary legislation but for the handling of negative instruments and for the necessary robust scrutiny by the various committees? Is the Minister able to tell us exactly what proportion of the 800-plus—some say 1,000-plus—statutory instruments that it will be necessary to lay will follow the negative procedure and how many might follow the affirmative procedure? I am not clear on that point. Can he also comment on the safeguards that will ensure that these are made by the dates laid down in law? My concerns with this Bill fall mainly in three parts: first, the role of Parliament and the Henry VIII powers in the Bill as it currently stands; secondly, devolution; and, thirdly, the timetable for and the importance of proper scrutiny. My noble friend Lord Hill described the Bill as boring, but I do not agree. For me, this is probably one of the most important Bills we shall be dealing with for a long time. It is an ​opportunity to ensure that we have the right—I was going to say “appropriate”, but after yesterday’s discussion on that word, I will say “right”—clauses and detail when the Bill leaves this House. My right honourable friend Iain Duncan Smith said that he supported the principle of the Bill and the need for it, but recognised that, “in Committee there will be need to review how some of those checks and balances are introduced, and I hope that is done properly and powerfully”.—[Official Report, Commons, 7/9/17; col. 378.] I can think of no better Chamber to do that, and I look forward to noble Lords taking part in it. Many noble Lords know my interest in ***agriculture***, the countryside and the environment. A high proportion of the necessary legislative changes fall within the ***agriculture*** and environment arena, for which Defra has responsibility. I particularly welcome the Government’s recognition of the importance of maintaining standards of animal welfare and for bringing forward the draft animal welfare and recognition of sentience Bill. I know too that there is to be a consultation on fishing and fish stocks. Crucially, this must directly consult with the devolved Administrations. An ***agriculture*** Bill is proposed, as is the creation of a stand-alone, non-government statutory body to oversee, scrutinise and hold the Government to account. I do not share the gloom of the noble Baroness, Lady Miller of Chilthorne Domer, but I know that this new body needs to be robust if it is to succeed in protecting the environment for future generations. Yesterday, in his contribution the noble Lord, Lord Krebs, spoke about the need to preserve the things that affect us all: air quality, fresh water, habitats and tackling pollution. All of these are currently EU based, so it is crucial that this new body is in place in time before we exit the EU. Many noble Lords have made excellent contributions to this debate, expressing many different views, but I hope all of us believe that we must move this Bill forward whatever our views are, whether we were for leaving or remaining within the EU. There is a great urgency in getting this Bill on the legislative path. Whatever our views, we must join together and make sure that this important Bill is on the statute book sooner rather than later.

10.12 am

* Lord Liddle (Lab)    Share this contribution My Lords, I agree with what the noble Lord, Lord Butler of Brockwell, said yesterday: this Bill is a dagger to my heart. I am overcome by three emotions. The first is a sense of shame, which I feel many Members in this House must share, that over decades our political leadership failed to make the case for Europe. The referendum should never have been called, and the leave vote should never have won. The second is a personal sadness. I am proud to represent on Cumbria County Council a town called Wigton. Its most famous son is my noble friend Lord Bragg, who has just been awarded the companion of honour. Wigton voted strongly leave. I love my leave constituents—I really do. Yes, they voted to take back control. They are no fans of EU remoteness or bureaucracy, and nor am I. But their revolt was against ​an economy that is grossly out of balance, a world of work that no longer offers self-respect and a lack of opportunity that means that more than half their children leave their home area after school and never come back. Their grievances have, for too long, been allowed to fester. The seeds of anti-immigration populism were sown for the unscrupulous to exploit. Where now is the modern regional policy, the New Deal for the north and Midlands, the Marshall ***plan*** for the left behind that England needs? It is nowhere under this Government. They are suffocated by a pursuit of Brexit that can only make Wigton’s problems worse. My third emotion is a determination that the bunch of scoundrels who propagated their Brexit lies are not going to get away with it. As a citizen and Labour activist, I will fight Brexit to the last. Yet as a Member of this House I understand our role. Yes, I will work for amendments to this Bill that soften the impact of Brexit, safeguard essential rights, weaken the extraordinary powers the Bill grants to the Executive to override the legislature, protect our devolution settlement and give Parliament a meaningful vote on no deal as well as any deal. But does this response to a highly technical Bill measure up to the scale of events and our constitutional responsibilities? This clueless Government are pursuing a “I haven’t got a clue” Brexit. The only basis on which the Prime Minister can unite her party is pursuing a Brexit that knows not where it leads. In December, to keep the Irish quiet, the Prime Minister signed up to full alignment. Last week, to hang on to her job, she attacked her Chancellor for having the temerity to suggest that Brexit would lead only to very modest changes. In Brussels, the Prime Minister pleads with our EU partners for a deep and special partnership. Back home, she assures the Brexiteers it will be deep only for as long as they want it to be, and Britain will have the freedom to diverge whenever it wants—in Michael Gove’s case, probably before the ink is dry on the treaty. Is it deep and special? I call it shallow and perfidious, and as a negotiating strategy it is a totally unrealistic fantasy. What has been striking about this debate so far is the lack of any positive vision for Brexit. How can Britain proceed with the most momentous decision on its future since the Second World War when no one is seemingly capable of explaining what our Brexit future will be? “Ah,” people say, “the people have decided, and the will of the people must be obeyed”. This is, frankly, thin gruel. In a democracy, the public are entitled to change their mind, and the rest of Europe keeps telling us that Article 50 can be reversed at any time. The leave option that seemed so simple when people voted in June 2016 is now so complex, and the only question before us is how big the Brexit damage will be. The job of Parliament is to challenge the vacuum into which at present the Government are leading us. How can we make a real difference? The first way is to press the Commons relentlessly to vote to stay in the single market and customs union—better to be a rule-taker of European laws that have a progressive European vocation at their heart than a theoretically sovereign rule-maker that in practice will be driven to ​use its new freedoms only to break free of decent European standards in pursuit of some deregulated mid-Atlantic tax haven. I say to Jacob Rees-Mogg that what he derides as a vassal state would be a failed state. Secondly, if we cannot win the single market, let us help bring on the storm—which the noble Lord, Lord Patten, talked about in his brilliant speech—that could reverse Brexit by forcing a general election or another referendum. I agree so much with the noble Lord, Lord Higgins, in his magnificent defence of representative democracy, but if it comes to it and a referendum is the only way of reversing this historic mistake, we must accept it and, indeed, advocate it. In conclusion, this brings me to Labour. Europe is in a category of its own in terms of its impact on future generations. It transcends any party manifesto or Whip, I say to my noble friend. I do not want to be a rebel; I want our party to lead, to seize this opportunity to demonstrate that, in contrast to this wretched Government, we can live up to our national responsibilities and our internationalist heritage. I say to my colleagues on these Benches: let us do our bit to make it happen.

10.20 am

* Baroness Featherstone (LD)    Share this contribution My Lords, it is a pleasure to follow the powerful contribution of the noble Lord, Lord Liddle, every word of which I agree with. I fear that my contribution will be more like “Just a Minute”—there is no hesitation but definitely quite a lot of repetition and a certain amount of deviation. I would like to believe the Government when they say that everything will be all right, everything will be transferred into UK law, the Government will maintain our environmental standards, I need not worry about the precautionary principle and it is not a problem if retained law is not quite the same. Of course, with the best of intentions all the EU directives that have kept us on the straight and narrow will still be underpinned. Of course, Ministers will not under any circumstances misuse statutory instruments. I would love to believe the Government. I almost believe that they have good intentions, but you know what they say: “The path to hell is paved with good intentions”. Good intentions are not adequate. The Government could give no assurances of good intentions that would satisfy me. The law, the face of the Bill, is the only place where doubts, concerns and worries can be laid to rest. There is a governance gap in environmental standards. While the Government can say that standards will be maintained, where is the equivalent legal last resort to replace the force of the ECJ? Judicial review is not an answer. Fear of infraction concentrated ministerial minds on meeting legal obligations, but there is no enforcement in the Bill or even reporting obligations. We cannot and must not have a diminution of environmental rights. Without the protection of primary legislation, we cannot accept words alone. It is no wonder that so many Members of the other House expressed so much concern over the Bill giving Ministers the power to change primary legislation with a test that is as flimsy as whether Ministers think it appropriate. There has to be a legal test as to whether it is necessary, at the very least.​ One of the key principles under EU law has been the precautionary principle, which forces those whose actions might harm the environment to prove in law to the contrary. The Bill rules this out. It also rules out the polluter pays principle. These are protections that have stood us in good stead. The precautionary principle and the polluter pays principle have kept us on the straight and narrow. They have forced us in the right direction, but they are explicitly ruled out in Schedule 1, so where are those protections to come from in future? The Government continually reiterate that there will be legal continuity, but that is not in fact the case. The Government must enshrine EU environmental principles in domestic law. Alongside the principles, there is also a need to carry across provisions from EU directives that are not transposed into UK law. Some parts of EU law did not need transposition while we were a member state, but they need it now. We have to have the ability—nay, we have the obligation—to put right any deficiency in terms of failure to transpose EU law: it must be a duty and not simply a power. If Brexit comes to pass—and I still hang on to my “if”—we must be sure that laws that are currently EU regulations and laws that implement EU directives are transposed into UK law with the same force and intent as when we were a member state. On Report in the other place, there was cross-party support for new Clause 13 on the certainty of retained EU law. The Government are trying to assuage the many concerns that we have in this regard by proposing that each measure will be dealt with on a case-by-case basis. That gives no comfort to those of us who suspect that the Government wish to find a way of moving away from these strictures. As energy and climate change spokesperson, I have huge concerns about a whole range of threats in that regard related to our departure from the EU. I want to touch on our membership of the internal energy market. If we continue to participate—and of course we must—we will be obliged to comply with the relevant EU legislation. We need to continue to be as influential over EU energy post Brexit if we are to ensure that energy trading works to the benefit of UK consumers. The Government claim that they want to hold consumer energy bills down, so this is vital. Unless we adopt the energy acquis, we will not be able to maintain membership of the relevant bodies. Without proper management, this could lead to higher energy prices and energy supply shortages. There is still no certainty about our continued membership of the internal energy market. If we leave it, what will happen if we have a gas security incident? Currently, there is an obligation on all members to meet the essential energy needs of any member state before the non-essential needs of their own. That is there to prevent a country from having a total power failure. If we leave the energy market and we have an issue with our gas supply, member states will no longer have an obligation to help us. We will be at the back of the queue and I do not think that Europe will be very kind to us. Equally, with interconnectors, we could, if things get bad, be unable to export gas to the continent. Northern Ireland and Ireland have a single energy ​market and have interconnectors between them and the UK mainland. As Ireland will remain a member of the energy market and will obviously want to go on trading energy with mainland Europe, it will have to pass through the UK, a non-member. There is no economic upside to Brexit in the case of energy—or actually anything—only possible downsides, and the positive pan-European climate efforts about which we have all been so enthusiastic and which are so necessary to our commitments to the Paris Agreement and our own Climate Change Act may be undermined.

10.26 am

* Baroness Boothroyd (CB)    Share this contribution My Lords, I admit at the outset that the referendum result was a very bad, sad day for me, but that is democracy for you and I am not reneging on it. I wrote an article during the campaign for a national newspaper urging my side of the argument to campaign with greater passion and vigour, but it had little effect and we lost. It is not the first time that I have been on the losing side. So I am all the more bemused now to find that it is the winning side that is blowing a fuse because of the confusion that its victory has created—confusion inside government, in industry and commerce, in the City of London, in the European Union and across the wider world. I do not recall a comparable crisis of such prolonged intensity and danger to the national interest and the country’s future as a United Kingdom. Regardless of how we voted in the referendum or what we think of the Government’s squabbling factions now, the duty of your Lordships’ House is very clear. That, I submit, is to assert our rights to scrutinise, amend and, if needs be, to reject unacceptable parts of this Bill and to use the entire arsenal of our powers and prerogatives to limit the damage that threatens the sovereignty of Parliament and the national interest. Let us put aside partisan allegiances on this issue. Nothing less than the nation’s future is now at stake and that is surely more important than veiled threats to the leadership of a divided party and a possible change of government that would start the process all over again. This is no time for self-indulgence. If this House can help the Government to contribute some sense to this important Bill, it should do so. The report from the Constitution Committee shows what needs to be done. Similarly, if some of the arguments tabled by opposition parties or independent groups improve the legislation, we should give them a proper, fair hearing. In my book, parliamentary democracy has always meant that parties that win elections or referendums do not take all the spoils of victory. They may call the tune, but they are not in the divine position of writing every note of the score. In a democracy, winners do not take all. In my experience, reflection and well-considered second thoughts oil the wheels of a liberal state and a free society. Accusations by ill-informed pundits—mainly in the media—against this House and our alleged irrelevance belie the facts. If Parliament does its job in making this Bill and the legislation that follows in the coming months fit for purpose, I see no reason for a second ​referendum, but we must end the pretence that the referendum was the last word on Britain’s future in Europe. We are no longer debating a slogan on the side of a bus; that is long gone. Legally and constitutionally, this Bill must be made copper-bottomed, iron-clad and storm-proof before our statutes can revert to their made-in-UK format and we can examine the decades of made-in-Brussels directives. I believe that the Constitution Committee of this House has shown the way. Its findings should not be ignored. Unless the Bill is made fit for purpose, the Prime Minister’s call for frictionless access to the European market, on which our economy depends and which future generations seek to enjoy, will remain a pipe dream and we, as parliamentarians, will have failed in our duty.

10.32 am

* Viscount Astor (Con)    Share this contribution My Lords, it is a great pleasure to follow the powerful speech by the noble Baroness, Lady Boothroyd. In preparing for this debate, I looked up the Hansard debates on joining the European Union in 1972. Two things stood out. First, how few Members of this House spoke then—19, as opposed to 190 today. Secondly, how the warnings from Lord George-Brown, then dismissed as scaremongering, seem to have come true. I am not entirely sure what lessons we must learn from those debates except, perhaps, one. Whatever one says in this House will probably turn out to be true at some point, even if it takes 45 years. I spoke in this House and campaigned in the referendum in favour of staying in the European Union. We lost the argument. The British people wanted their sovereignty back. We addressed lots of economic arguments and offered a good deal, with substantial reforms, to stay in. It was difficult, if not almost impossible, to explain. We did not deal with the basic concerns about sovereignty—the control which the British people wanted returned from the unelected in Brussels to their elected representatives here in Westminster. I want to take issue with those who say that the British people did not understand what they were voting for. I think they did; they had a greater understanding than some of their elected representatives. Some were surprised by the result but, after all, the referendum result just reflected the view of a majority of the British people which has been growing for the last decade. I have never been elected, but I have campaigned in every general election since 1974. I cannot think of a general election result when we won but did not deserve to win, or when we lost but did not deserve to lose. When it comes to politics, the British people usually get it right. As we know from Ken Clarke, you do not have to have read every detail of the EU treaty to be either for or against. We have 10 days in Committee, on Report and at Third Reading where there will be plenty of opportunity for this House to act as it should. If necessary it can revise, or ask the Commons to think again, but not wreck nor block this Bill. There are those who want to destroy the Bill and force a constitutional impasse that ​might result in the Bill being lost. That would be a disaster for this House. Their outcome, of course, is Brexit denied, but the result would be a constitutional uproar, which would lead either to the reform of this House or, probably, to the abolition of a second Chamber. I want this Government to get the best deal they can for our future relationship with the EU. Our future is not bleak; it may be different, but we will continue to trade with Europe and with the rest of the world. My noble friend Lord Hill of Oareford was absolutely right when he said yesterday that, “we must surely place a greater priority on being able to shape our own future than on preserving the status quo”.—[Official Report, 30/1/18; col. 1389.] Staying in the single market and the customs union for ever would be the worst of both worlds: we would be unable to influence the rules of the single market and unable to negotiate our own free trade agreements. Of course, there are still difficult issues to be dealt with, including Northern Ireland and our relationships with the other devolved Administrations, and, not least, the Henry VIII powers in the Bill. The process of leaving the European Union is one of unprecedented scale and complexity. As well as giving effect to the will of the people to take back control of our laws, the Government must be able to deliver Brexit while ensuring certainty for people and for businesses. As many noble Lords have said during the debate, we need more clarity from the Government on how they see our future outside the European Union. A chaotic Brexit, without a solid legal foundation, would not be in the national interest. The Government need to be able to adapt the laws we are repatriating to the new situation of being outside the European Union. While I understand the concerns raised about the scope of the Henry VIII powers, I am concerned that Parliament will not have the time it would need to make all those changes before we leave. I agree, however, that Henry VIII powers should, if possible, be brought in by the affirmative rather than the negative procedure. Perhaps we should not be afraid in this House of rejecting affirmative instruments if we feel they are wrong and that we should ask the other place to think again. The Government have chosen an extraordinary approach, but these are extraordinary times. We all have the right to hold different views, to argue our case and to persuade others to change their mind, but we should not thwart the will of the people as expressed in the referendum and in the recent general election. It is worth reminding those who complain about the referendum that it was a manifesto commitment by the party that won the subsequent general election, and it was then passed in the House of Commons by a vote of 554 for and only 53 against—a majority by all the main parties except the Scots nats. This Bill is not about the terms of our exit but about the mechanism of how it will happen. We should not be distracted by debates on the merits or detriments of leaving the European Union. The Government themselves have made a commitment to ensure that Parliament will have the opportunity to consider the deal and approve what they have negotiated. We do ​not need another referendum, and this Bill is not the place for a referendum clause. As my noble friend Lord Hamilton of Epsom pointed out, if there were to be a referendum, no one could agree when it would happen or what the question would be. But we do need parliamentary scrutiny, and that started yesterday in this House. Therefore, I welcome the Bill and look forward to the subsequent stages of Committee, Report and Third Reading.

10.38 am

* Lord Radice (Lab)    Share this contribution My Lords, I congratulate the noble Viscount, Lord Astor, on his speech. I particularly noted his warning about the dangers of a chaotic Brexit, to which I will return in a few moments. I congratulate my noble friend Lord Liddle and the noble Baroness, Lady Boothroyd, on their magnificent speeches. I have not spoken on Europe since the immediate post-referendum debate. Some noble Lords may think that a very good thing, but, to other colleagues, I would like to explain the reason. It certainly has not been a question of my changing my mind on Europe. My personal Damascus came when I was 18. It was 10 years after the end of the war, in the summer of 1955. I was between leaving school and my national service, and I set out to bicycle from Rotterdam to Rome—I admit that I took one or two trains. As the Foreign Ministers of the six prepared for the momentous Messina Conference, which launched the common market, I mostly pedalled along the roads and lanes of northern Europe. At night I stayed at youth hostels, where I discussed with my continental contemporaries hopes of building a new and better Europe in which war would be ended for ever and prosperity for all would be assured. It became clear to me that not only was it right that Europeans, or continentals, should unite together, but Britain should not stand aside from such a constructive and imaginative project. I still strongly believe that a medium-sized European power such as Britain should join with its neighbours for the good of its own citizens and of our continental friends. Turning to the present and the referendum, even though it was a narrow victory for the leavers and it has divided the country almost in half, all the same I accept the result, if with a very heavy heart. I also thought that the Cabinet and the Prime Minister ought to be given a chance to negotiate our departure, which I suspected would be extremely complex. But even I, a dyed-in-the-wool pro-European, did not think the Government would make such an awful mess of things. The first phase has taken far too long—so much so that we now face the pressure of what Mr Barnier calls the ticking clock; you can almost hear it now. One might have hoped that things would get better from now on, but I am afraid that has not been the case. One problem is that the Prime Minister has made a whole lot of unfortunate soundbites designed not to help the negotiations, but to appease the Eurosceptics. “Brexit means Brexit”—she clearly thought that that was a clever remark to make. On the contrary, it is deeply confusing and ambivalent. What kind Brexit does she mean: a hard or a soft one? Then there was, “No deal is better than a bad deal”. The Select Committee ​has dealt with that, pointing out that a bad deal would be a disaster for the whole country. Then there is, “Nothing is agreed until everything is agreed”. That is a fine sort of thing to encourage one’s negotiating partner. The worst mistake of all is that the Government have announced their red lines without deciding on their objectives. The truth, as we all know, is that the Cabinet is deeply divided between the “Get out whatever the cost” group and those who think that the UK’s economic future should be taken into account. Sadly, the Prime Minister has so far proved undecided, if that is the right word, between those two factions. There are many speakers who are far more expert than me on the legal and other parts of the Bill and the need to improve it, including the very excellent chairman of the Select Committee on the Constitution. During the passage of the Bill I will concentrate on Clauses 9 and 14, because these need strengthening to give the essential strength to Parliament to make its role meaningful in deciding whether the Government have achieved a successful outcome to the negotiations—in my view, that is key to the Bill—one that takes into account the economic and ***strategic*** interests of this great nation of ours. My final point is a more comforting one in what I believe is a sad situation. Both the referendum and the more recent general election have made me draw the conclusion that if our generation lets the country down, the next generation—that of our children and our grandchildren—will not stand for a botched result that divides this country artificially from its natural partners. I hope it does not happen.

10.44 am

* Lord McNally (LD)    Share this contribution My Lords, it is always a pleasure to follow the noble Lord, Lord Radice, as it is to act as warm-up man for the noble Lord, Lord Cormack. I refer the noble Baroness, Lady Byford, to the excellent speech by the noble Lord, Lord Liddle, in which he explained very clearly why many of us cannot follow her advice simply to get the Bill through as a technical Bill. The problem we have had right from the start—from the consultative referendum, to the Article 50 vote to this vote—is that as soon as the vote is over the Government put on the ratchet and say, “Well, you can’t go back now; we had a 500 majority for this”. Parliament must continue to keep its eye on what is happening and make decisions that are relevant. Just over a week ago, Juliet Samuel wrote in the Daily Telegraph: “This year, the Government has to conduct one of the most difficult negotiations in our history. It is not up to the job”.  Nothing that has happened in the last 10 days has weakened the strength of that criticism, and many of the speeches from the Conservative Benches yesterday reflected that unease. We have a deeply flawed Bill presented by a dysfunctional and leaderless Government. Any attempt at leadership by the Prime Minister, and there is a tug on the choke chain by the hard-line Brexiteers in her Cabinet and her party to drag her back from anything that does not fit with their ideological obsessions. Then, we have the absurd spectacle of those twin titans, Sir Bill Cash and Mr Jacob Rees-Mogg, delivering their warnings from the Back Benches and ​the TV studios, while that amiable chancer, David Davis, busks his way through meeting after meeting with the laconic assurance that it will be all right on the night. Meanwhile the Cabinet plots, jostles and manoeuvres for position like players in a TV soap opera. It would be farcical if it were not the future of our country at stake while the Conservative Party plays out its own tragicomic version of “Game of Thrones”. Such a situation puts a heavy responsibility on this House to amend the Bill before us. We must address its flaws and propose remedies, as the mantra of “Brexit means Brexit” becomes ever more trite and meaningless. The first responsibility of this House is to defend our constitutional settlement against what the late Viscount Hailsham described as an elective dictatorship. As the noble Lord, Lord Lisvane, reminded us yesterday, it is one of the deepest ironies that a Brexit campaign that promised a return of sovereignty to this Parliament ends in the biggest switch of power from the Legislature to the Executive that we have seen in modern times. I am in no doubt that the House of Lords has not only the right but the duty to resist such a power grab. To do otherwise would have long-term consequences for the powers and authority of this Parliament that go far beyond the immediate issue of Brexit. I ask noble Lords to read the magnificent speech just made by the noble Baroness, Lady Boothroyd. In passing, I note that when she describes our objective as to make the Bill “copper-bottomed, iron-clad and storm-proof”, that description also applies to the noble Baroness. I will get my ears boxed for that when we are outside. On the economic consequences, I have never seen Brexit in Captain Oates terms: Britain leaving the European tent to inevitably perish as we try to go it alone. We will be poorer than we would otherwise be—even the Government’s own assessments tell us that—but we will get by. We will be able to earn a crust. However, I see no evidence at all that “global Britain” will find better deals free from the supposed encumbrances of our membership of a 500 million-plus single market. I wish the Prime Minister every success on her visit to China and in her desire to drive up our trade with that country. I shall give her a benchmark to aim for: let us try to reach the level of German trade with China, which is four times our own—and all from the security of that single market. As we have heard time and again during this debate, the clock is ticking while every sector of the economy cries out for clarity and certainty. The Prime Minister and her Cabinet have to make clear the terms of our departure that they are seeking. When we know where we are going and how we intend to get there, it defies logic that a decision taken nearly two years ago without the facts should be the last word on a decision that will set the course for our country for decades to come. Both Parliament and the people must be consulted on this endgame. Without a vote on the reality of Brexit, we will be left with a raw and open wound, not least among the millions of young people who did not vote for Brexit yet will have to live with the consequences. To tell them that their ship has sailed is a cynical betrayal of the hopes and aspirations of a generation.​ There is always an element of doubt about speaking in a debate with so many speakers. I do so for two reasons. The first is my three children, all in their 20s and all proud citizens of Europe. I want to be able to look them in the eye and say, “I did everything that I could to avoid this disaster”. The second is that I want to put on record my pride in a European project that has set an example to the world of how old enmities can be buried and a new era of peace and prosperity can be delivered and underpinned by civil liberties, human rights and the rule of law. Yesterday I was much moved by the reminder from the noble Lord, Lord Krebs, of the realities for his family at the end of the Second World War. I always recall the famous Zec cartoon of the battle-weary Tommy holding a victory wreath on Victory in Europe Day with the caption, “Here you are! Don’t lose it again!”. I believe profoundly that we are in the process of losing influence in creating a better Britain, a better Europe and a better world that was passed on to us by the generation who came back from the Second World War—the Heaths, the Whitelaws, the Healeys, the Callaghans. They came back saying, “Never again”. I think we are throwing away a great deal. Until that deal is finalised, I will fight it.

10.52 am

* Lord Cormack (Con)    Share this contribution My Lords, that was not a warm-up act; it was a very moving and powerful speech, and I echo much of what the noble Lord said. I too felt obliged to speak today for similar reasons. I have two sons who are much older than his children—they are in their late 40s—but they were passionately in favour of staying in, while my two elder grandchildren, undergraduates now, were totally bereft. I do not like this Bill and I did not want it, but it is before us. I hope there will not be a Division on it this evening. I also hope the noble Lord, Lord Adonis, who moved his amendment yesterday with great passion and force, will not test the opinion of the House tonight. His own Front Bench have made it plain that they could not support him, and the result could be misinterpreted because he would not get the votes that he might otherwise obtain. That is not to say that I would vote for a second referendum—I find it very difficult to think of that—but I just make the point. The Bill must pass, but the Act that it becomes and that emerges from your Lordships’ House must be an assertion of parliamentary democracy and not an abdication of it. The Bill needs significant amendment, as our own Constitution Committee so graphically and splendidly demonstrated. I am one of those who believes that referendums are inimical to parliamentary democracy, but they are part of our system now and we have had a number of them. But we must also recognise that we are where we are, and I was on the losing side. As a loser, I must try to be gracious. But those who won should try to be magnanimous. They should recognise that their margin of victory is no cause for triumphalism. They should consider our union—the United Kingdom. They should consider that in Scotland, Northern Ireland and London significant majorities voted to remain. I hope that ​during the passage of this Bill we will hear from Ministers on our Front Bench a clearly articulated sense of direction and destination. Before I was turfed off the EU Home Affairs Sub-Committee for having the temerity to vote against the Government on amendments almost a year ago, I heard witness after witness come to our committee to indicate that the success of negotiations would be judged by how close the agreement in question came to replicating what was being replaced. That is a bit odd, is it not? That is why I am one of those who feel that it was not a good negotiating ploy, before the negotiations even started, to draw red lines that outlawed certain important things, such as contemplating membership of the customs union. As a true Conservative, I was brought up to believe that one should advocate change only if one is convinced that the latter state would be better than the first. Yesterday, I sat in this Chamber for almost the whole debate and I listened to 67 very interesting speeches. Much was made by the Leavers about the predictions of what might happen straight after a vote to leave. But as I tried to indicate to my eloquent and alliterative noble friend Lord Ridley, we are still in the European Union. Predictions that we read about today are the ones we should perhaps view a little more carefully. It was a bad campaign. There was hyperbole on one side and mendacity on the other. As the right reverend Prelate the Bishop of Leeds indicated in a fine speech yesterday, there was too much emphasis on economics. There was no vision. I hope that he does not have the modern prelates’ aversion to the King James Bible, but I thought that he might have said: “Without vision, the people perish”.  The visionary element was lacking. Of course, vision and nostalgia are very different things. Brexit is not about recreating a country that exists only in the imagination. We are at a crossroads without a compass and with squabbling back-seat drivers. It is important that the Government indicate what they see as the preferred outcome. The Prime Minister must not be cowed and prevented from making speeches by some of her squabbling Cabinet colleagues. We can all recognise what we are, whether we come from England, Scotland, Ireland or Wales. I always say that my identity is English, my nationality is British but my civilisation is European, and I am immensely proud of that. I hope that when we come to the end of negotiations, after this Bill is long on the statute book, there will be a coming together, because I fear an implosion within my own party. I am sorry he is not here at the moment, but my oldest, longest friend in politics—and a very dear friend he is too—is my noble friend Lord Lamont of Lerwick. He has a reputation for singing in the bath. I cannot challenge him on that, but I hope that when the dust has settled, he and I can sing in unison—it will not be a pretty sound but it might be an agreeable conclusion—the song he made so famous, “Je ne regrette rien”.

11.01 am

* Lord Browne of Ladyton (Lab)    Share this contribution My Lords, it is a pleasure to follow the noble Lord, Lord Cormack. When I saw where I was placed in the order, I was ​confident that I would be following a speech that contained a robust defence of parliamentary democracy. My noble friend Lord Foulkes reminded me that he once described the noble Lord as being a man who was made for this place. Having watched the noble Lord here and in the other place and having been privileged to hear him speak, my observation is that he thinks that this place was made for him. Only yesterday, we witnessed another indefensible and probably ultimately futile attempt by the Government to deny Parliament access to the information that it needs to hold them properly to account and simply to do its job. We all already know what the economic analyses of the consequences of the only feasible Brexit deals say and few of us are at all surprised. The Government will not be able to defend their position against the will of the majority in the other place for long. Eventually these documents will be published—although they already are. For months now, every time that they have been faced with a reasonable request for explanation or clarification of the Government’s Brexit objectives, Ministers or government spokespeople have refused to give an answer, because apparently that would somehow undermine the Government’s negotiating position. I have been bemused and questioning of my own substantial negotiating experience and instinctive belief that there is no such negotiating advantage to be had. I feared that I might be alone in thinking this, because it never seemed to be challenged. That was until yesterday, when the noble Lord, Lord Higgins, in a few sentences exposed that the emperor has no clothes—the fallacy of that argument—to the amusement of many Members. Throughout the negotiations, the EU 27 have clearly shown their collective hand—we are told that a decision was made in two minutes the other day—and because of that have maintained a position of dominance over the UK in the negotiations. As has become obvious, the truth is—there are many ways of explaining this—that a deeply divided party in government simply cannot answer these important questions because they have been unable to formulate a clear, common position. If you want specific evidence of that, Mrs Merkel revealed in a recent informal press conference, to the amusement of everyone, that every time she meets the Prime Minister, the Prime Minister asks her to formulate that position for us, saying, “Make me an offer”. No wonder we are in such a desperate state. I am content to adopt the opening words of many noble Lords that this Bill is necessary. While it is complex, difficult to interpret and lacking in clarity, it is necessary that we have a Bill of this nature for exactly the reasons set out in the opening speech from the noble Baroness the Leader of the House. The Bill should never have come to this House in this state, but it is clear from the debate so far that the problems with it cannot be addressed other than by the most detailed and robust scrutiny and significant amendment and, to get to that point, the Bill requires a Second Reading. I also agree that, when we see the terms of the final agreement, a concluding democratic process is required. My noble friend Lord Adonis argues that that should be a further referendum. I, too, should like to see a further referendum but, for reasons others have expanded ​on, I am able, and I thank the noble Lord for this, to adopt the position of the noble Lord, Lord Butler, who, in agreeing with my noble friends Lady Smith and Lord Mandelson, accepted that this Bill is not the appropriate vehicle to require a further referendum—by the way, I fear the interpretation of any failed vote that the noble Lord, Lord Cormack, described—while undertaking to support any amendments that propose a further referendum among the options if Parliament is given a meaningful vote after the conclusion of the negotiations. As a relevant aside, what is “a meaningful vote”? The proposed withdrawal agreement and implementation Bill may provide a vote on the agreement but, given Article 50, can it be meaningful? If Parliament likes the deal and votes for it, the deal is implemented and the UK leaves. If Parliament does not like the deal and votes against it, Article 50 operates and on 29 March, two years after the notification of our intention to leave, unless there is an agreed extension, the treaties cease to apply and the UK leaves. Does a meaningful vote depend on the flexibility or the reversibility of Article 50? Perhaps the Minister will address that point in winding up. If that is the Government’s position, we should know. I am sure that by now the Minister is clear about the issues that will be demanding his attention in the later stages of our deliberations. Paramount among them is the imperative that there must never, ever be a hard border between Northern Ireland and the Republic of Ireland. To achieve that, Northern Ireland and the Republic must be in the same customs union. The stakes could not be higher. I trust that the Minister will address this issue and make clear that that will never happen. In the limited time available, I want to engage just one aspect of an issue that has already been discussed at some length, the devolution provisions. The political deficiencies of these provisions were accurately highlighted by the noble Lord, Lord Campbell, who said that they would be a recruiting sergeant for those in Scotland who seek to advance their independence agenda by blaming London for everything. At a time when the Scottish electorate are minded to make the nationalists accountable for their failures, this is an unnecessary and self-inflicted wound. The constitutional and legal deficiencies were exposed forensically in an important contribution by the noble and learned Lord, Lord Hope. In her opening speech, the Leader of the House promised that the Government would publish an analysis shortly to show the specific policy areas where EU law intersects with devolved competence and where the Government will require a UK-wide legislative framework. In addition, she reiterated the Government’s commitment to bring forward amendments to Clause 11. In an earlier debate in this House on these issues, my noble friend Lord McConnell proposed a practical solution to this problem based on good faith negotiations. Negotiations are apparently ongoing, but the poker game continues. Yesterday, in a meeting with Michael Clancy, the Law Society of Scotland’s law reform director, he told me that he had analysed, over three months, the 111 powers in the list prepared by the Government to inform discussion between the Scottish ​and UK Governments about where it may be necessary to agree common frameworks. This list must exist. If it does, will the Minister undertake to let us see it before we debate these issues? It is the secret to a practical solution to this problem.

11.08 am

* Baroness Kramer (LD)    Share this contribution My Lords, it is intimidating, frankly, to hear the breadth of experience that has been brought to this debate, but I will do my best to speak from my much narrower experience. I spent the last couple of weeks heavily engaged in the anti-money laundering part of the Sanctions and Anti-Money Laundering Bill. That has very much shaped my whole approach to this Bill, because the premise of that anti-money laundering part was the powers that currently go through a democratic process at European level: the fourth anti-money laundering directive was subject to consultation, scrutiny, debates within the European Parliament and votes in Council. The whole thrust of that Bill was that those powers should be repatriated to the UK, transferred not to this Parliament to treat in a similar democratic manner with primary legislation but directly to Ministers to make their decisions and enact them simply through regulation. That was an extraordinary shift. This House negotiated with the Government. There were people anxious about the issue, led by the Law Lords—or rather our specialists in constitutional law, such as the noble and learned Lord, Lord Judge—but it was much broader than that. The Government made significant amendments, but it took two votes in this House to take out of that Bill the clauses that gave Ministers the power to create criminal offences and sentences—in one part of the Bill with imprisonment for up to 10 years, in the other with imprisonment for up to two years—by regulation alone. I do not know how the Government will deal with those issues when that Bill goes to the other place, but when we read the European Union (Withdrawal) Bill and we hear the Government say that they will use their Henry VIII powers in very narrow ways, largely for technicalities, we recognise exactly the language that we heard during the debates on the Sanctions and Anti-Money Laundering Bill, which in practice, in the eyes of almost everyone in this House, had a dramatically wide scope. In the case of that Bill, and I think this is illustrative, it was not just to achieve some immediate transposition of powers from Europe to the UK; the new system for exercising powers over anti-money laundering policy and frameworks was to be in perpetuity. You can imagine that I take very seriously that part of Clause 9 in which the Government seek powers to change any piece of primary legislation, including the EU withdrawal Bill itself, and any of the limitations and constraints within it. It is with that hat on and with that concern that I will come to the Committee stage. I will be fighting particularly the Henry VIII powers to levy taxes, fees and charges, but I am sure that this House will tackle the issue far more broadly and recognise the significance of doing so. In her opening speech, the noble Baroness, Lady Evans, talked about the importance of giving certainty. Who could disagree with that? It is critical. To me, ​though, certainty would mean that we knew what the Government’s ***plans*** were for the outcome of Brexit. The financial services sector, with which I am extensively engaged, has been denied even a position paper to outline what the Government’s preferred end position would be and to provide some sort of structure. That industry is part of the backbone of our economy. We understand that there will be a transition period, largely a standstill, and that is welcome, but it is vital that individuals and businesses know now what it is meant to be a transition to. I talked last week to an inshore fisherman in Northern Ireland. He has to decide now whether to sell his boat because, following Brexit, all the good inshore fishing territories will be in southern Ireland and, if he does not sell his boat now, in a year or two it may be worth nothing. I talked to an architect, who told me that a Dutch client would like to engage him in a long-term development in the Netherlands. Will his qualifications be recognised? Will he be able to deliver his services from a UK base? He does not know, but he must decide now. A US company is seeking to do a five-year interest rate swap that it would normally clear through the London Clearing House, but will that be a valid swap in five years’ time or will the CCP with LCH be an unauthorised body, and will the company be in significant trouble with the regulatory authorities in the US? These are real decisions. Little companies, individuals and big companies alike have to be able to make decisions and act on contingency ***plans***. For that, they must have clarity from the Government. I realise that in a politically riven Government fudge is seen to have a great advantage, but we are at the point where that can be sustained no longer. I hope that the Government will see that certainty should apply not just to the measures in the Bill but to those broader issues as well. We must take the opportunity to use the Bill to make sure that people will be able to look at that final deal. The possible impacts on individuals, companies and people’s daily lives are across such a broad spectrum that surely, in a democracy, the people should have the final say.

11.15 am

* The Earl of Sandwich (CB)    Share this contribution My Lords, en principe I am against repealing the 1972 Act. I have a personal reason for this. My father was the 1960s equivalent of a UKIP leader. He campaigned against Europe and it irritates me that he has somehow posthumously won by means of an advisory referendum—referenced by the noble Lord, Lord Higgins—that not did not even express the will of the majority of registered voters. Apart from that—I will get over it—I am unashamedly European. I have lived and worked in Europe and my degree was in European languages. I have Italian in-laws. I want to preserve peace in Europe. I support enlargement of Europe. I refuse to go into choppy, uncharted waters with a salt-caked smoke stack. I do not think that the Government have got it right. However, I am also an independent. I sympathise with the Lib Dems, but I also understand some of the fears of Brexiteers about regulation, the eurozone, closer union and immigration. Those are genuine fears. But I would prefer that these vast issues were tackled ​inside Europe in some form or other. As the noble Lord, Lord Patten, and others made clear, this major decision is all about one party and not about the whole country. I see Brexit as a costly and desperate scramble to retain all of the undoubted advantages of the EU without having to sit around the table talking about them. Monsieur Macron was right: we are having our cake and eating it, but we are also getting bad indigestion. The country now divides into three: the Remainers, the Brexiteers and those, like me, who are still asking, “How do we get out of this mess?”. The human cost of Brexit is undeniable: just look at the loss of NHS staff besides all the forecast effects on education, culture and the economy. But there may yet be a way out, short of complete withdrawal and without a second referendum. Few of us want to sabotage the Bill. It is a necessary Bill and the debate is not about the Government’s ***plans***—since on many things they have no ***plans***. We must, and I am sure that we will, vote to retain all of our current EU-derived legislation. But along the way a few things stand out so starkly that they have to be mentioned, and they have been. We still do not know where we are going. Worse than that, on some issues we are going into a chasm or void—words used by the noble Lord, Lord Duncan, last week. But he also quoted Burns: “Oh let us not, like snarling curs, In wrangling be divided”. The darkest hole is in the sea between Ireland and the United Kingdom, something equivalent to the Corryvrechan. The Government’s position on the border issue is muddy because they are trying to reconcile the irreconcilable between the Irish and Northern Irish positions. I urge the Government to show their hand soon and to be guided, as the noble Baroness, Lady O’Neill, said, by the Belfast principles, since as my noble friend Lord Eames and others said last week, they cannot leave the people in such uncertainty. The people of Gibraltar share some of the uncertainty felt in Northern Ireland. How could the Government get so close to the cliff edge as to cause anxiety and even worse, if the people of Gibraltar are not given proper guarantees? Then, there is devolution. Last week’s debate showed clearly that the devolved Administrations were not properly consulted and that amendments in the Commons were never discussed. There are still many UK issues to resolve in the UK before we go back to the EU negotiating table. Constitutional experts are still worried about the exceptional use of delegated powers and whether the Government should assign a single status to retained EU direct legislation. My noble friend Lord Kakkar showed how much damage there will be to science from any uncertainties that continue through the transition. Children’s charities and lawyers are concerned about the exclusion of the Charter of Fundamental Rights. Other people are in considerable doubt about future references to rulings of the ECJ. The Greens and many others say that environmental law is not being fully translated into UK law. We heard about that from the noble Baroness, Lady Featherstone. ​I shall be supporting amendments on all these issues unless the Government put down their own to meet these concerns. I feel confident that this Parliament will now have a say on the final deal although, if it rejects the deal, there will have to be further renegotiation. The EU knows this and would like us to remain in Europe. I believe it is not impossible that, in the event of rejection, we shall have the opportunity to remain as a member under Article 50, but on new terms. If not, then the Government will have to look for some intermediate status, alongside the single market. No one seems able to forecast what that might be or even whether such a status exists. In short, we have got ourselves into a mess. I doubt if any party, or any organisation outside Brussels, can pull us out of it but I hope and am confident that this debate will have made a contribution.

11.21 am

* Lord Leigh of Hurley (Con)    Share this contribution My Lords, it is a privilege to speak in what has been described as a historic debate on a technical Bill. In the time I have, I will constrain myself to addressing just a few points. The first concerns the referendum vote. I noted with interest the passage of the Bill in the other place and the remarks by the shadow Brexit Secretary, repeating demands for a meaningful vote on the Brexit deal. I simply draw attention to the meaningful vote we had already in June 2016. It is now the job of Parliament to scrutinise, not to oppose this necessary legislation. Whether one voted to leave or remain, reconciling the result with a position that leaves the UK not in control of its borders, courts and fiscal contributions to the EU would feel very jarring. This applies as much to Parliament seeking to thwart Brexit by voting down the European Union (Withdrawal) Bill, as it does to those siren voices now calling for a second referendum. As my noble friend Lord Astor said, the people have spoken and it is the job of this House and the other place to make it work as smoothly as possible. If the shadow Brexit Secretary wishes to continue his search for meaning, then he should look no further than improving this Bill.   I commend some of what the chairman of the Brexit committee has to say, particularly as he reminds us that this legislation is necessary. We must pay heed to the Constitution Committee, which describes the Bill as deeply flawed. We must seek to improve it to the committee’s satisfaction where we can.   As this is a technical Bill, I offer some technical observations. In the other place, MPs raised the uncomfortable question of pre-exit disputes, many of which arose several years ago and which may now not go to the ECJ. In my opinion, they clearly ought to, as they arose under the old regime. The Francovich principle, which has been raised in this House before, has been removed from the Bill. I hope my noble friend the Minister will reconsider this. I am aware of instances where it would lead to a very unfair result and deprive genuine claimants of going to the EU court. I am happy to brief the Minister on this if required.​ I turn to a particular area of interest of mine—financial services. In the other place much of the debate was about the use, or overuse, of delegated powers—the so-called Henry VIII clause. I must take issue with much of what was said. Lamenting the use of delegated powers is a common tool in all opposition toolboxes. When they have run out of points of principle, they resort to points of process. Leaving that aside, much of the criticism was largely fallacious. As the EU committee set out, in financial services in particular, EU laws follow the Lamfalussy framework. Reading the debate in the other place, it is almost as if many want even the lowest level of content included in UK primary legislation. Yet, as the Investment Association has pointed out, in financial services, at least, much of EU law is better handled here by the regulator, not to circumvent democracy but for reasons of efficacy and practicality. It is simply about appropriate levels of detail. As the renowned EU legal expert Simon Gleeson pointed out to the EU Committee, “the Bill will perpetuate one of the main defects of the current EU position, namely that too much detail is in legislation and is difficult to update”. There may well be much to be improved in this Bill, but cramming it full of regulatory issues better handled in secondary legislation and regulatory guidance and enforcement should not be part of that process. I add my voice to those who have warned against a second referendum. I appreciate that its advocates are saying “not now” but they are pushing us down a very dangerous road. If the EU detected that there would be a second referendum, can your Lordships imagine its negotiating position? It would make an agreement that much harder. Is that the agenda of those calling for a second referendum? I hope not, and that those who might be talking down our negotiating position recognise that. There is no real prospect of holding a referendum without causing huge anguish and pain all over again between friends, parties and even families up and down the country in what would inevitably be a difficult campaign full of bias and hate. As Brenda of Bristol famously said: “What? Not another one!”.

11.26 am

* Baroness Whitaker (Lab)    Share this contribution My Lords, there is much in the Bill that merits deep and extensive scrutiny, but at this stage I simply want to signal alarm at the treatment of human rights. “Human rights” is a legal term for what we might otherwise think of as respect for individuals and recognition of their human dignity. We have acknowledged its importance in devising the powers of the state since our earliest times, and we have pursued it more or less consistently in our long participation in international and European law-making. So it is disturbing to see that, despite valiant efforts in the other place on all sides to retain the Charter of Fundamental Rights, the Government have insisted that it be discarded from our law. It is true that when the Labour Government, in the person of my noble and learned friend Lord Goldsmith, negotiated this important instrument, it did not at that time confer any new rights. What it did was codify existing fights and provide for actual remedies against breaches. Our Human Rights Act provides only for a declaration of ​incompatibility if our law breaches the European Convention on Human Rights. Under the charter, damages may be awarded. How much more useful is this to the wronged citizen than a declaration, even if eventually, that results in a change in the law? What are the Government going to do to put this right? At least as important is the development of the usefulness of the charter since we helped to bring it into being. There are too many areas where the charter now goes beyond the convention, and thus our own Human Rights Act, to enumerate in the time available. The free-standing right to equality, a right to vocational education and some of the protections for children are among the most telling. Case law has brought new safeguards in respect of data protection, for instance, including the basis for the right to be forgotten. These too would be lost under the Bill. There are also general principles under the charter which we would lose as a basis for challenging injustice under retained EU law, such as proportionality—unless, the Government now say, the challenge was brought within three months of exit, which is surely a paltry concession. We should also be very concerned about the vulnerability of our rights to the regulation-making power in the Bill. Is it not manifestly unjust and unparliamentary to subject fundamental rights to secondary legislation? How can we accept the prospect of a Government easily dismantling the enhanced protection given to the environment, consumers, health and safety and the rights of workers not to be exploited? We need a strengthened scrutiny procedure beyond the Government’s new add-on of an EU SI Committee, and stronger than the concession of declarations concerning equality. It is notable that the Government’s impact statement omits any consideration of the impact of the diminution of rights and redress for their breach that follows from discarding the charter and from the use of secondary legislation. Will the Minister commission a fresh study to remedy this deficiency? Of course, if we had a written constitution many of these fears could be allayed. The Supreme Court would then have a basis to put a stop to any future legislation curtailing the freedoms we have achieved, for instance in equality and working conditions. This is quite apart from the other advantage that it would be taught in schools so that all citizens and, for that matter, would-be citizens could know exactly what our values concerning justice, rights and responsibilities meant for them. The Government have recognised the anxiety expressed on all sides about their treatment of human rights in this Bill in their Right by Right Analysis. I welcome the undertaking to, “look again at some of the technical detail about how the Bill deals with the general principles of EU law … and how some challenges based on the general principles might continue after exit”. This confirms, however, that all the charter rights will not be carried over after Brexit. That is what we need to fight for. Finally, there are many amendments we ought to discuss in Committee. I hope that among them will be a provision that the Charter of Fundamental Rights ​will still apply to EU-derived law and that the right to damages which result from the Government breaching EU law will be protected. If the Government set their face against entrenched law, this could be done through adding provisions to the Human Rights Act 1998.

11.31 am

* Baroness Humphreys (LD)    Share this contribution My Lords, like many other noble Lords I am disappointed that the EU withdrawal Bill has come to this House almost unamended by the House of Commons and that the legislative attempts to retain and even increase the power of the Executive, which will affect Wales so significantly, have shamefully failed to be successfully challenged by Members in the other place. The inclusion of Clause 11 in this Bill by the Government was surely a case of imperial arrogance—or incompetence. Having listened to the Minister say at the end of last Thursday’s devolution debate that the Government were working on, but struggling to find, the correct wording for their amendments, I suspect the latter is nearer the mark. I look forward to seeing these amendments in Committee and taking part in the debates that will follow. The Prime Minister’s decision to announce, so soon after the referendum and so early in the withdrawal process, that we would also be leaving the single market and customs union was, in my view, a mistake—a red line that will have a real impact on Wales. The rejection in the other place of the amendments to include them in the Bill is disappointing. If a similar amendment is proposed in Committee, I will support it. Noble Lords already understand the advantages of the single market and customs union to Wales. We trade with our nearest neighbours. We have access to a market of 500 million people. That trade is tariff free and the market accepts over two-thirds of our exports. Its importance to the Welsh economy has been recognised by the Welsh Labour Government, who have called for “free and unfettered access” to both the single market and customs union, a call that unfortunately seems to be unheeded by the Labour leadership in Westminster. I wish the noble Lord, Lord Liddle, every bit of luck in trying to persuade his colleagues. The much maligned—by those who support Brexit—free movement of people and goods has been a boon to companies such as Airbus, which employs 7,000 people in Broughton in north-east Wales. A new customs bureaucracy and reduced employee mobility could damage long-term investment there and accelerate a shift to Asia where China, according to representatives of the company, is already, “knocking at the door as a result of the situation that we’re in in this country”. Our situation is characterised by a deep uncertainty about the future direction of the UK which is fuelled almost daily by the contradictory and confusing messages coming from around the Cabinet table. Farmers seek certainty that they will not be priced out of their European markets and that the funding that they need to ***plan*** for their farms’ future will be available. Manufacturers need confidence to invest to grow their businesses, and communities are beginning to understand and lament the end of structural funding.​ Workers in Holyhead on Anglesey would be grateful for certainty on the question of the Irish border. The fact that talks with Michel Barnier have moved onto the second phase has fooled none of us; the fudge over the border seems to have been a charitable device by Mr Barnier’s team to give the Prime Minister some credibility. This most difficult question seems to have been placed in the “too mind-blowing for now” box and shelved. Our place in Europe and our place within the single market and customs union have led to Holyhead developing into the large port that it is today. However, the recent announcement that from April, Brittany Ferries will be running a ferry service for cars and freight from Cork directly to the north of Spain, so “avoiding the land bridge” between Ireland and Europe, rings alarms in North Wales. Potential job losses in one of the poorest areas of the UK will be devastating. Finally, on a personal note, I want to say a few words about the referendum result and introduce some facts and figures about the influence of identity on people’s voting choices in that referendum. It has been claimed, in one national newspaper in particular, that the vote to leave the EU was an English national revolt achieved with the acquiescence of the Welsh. Research carried out by the British electoral survey points to another possible scenario. To begin with, an important factor to note is that about one-third of the population of Wales were born in England. The survey data shows that 60% of those living in Wales who identified as both strongly English and strongly British voted to leave. On the other hand, of those who felt strongly Welsh but not strongly British 71% voted to remain. Of those fluent Welsh speakers who strongly identified as Welsh, not British, a massive 84% voted to remain. So as a Welsh-speaking, strongly Welsh-identifying Member of your Lordships’ House, I make the gentle request that in future these factors are taken into consideration when apportioning blame or even credit for Brexit. The Leave vote may have been won with the help of the majority of those who live in Wales, but certainly not with the aid or acquiescence of the majority of the Welsh.

11.38 am

* Baroness Meacher (CB)    Share this contribution My Lords, it is humbling to speak in this debate after so many excellent speeches. I want to focus on a somewhat different issue from those raised by most people here, the issue of Russian interference in the Brexit referendum campaign, and to reinforce the argument for a meaningful vote or votes in Parliament. The Dominic Grieve amendment is indeed a valuable start and it must not be lost, but it is essential that there are additional amendments to ensure that parliamentary sovereignty really rules in this process. Clearly, Parliament cannot seek to interfere with the referendum result unless the British people can put the misinformation behind them and come to understand, as they are beginning to, the reality of the risks to their jobs and standard of living presented by Brexit. I will talk about Russian involvement in the Brexit referendum campaign as someone who lived in Moscow and worked within a Russian ministry—funded, I should ​say, by the British Government; I do not want people to get the idea that I am some sort of Russian spy. During my three-year period in Moscow I developed a deep affection and respect for the Russian people with whom I lived and worked. I am not anti-Russian. At the same time, we should not be naive about interference by other countries in our precious democratic processes. Governments need to take steps to protect the British people from those influences in the future. Whatever Government we have in place, it is vital that work is done to interfere with this process. What is the point of another referendum, or an election, if Russia may determine the outcome? We know that Russia has put massive resources into developing social media infiltration tools. As your Lordships know, my noble friend Lady Lane-Fox is on the Twitter board and knows a thing or two about these matters. She is aware of such Russian investments. Russia would make these investments only in order to use the tools against the West. Of course, Brexit will damage Britain and the rest of Europe: it is a pretty brilliant stroke by Mr Putin. We know for a fact that in the Trump presidential campaign, 126 million Americans received personally tailored Facebook fake news. Someone closely involved in the digital economy—not my noble friend Lady Lane-Fox—takes the view that it is almost certain that Russia used similar social media methods to influence the result of the Brexit campaign. This is, however, very difficult to prove. When I contacted the Electoral Commission last summer, it was investigating Russian involvement in the Brexit referendum. At that time I was told by an investigator working closely with the FBI that Russian money funded the Brexit campaign—not totally, but substantially—and that it was the link between the Brexit and Trump campaigns. In fact, I have been told rather more than I feel able to say today. Suffice it to say that already, more people are against Brexit than support it, as other noble Lords have said. If sufficient information comes to light about Russian distribution through Facebook of misinformation tailored to local communities during our referendum, we can expect that a growing number of the British people will want Parliament to intervene. There is a risk that this information may not come to light in time for 2018. For a start, Facebook is a closed dataset. As your Lordships will know, the information on a Facebook page is available only to “friends” of the user. Also, Facebook has 2 billion monthly users; imagine the task of going through that material, albeit electronically, to find the information. It may, therefore, not be possible for Facebook to get hold of the information in time. It has, however, employed thousands of staff to do just this job. The question is whether they can find out what happened and, if so, when. I have two questions for the Minister; one that I hope he or she can answer, but the other may be more difficult. First, is the Minister aware whether or not MI6 is investigating Russian involvement in the Brexit campaign using social media infiltration tools and funding? Secondly, has MI6 commissioned work to develop tools to combat the Russian equipment to prevent interference in our referenda and elections in future? The British people and Parliament need this information.​ As well as amendments on a meaningful vote for Parliament, I will want to support amendments that relate to the charter of human rights. However, I cannot overemphasise the importance of parliamentary sovereignty and meaningful votes for Parliament.

11.43 am

* Lord Spicer (Con)    Share this contribution My Lords, it is a great pleasure to follow the speech of the noble Baroness, Lady Meacher. I remember well partnering her late husband in tennis in West Virginia when we played against the American Senate. He was, certainly in private, a very charming man. I also agree with her about the dangers of Russia, but I am not going to talk about that now. It is clear from this debate that your Lordships’ House is not exactly rabidly Eurosceptic. I am, though, and perhaps I owe the House some explanation of that. I start with what has become the customary homage to the speech of the right reverend Prelate the Bishop of Leeds. He is of course right that economics is not the only matter affecting this debate, although it is not completely unimportant or irrelevant. When you are dealing with a protectionist trade bloc, which the European Union is, it is bound to have ultimately a negative effect on your trade and economy. There is certainly a read-across there. Much more important, and the reason why I think we should get out of the European Union, is democracy. The European Union is undemocratic for two reasons. It does not have a mechanism for true democracy, which requires a direct relationship between the electorate and the Government. The electorate chooses a party, preferably in private, and votes it in. There is such a connection between the electorate and the Government that the electors, having elected their Government, are willing to pay allegiance to them. There is a synergy about the whole thing. In Europe, the matter is aggravated by the fact that the laws are made on the whole by the European court, which is undemocratic and relies on the acquis communautaire for its inspiration. The acquis is quite clear that it requires the court to make judgments in one direction, towards a federal state of Europe, that is irreversible. Some people say that this process can be reformed. In the foreseeable future at least, that is highly unlikely. Take, for example, Britain. If we were to go back into the European Union, it is absolutely unimaginable that the court would not insist that sterling would be joined to the single currency, and quite rightly so. You cannot have a single market for ever without a single currency. That would be the loss of Britain’s freedom, which is involved in the sovereignty of Parliament and in no one Parliament binding another. That would just go. The trend in that case would be anti-democratic so far as this country is concerned. I would like to refer to a speech made yesterday by the noble Lord, Lord Winston. It is something that has troubled me quite a lot about the attack that is made on people who think, like I do, that the nation state is the best unit of democracy. I will read one paragraph from it. He said that, “Andrea Sella talks about a maternal ancestor. He is not Jewish but his ancestor was. Apparently she called him early in the morning when the result of the referendum became clear. She said, her voice choking with emotion:​ ‘How can these people forget so soon where nationalism leads you?’”—[Official Report, 30/1/18; col. 1521.] The innuendo is clear. I could turn the whole thing on its head and say that World War II, for instance, was brought to a halt and peace was established by the nation state against the pan-European movement led by Germany. That absolutely turns on its head an argument that is constantly used against people such as myself and Eurosceptics, and quite wrongly so.

11.49 am

* Baroness Mallalieu (Lab)    Share this contribution My Lords, in common with just under 70% of those who voted in the area from which I come, in the referendum I voted to leave the EU. It appeared to me, for many of the reasons that the noble Lord, Lord Spicer, has just given, that political power had moved into the hands of an unelected, over-regulatory bureaucracy, which was out of political control and had no willingness or ability to reform. Further, it was heading in the direction of a single state for which it has no mandate and, in this country at least, very little support. I therefore support the Bill. But I am acutely aware that the referendum divided members of the same political parties, close friends and, as I know personally, family members, some of whom cannot or will not accept the result, like some Members of this House. I have either listened to or read every speech that has been made in this debate so far, and I have heard powerful speeches from noble Lords with far greater knowledge and experience of the EU and its workings of government, law, finance and industry than I have. I have heard powerful speeches from powerful people. But, for me, louder than all of their arguments is the voice of Colonel Rainsborough, one of the Levellers, speaking for one man, one vote, in 1647. He said: “the poorest he that is in England hath a life to live, as the greatest he”. How often have I listened in this House to noble Lords speaking of the need to encourage people to register and vote. The usual response from those who do not is, “My vote doesn’t count”, and they are usually right, especially in constituencies with large majorities. In the referendum, every vote did count. People voted in all-time record numbers. They were told, among others by the Prime Minister of the day, that that vote was a binding one and that it would be acted on. So, for me, the Bill is about giving effect to democracy. Being in Berlin recently made me reflect, as other noble Lords have during the course of this debate, on the political history of the last world war. When the governing elite stop listening to the people, the people are drawn to and eventually turn to extremism. That is a lesson that we must not forget. The Bill, passed by the elected House is, as most noble Lords have said, far from perfect. The law-making powers of Ministers need to be defined and restricted on the face of the Bill. There needs to be clarification of the status of EU legislation to create legal certainty, and there needs to be much clearer devolution of powers to Scotland, Northern Ireland and Wales. I will support the amendments that seek to improve the Bill, but not those designed to put a spanner in the works. I hope that the noble Lord, Lord Adonis, ​will not press his amendment. We always knew that the negotiations for our exit would be difficult. Without our contribution to the budget, the EU is insolvent and there are other member states with at least very strong reservations about membership. The Commission was always going to make life difficult, even at its own expense, and I am afraid it is further encouraged by those who tell them, hopefully, that Brexit may not happen. I think that we can all agree that the biggest threat to our economy is uncertainty and to be plunged once again into another divisive contest of a second referendum, with all the acrimonious campaigning again, would be bad for our economy, our national unity, and democracy. As I recall, we had a general election only a short time ago. The party that campaigned to stay in was as good as annihilated, except of course in this House. My party, which did a great deal better than expected, campaigned on a manifesto to leave both the single market and the customs union and, I am glad to say, no repeat referendum. I am particularly grateful for the restrained and reasonable way in which my noble friend Lady Smith of Basildon opened on behalf of these Benches. The prevailing message that I get from people who voted on both sides of the referendum from outside this House is, “Just get on with it”. Let us do just that.

11.54 am

* Lord Stevens of Ludgate (UKIP)    Share this contribution My Lords, I am grateful that I have not yet been annihilated. It is disappointing that those who lost in the referendum are still demanding another one. It does not help for a government Minister to describe certain Eurosceptics as “swivel-eyed”. I had hoped that we had got past that level of debate. In a high turnout, the people voted to leave by a majority of 1.5 million—huge in electoral terms. In the last election, if 40,000 voters in the most marginal Labour seats had, instead of voting Labour, voted for the runner-up, Labour would have lost 40 seats. It was that close. Let us suppose that the leavers were to lose another referendum—unlikely, in my view—then we would have every right to demand a further, deciding referendum. Let us respect the people’s wishes. We are not the EU, which asks members to vote again when it does not like the result. We cannot argue that the remainers did not fire every barrel, from Mr Cameron’s “World War Three” to Mr Obama’s “back of the queue”. He was sadly so ill informed that he did not know that there was a queue of one—the EU. President Hollande, Madame Lagarde and every other leader you can think of all warned of economic disaster. Even the poor old CBI, which opposed the ERM, was in favour of joining the euro and is partly financed by the EU, is still at it. The Bank of England has got it wrong yet again. The governor is still muttering that the GNP would be 1% higher if there had been no vote to leave. How on earth he works that out is quite beyond me. As for the latest leaked economic forecast, it must have been leaked by remainers. In 2005, UK trade with the EU was 55% of the total. It is now 45%. If present trends continue, it will be 35% in 10 years’ time, or 10% of GDP. ​Are these forecasters seriously suggesting that EU trade would halve if their 5% reduction in GDP occurs if we choose the EFTA route? It is simply not realistic. The case for remaining was set out. The Government even spent £9 million of our money doing just that. Everything we have seen since the referendum has justified our decision. There is general dissatisfaction throughout the EU with the present arrangements. Incentives are given to big businesses to locate in Luxembourg, contrary to the rules. Then there is the situation in Poland; no stable government in Germany; upcoming elections in Italy; the state of the European banking system; and even President Macron says that the French—how wise—might vote to leave if given a referendum. Quite why the EU is so desperate for our cash, I do not know. With a budget of some €150 billion, surely it can be cut by 10% or 15%? One has to ask how the proposed sum we are thinking of paying the EU is arrived at. Yes, we should pay for commitments entered into when we are a member, but why should we pay for access? Surely it should be paying us. It has the trade surplus, not the UK. I am somewhat nervous about how the Government will use the so-called Henry VIII powers. For many years, we have had to accept all regulations and laws from Brussels with no possibility of rejection. I hope we can trust our Government more than the unelected bureaucrats in the EU. As was mentioned yesterday, let us be careful of having a Corbyn Government. I wish our negotiators well, but the signs are not auspicious. We are allowing the EU to dictate the agenda. Normally, an agenda is agreed between the parties. One gets the impression that we are going into these meetings with no clear objective other than to listen to the other side and to try to compromise. Negotiations are better if both sides feel that they have won the argument. So far, we have been the givers. We need to get back our territorial waters and our ability to do trade deals, spend our own money and make our own laws, and we need to keep Gibraltar and keep an open border in Ireland. However, how one can get 27 countries, all with their own agendas, to agree to this I do not know, unless we give a lot away. We must adopt a harder line in the negotiations. The EU has much more to lose than we do. We have the world to expand into. Any implementation period must be as short as possible. Two years is more than enough; otherwise, it will be dragged out for ever. We must not be subject to any more EU laws or regulations during this period. Financial services should be included in any deal if possible, but let us not panic if they are not. We are the world’s financial centre, and the EU business through us is a small percentage and not that critical. Already many of those threatening to move staff away are scaling down their estimates—Deutsche Bank, for example—and the governor of the Bank of France has stated that the numbers leaving are exaggerated. Even the chief executive of Barclays is telling us to be prepared to sacrifice access to the single European market after Brexit if it means gaining control of our own financial rules.​ The more that we argue here, the weaker we make the Government’s negotiating position. Should we not be implementing the people’s vote, unelected as we are, pulling together and presenting a united front? By all means improve the Bill before us, but let us not frustrate it.

12.01 pm

* Viscount Bridgeman (Con)    Share this contribution My Lords, I think plenty of your Lordships will share the view that the one country we would not wish to be disadvantaged as a result of Brexit is Ireland. However, Ireland is already suffering: beef exports have fallen as a result of the collapse of sterling. Sadly, it is Ireland that is most likely to suffer in the coming negotiations. Had there been no progress with Ireland and Northern Ireland, we could well not be having this debate at all, or at least in this context. Noble Lords will appreciate that in the early stages of the negotiations last year the EU adopted an inflexible approach: no deal between individual members and the UK. It was described dismissively by Charles Moore in the Daily Telegraph as Euro-theology. Talks were indeed in danger of stalling and stage two was in danger. With the determination on all sides to have a soft border, how could regulatory bodies be shared with the EU on the one hand while Northern Ireland was placed apart from the rest of the UK on the other? This has been stated by many speakers but I refer particularly to the speech yesterday by the noble Lord, Lord Patten of Barnes. Thanks to the constructive efforts by UK, Ireland and Northern Ireland officials and the Barnier team, a form of words was agreed that I suggest is a drafting masterpiece. I am going to take the opportunity of reading it: “In the absence of agreed solutions, as set out in the previous paragraph, the United Kingdom will ensure that no new regulatory barriers develop between Northern Ireland and the rest of the United Kingdom, unless, consistent with the 1998 Agreement, the Northern Ireland Executive and Assembly agree that distinct arrangements are appropriate for Northern Ireland. In all circumstances, the United Kingdom will continue to ensure the same unfettered access for Northern Ireland’s businesses to the whole of the United Kingdom internal market”.  If it is not entirely clear, perhaps that is intended. Naturally, the type of confectionery beginning with “f” shall not pass my lips; I would call it constructive vagueness. The Prime Minister and the Taoiseach have both made statesmanlike speeches, the Taoiseach in particular emphasising the bonds between the two countries. It has become known as the 8 December agreement and my right honourable friend Karen Bradley, the new Secretary of State, called it pragmatic, which is a very good description. I take this opportunity to wish James Brokenshire a speedy return to health; he has contributed so much to this early debate. So the logjam has been broken and we can move to stage two. I am a member of the British-Irish Parliamentary Assembly, formed as a meeting group for Back Benchers of both jurisdictions, and we have come a long way since the troubled times of the 1990s. Now it is a constructive and friendly group where we can agree to differ on Brexit, with frankness, without rancour or ​confrontation. It is particularly important at this time, when there is no devolved Administration in Northern Ireland. But I must emphasise that, with all the friendliness and mutual understanding in this group, Ireland is totally committed to the European Union. In the United Kingdom’s future dealings with Ireland over Brexit, friendly and constructive though we hope they will be, it is vital that this is borne in mind.

12.05 pm

* Baroness Blackstone (Lab)    Share this contribution My Lords, I greatly regret the fact that we are debating this Bill, as I believe that we should remain as a member of the European Union. I did not think it was right to have a referendum about an issue of such complexity. Indeed, in a parliamentary democracy most referenda are inappropriate. For many years we sought to be a member of the EEC, as it then was. Having joined, it brought us many benefits, the greatest of which has been our membership of the single market. Our economy has flourished so that we have enjoyed higher growth than before and a strong position relative to other OECD countries. The decision to leave the EU is already jeopardising this, as the Governor of the Bank of England and many others have made clear. Yet a former senior Minister who supports Brexit was heard on the “Today” ***programme*** yesterday in denial about Government projections of an economic downturn under each of the three models of possible outcomes. What he said was shockingly misleading. I hope that when the Minister replies he will confirm that impact assessments will be made available to Parliament. I hope too that there will be no more disgraceful attacks on civil servants like the one we heard in another place from the Minister in the Brexit department. If these go on we will have to start a defence league for officials. It is not only because of the economic consequences of leaving the EU that the UK would be better off inside than outside. There are many advantages in being part of a political bloc whose members share our commitment to the rule of law, democratic institutions, freedom of speech and human rights. In a troubled world where there are powerful countries that respect none of these, there is great benefit in working together in Europe to secure peace and justice in the world. We should not forget the views of young people: they voted overwhelmingly in favour of remaining in the EU. They are now puzzled about what constitutes government policy. This is hardly surprising since the Government themselves have no vision or clarity about where they are going. Above all, young people fear a hard Brexit and that we are abandoning the values of tolerance and openness that they hold dear. Old people, who voted in large numbers to leave, have most of their lives behind them. Young people have most of their lives before them: we must not let them down. To pass the Bill unamended would let them down. We must ensure the sovereignty of Parliament and prevent a constitutional outrage. The House can play a crucial role in protecting our constitution by seeking to prevent an over-powerful Executive bypassing proper parliamentary scrutiny. Legal expertise in amending the Bill’s Henry VIII clauses will be invaluable. ​The Government’s decision not to convert the EU Charter of Fundamental Rights into UK law means the protection of human rights will be weakened. More than 20 human rights organisations, including the Equality and Human Rights Commission, recently published a letter stating that losing the charter creates a human rights hole. The protection of the charter should be retained. Without it, there are risks to employment rights, consumer protection, the protection of the environment and the rights of children. I also want to comment on the absurd decision, forced by the hard Brexit faction in the Government and the Conservative Party, to have a precise date for leaving the EU next March. This comes before many of the vital decisions that need to be made about the consequences of Brexit have been properly discussed and negotiated. I hope the Government will think again and consider leaving only after the transitional period, rather than before it. The calamitous decision to leave the EU has distorted the work of Whitehall and Westminster, leaving insufficient time to address many urgent issues where change and reform are needed, whether in health and social care, education, housing and the environment, or the reduction of poverty. Moreover, this displacement of effort is magnified by the loss of many benefits brought to us in all these policy areas by our membership of the European Union. Leaving will make it exceedingly difficult to retain many—if not any—of these benefits. However, I end by saying that our greatest priority must be to fight against a hard Brexit and the horrors of renegotiating all our trade agreements. We must stay in the single market and the customs union for the sake of the Good Friday agreement, and above all for the sake of the prosperity of our nation.

12.10 pm

* Lord Warner (CB)    Share this contribution My Lords, even if I was not a culturally pro-European Londoner who considers that Brexit will damage the future of my children and grandchildren, I would regard the Bill as seriously flawed. I accept totally that EU withdrawal requires legislation that ensures legal certainty and continuity the day after we exit. My problem with the Bill is not its purpose but its cack-handed approach to executing that purpose, as the Constitution Committee has forensically exposed. The Bill neither achieves legal certainty nor upholds the sovereignty of the UK Parliament. Indeed, in its present form it diminishes that sovereignty. The Government have chosen to ignore the warning they were given last September by the Constitution Committee about the unsatisfactory nature of the Bill’s approach, when in an interim report it said: “The executive powers conferred by the Bill are unprecedented and extraordinary and raise fundamental constitutional questions about the separation of powers between Parliament and Government”.  The Government simply did not deal with these matters during the passage of the Bill in the Commons, despite the valiant efforts of a former Conservative Attorney-General and others. The Bill remains a constitutional mess despite all the discussions in the Commons recorded in the pages of Hansard, which are now said to exceed the length of War and Peace. Yet a dozen or so crisp ​paragraphs in the Constitution Committee’s Report—paragraphs 40 to 52—explain the fundamental flaw at the heart of this Bill: the failure to attribute a single legal status to all retained EU law. It is that failure that ***produces*** many of the ambiguities and confusions and the convoluted legal drafting running through the Bill. But that flaw is not the only problem. If we leave this confused and confusing Bill in anything like its present state it represents a clear and present danger to parliamentary sovereignty, to the entrenched rights and protections that UK citizens have under the existing blend of EU and UK law, and to the devolution settlements with Scotland, Wales and Northern Ireland, as so many speakers have identified. Clause 6 creates obscurity and uncertainty around how the courts are to use EU case law after Brexit. The Bill casually dumps the European Charter of Fundamental Rights with no clear justification, as the Constitution Committee points out. The scrutiny arrangements for delegated powers remain inadequate, without a proper role for this House. As others, particularly the noble Lord, Lord Hain, have made clear, the Good Friday agreement remains in jeopardy from the Government’s fantasy that you can have a frictionless border in Ireland without a common customs union. Fortunately, the Constitution Committee’s report provides analysis and solutions. Paragraph 52 proposes a straightforward solution to the fundamental flaw, namely that the legal status that should be applied to all retained direct EU law for all purposes should be the status of domestic primary legislation. This approach would secure legal certainty and continuity post Brexit, remove swathes of Henry VIII provisions and simplify the Bill significantly. The report’s summary of conclusions and recommendations are, I suggest, 65 paragraphs of good sense that the Government would be wise to embrace. But will they? During the passage in this House of what became the ill-conceived Health and Social Care Act 2012, David Cameron paused the Bill to try to sort out the mess that the Government had got themselves into. This Government would do well to consider doing something similar with this Bill, drawing on the Constitution Committee’s report and using all-party talks. Perhaps the Minister could indicate whether the Government have any appetite for such an approach. If, however, they choose to dig in for minimal change, it will fall to this House to tackle robustly the many constitutional problems posed by this Bill. We should not be deterred from doing so by any internal or external threats and rants about thwarting Brexit or the will of the Commons. After all, many Members of the House of Commons expect and want this House, with its knowledge and expertise, to sort out the Bill’s defects. It is in the national interest that we do so.

12.16 pm

* Lord Moynihan (Con)    Share this contribution My Lords, sport and sport-related activity contribute some £20 billion of GVA and 400,000 full-time equivalent jobs. It therefore makes a greater contribution than such sectors as the sale and repair of motor vehicles and accounting. Yet a great deal of the sports policy framework under which the EU operates is based on a global lex sportiva, ​to which sport has to have due regard. This requires agreement with international and national federations that govern the rules of sport and approve government-to-sport relationships. The proposal to move existing legislation from the European Union into the framework of this Bill will be fraught with difficulty because it does not take into account lex sportiva or the international and national federations. Let me give noble Lords some examples. Take the Kolpak rule, the loss of which would mean that players from countries which have an associate trade agreement with the EU would no longer have the same rights as UK players. Currently, the Kolpak rule applies to those players who hold an EU passport, who are married to an EU or EEA national, or who come under the Kolpak ruling. These players are not currently classified as foreign, and that is recognised in the quota system used by professional sports in the United Kingdom. Governing bodies such as the RFU, which has the responsibility for issuing endorsements to rugby union players outside the EU and EEA, have stated that they cannot even look at their regulations regarding overseas players until the terms of Brexit have been confirmed. This causes uncertainty for clubs signing multiyear contracts, and currently affects 72 eligible players. Another example is the Cotonou agreement, a treaty between the EU and a group of states including South Africa, Fiji, Samoa and Tonga, whose rugby players could, at present, play for a British-based team and not count towards the foreign player quota. Without membership of the EU, the Kolpak rule goes. Saracens, which has 14 such players, could be particularly hard hit. Cricket, through the ECB, has also said that it is waiting to hear from the Home Office. Have the Government reached agreement with the relevant governing bodies of sport as well as with the EU? Uncertainty destabilises the market. Cricketers are working under the assumption that any deal signed before the end of 2017 will not be affected by Brexit, but will they? Article 19 of the FIFA regulations on the status and transfer of players internationally is currently limited by FIFA to those over the age of 18. However, there is an exception within the territory of the European Union for players aged between 16 and 18. Post Brexit, this exemption would no longer be available for British clubs. We have 70 players in this category and who would be ineligible, thus denying us an important pipeline of young talent and putting us at a disadvantage to European clubs. Yet as part of lex sportiva, it is FIFA and the EU that must decide. What discussions have the Government had with FIFA to secure the continuation of the exemption, the loss of which would hit the lower league clubs particularly hard? Will the Government clarify the impact of EU state aid legislation, which prohibits member states from favouring one market participant over another? Do the Government intend to transfer these restrictions into UK law or, as I hope, allow for new rules to open up the potential for public bodies to subsidise stadium developments and other major sporting infrastructure projects? That would be far reaching. Finally, given that the free movement directive would no longer apply and migration of EU nationals would ​become subject to UK law, do the Government intend to subject the same rules that currently apply to individuals outside the EU and the EEA to football clubs throughout the United Kingdom? If so, 332 players would not meet the current requirements that non-EU and non-EEA players must meet. Will every athlete with current citizenship in one of the EU or EEA membership states require a work permit? The Chancellor, Philip Hammond—whose view on Brexit, incidentally, I totally endorse—stated that there was no likelihood that new immigration controls would apply to highly skilled and highly paid workers. Will the Minister confirm that all professional footballers, including in the lower leagues, would fit into that category? Will the Government confirm that post-Brexit the Bosman ruling will no longer apply in the United Kingdom? The consequences for professional sport flow through to the amateur ranks. The House has an excellent record of influencing sports policy. Only yesterday—and I thank them—the Government had clearly listened to the close vote on the future role of the UK anti-doping agency during the GDPR votes shortly before Christmas, giving UKAD a welcome extra £6 million over two years and promising to revise its powers by September. Delegated powers to modify retained EU law—not just to correct it, but to make substantial new provisions and remedy changes to our international obligations—will be urgently required if we are to protect the competitive position and the future success of the sports sector in this country, which I believe is critical.

12.21 pm

* Baroness Kennedy of The Shaws (Lab)    Share this contribution My Lords, since the referendum this nation has been on a rather incredible journey. Our learning curve has been huge; at least for most of us in Parliament, certainly for me. There are ideologues who do not want to listen to the fine detail about anything, but there cannot be many of us who have not discovered through debate, conversation or the media that the strata of connections and collaborations between the nations of Europe run very deep and to the benefit of us all. I find myself repeating, “if only”. If only the national debate before the referendum had been as rich in information. If only people had known just how much poorer this rupture will make them and their children. If only they had seen how it would diminish us as a nation and reduce our power in the world. If only people had known about the damage to our constitution that the referendum would unleash, with all the talk of “the will of the people”, forgetting that we live in a representative democracy and that that will is expressed through having representatives in Parliament, precisely because they immerse themselves in the complexity of issues. If only there had been a proper debate about cross-border trading always requiring an overarching international court of some kind. All the bluster about wanting our own courts to decide everything that affects us did not deal with the fact that if you trade with Poland the Poles are not going to settle for a UK court deciding the outcome of a dispute. The World Trade Organisation, out there in the great blue yonder to which Brexiteers aspire, also has its own court to ​deal with disputes. Norway and its little grouping in their semi-detached relationship with Europe had to invent the EFTA Court for precisely that reason. If only people had been truly informed about the high level of medical and scientific advances—the creation of medicines and cancer remedies—that are made because of experts working closely together. There are the benefits to our universities in advancing knowledge and understanding. Defence and security collaborations prevent conflict and crime. There is consumer protection. There is the risk now to peace in Ireland. Was it ever fully explained that the customs union was key to a borderless Ireland? If only we had not had a slanging match but instead had grown to understand the extent and benefits of the financial and trading relationships that flowed from our membership. If only we had spoken softly about how important it is to work with our closest neighbours because it stops wars and that together we can keep a check on the rise of extremism. With neighbours, there are inevitably aspects of the connection that grate on us and which we would like to change, but that should never be the reason for pulling up the drawbridge. I am a lawyer, and because of the nature of my practice I am all too aware of the incredible advantages of Europe, Eurojust and a European arrest warrant. The underbelly of markets is black markets, and today they cross borders. We have trafficking in drugs, arms, fissile material, body parts, human eggs, babies, and women and children for sex and domestic servitude. You cannot deal with that kind of crime without close collaboration and developed mechanisms, and these require reciprocity and a level of legal harmony. A few weeks ago, the House of Lords Committee European Union sub-committee on justice issues, which I chair, heard from a very distinguished judge on the EFTA Court. He had been its president for 12 years and had sat on it for years beforehand. I asked him whether we could be part of the Euro-warrant system—EFTA is not part of that system—without the European Court of Justice. His answer was no. So how are we going to collaborate on all these issues of crime? Legal processes affecting families, individuals and businesses are reliant on essential regulations that have been very successful and to whose creation we have been party: Brussels 1, Brussels 2 and the maintenance regulation. A woman married to an Italian can go to her local court and get an order if he shoves off back to Italy and is not paying maintenance for his children. A company that suddenly has a default from its trading partner in Poland can go to a court in Middlesbrough and get an order that will be effective over there. That is done because of mutuality, and it is reciprocal. I fear that bringing law in here, nailing it down and saying, “We are introducing it”, does not deal with that reciprocity. We are going to have to have 27 separate relationships in order to make it happen. The Henry VIII powers still have not been adequately constrained in the amendments that passed in the Commons, and I am very concerned about what the implications will be for the rights of individuals in this ​country. We have been given an account that employment rights will not be eroded. I am afraid I do not have much confidence in those promises because we know that a section of the Conservative Party is very keen to deregulate and remove employment protections around the working time directive, the agency work directive, pregnancy protections and so on. Across the whole of Europe there is a European protection order to deal with violence against women and girls. Did your Lordships know that? Of course not; most people do not. What about the promise of meaningful debate at the end of all this? There has to be a clarification about the options that will be available, because one of the options has to be to remain. I hope the amendments will nail down some of these problems. I am most concerned about the excision of the Charter of Fundamental Rights from the Bill. That should set alarm bells ringing because it is telling us that rights are not a high priority for this Government. It is hard for people to change their minds, but with more complete information people do so. We do it in our daily lives. I will deeply regret it if we do not put information clearly in front of people. I am not going to settle for a bad deal, and if that means a second referendum then noble Lords can count on me being behind it.

12.28 pm

* Lord Thomas of Gresford (LD)    Share this contribution I heartily endorse everything that the noble Baroness, Lady Kennedy, said about the reciprocity of the law across Europe, particularly in the field of crime and the pursuit of criminals, but I wish to focus on the devolution provisions in the Bill. Clause 11 is agreed on all sides to be defective and in need of amendment. The Government promised to bring forward an amendment on Report in the Commons but failed. I think we all assumed that negotiations were going on backstage with the devolved Administrations, but that was not the case. We were told in a meeting on Monday with Mark Drakeford of the Welsh Government and Michael Russell of the Scottish Government, in the presence of the relevant government Ministers, that they had not been consulted on the proposed amendment to Clause 11 at all. We do not want to be presented at some stage in Committee with a government amendment that has been drafted without even consultation with, let alone the agreement of, Cardiff and Edinburgh. What would we do with it? The whole point of the exception taken to Clause 11 is the lack of consultation and the evident incomprehension of the principles of devolution by Ministers. Both Cardiff and Edinburgh, with the full support of every elected member of every political party, rightly conclude that, as currently drafted, Clause 11 and Schedules 2 and 3 put all the cards in the hands of Westminster. The proposal in the Bill is that the UK Government will dictate, with no requirement for consultation or agreement, how the powers repatriated under retained EU law should or should not be parcelled out to Cardiff, Edinburgh and Belfast, even in areas of policy where the devolved Administrations have full and exclusive competence. Not only that, but UK Ministers are given power to alter not merely the Scotland Act ​and the Government of Wales Act but the existing legislation passed by the Scottish Parliament and the Welsh Assembly—and by ministerial decree, through statutory instruments and Orders in Council. Welsh and Scottish Ministers have no such powers. The noble and learned Lord, Lord Hope, described the architecture of the Bill as misguided and ill-informed, and my noble friend Lord Newby described the Government’s approach as a combination of arrogance and incompetence. Nowhere are these descriptions truer than in this mishmash of the devolution settlements. The powers repatriated from Brussels will include funding and policy-making in many fields. For example, take the European Regional Development Fund and the European Social Fund. Brussels has parcelled these out across 28 member states on the basis of need. In the 2014-20 European budget; Wales benefits by over £2 billion. With matched funding; a total investment of £3 billion is available to the Welsh Government to support people into work and training, on youth employment, research and innovation, business competitiveness, renewable energy and energy efficiency, and connectivity and urban development. All these are fully devolved competences for the Welsh Government. But the much-criticised and hoary old Barnett formula, which is the current Westminster vehicle for funding Cardiff, Edinburgh and Belfast from UK Government sources, is divided not on the basis of need but on a simple population head count. Under the provisions of the Bill, there would be nothing to prevent Ministers, by statutory instrument and without the consent of the devolved Administrations, departing from the Brussels basis of need to the Barnett model of population count. English politics and English interests are bound to be engaged in funding decisions. After all, in the policy areas devolved to the devolved Administrations, Westminster and its Ministers act as an English Parliament. English interests are going to intrude. All are agreed that there will be a need for new UK frameworks, but the Bill hands all the power to UK government Ministers. They will be able to dictate to the suppliant and powerless devolved Administrations whatever frameworks they think “appropriate” in whatever fields they choose. The Bill cannot be chuckled through this House as David Davies is trying to chuckle his way through European negotiations. Someone in this Government has to take a grip, to make decisions and determine both a destination and a course to get there. Step 1: the devolution proposals in the Bill have already failed the test and there is no time while the Bill is in this House to go through with it. They should be extracted from the Bill forthwith. Clause 11, Schedules 2 and 3 and any other related provisions should be taken out of the Bill. Step 2: the Government should demand from their DUP supporters that in return for the £1 billion bung they have been given, they should make the compromises necessary to revive the Northern Ireland Assembly and Executive. If Paisley could sit down with McGuinness, the current DUP leadership owes it to their countrymen to do the same.​ Step 3: the Government should negotiate with the devolved Administrations on the basis of parity of esteem and respect for the devolution principles. They should agree the areas for the new frameworks that will be required. Step 4: they should bring forward a new Bill on an agreed basis, with legislative consent orders ready to go. These current provisions are not fit for purpose.

12.35 pm

* Lord Bichard (CB)    Share this contribution My Lords, many Peers here and many Members in the other place have referred to this as a technical Bill. In its current state, it is anything but a technical Bill, because it has serious implications for our constitution and for our system of democracy. We should recognise this. Since the referendum, we have heard a great deal of the need to respect the democratic mandate which the result provided. The people voted, albeit by a narrow majority, to leave the EU, and it must therefore be right that their decision is implemented. This is a moment for us to reflect on and respect the foundations on which our democratic system has been built, not to ignore them. For example, our system has within it a series of checks and balances which ensure that political leaders, once elected, cannot do as they wish without challenge, or without the need to transparently justify their actions and to be accountable in the long term. These checks and balances are never more important than when a policy is controversial or is the subject of the kind of passionate feelings that many politicians demonstrate for Brexit. Theses checks mean that departmental accounting officers have the right to seek directions; that this House has the right to scrutinise and challenge; that the National Audit Office, which I chair, has the right not just to audit public bodies but to investigate and report on value for money and propriety; and, of course, that the judiciary has the responsibility to judge whether or not the law is being respected. These checks are not, as some seem to believe, irritating evidence of a determination to undermine democracy, but central tenets of our democratic model. We should treat them as such, cherishing and embracing them, because true democracy recognises that the best decisions derive from an exchange of opinion. As the noble Baroness, Lady Smith, said yesterday, some decisions are too important to be left to those who have no doubt. As many Peers have said, our particular democracy has also placed limitations on the power of the Executive to make substantive changes to law by way of secondary legislation. However, the Bill before us specifically gives Ministers the right, via the correcting powers in Clauses 7, 8 and 9, to amend primary legislation by statutory instrument. For example, Clause 7 sets out the powers for Ministers using secondary legislation to amend or undo any EU laws they claim are not operating effectively or are suffering from any other deficiency arising from the withdrawal. The vagueness of these definitions gives Ministers unprecedented discretion, which strikes at the heart of our democracy. Many people who voted for Brexit did so because they felt ignored and that they had lost control of their destinies. They did not vote for Brexit in order to give ​Ministers unbridled powers to take away their fundamental rights. The Government belatedly seem prepared to make concessions on this issue, but I am by no means yet convinced that these go far enough. The way in which these concessions have been offered—with apparent reluctance and so late in the day—does little to reassure me that the importance of this issue for the sovereignty of Parliament has been understood. This view was reinforced earlier by the noble Baroness, Lady Kramer. Our particular democracy is also defined by the way in which we provide access to fundamental human rights—the right to education; the right of older people to lead lives of dignity and independence; the right to protect personal data, and the right to conscientiously object. But by excluding the European Charter of Fundamental Rights from retained EU law, the Government have called into question our commitment to those rights. They have created confusion at the very time when clarity is needed and they have diluted the domestic protection available to those who feel that they have been denied access. Our determination to create a society that recognises and values these fundamental rights, and that genuinely strives to turn the aspirations into reality, is what has given our democracy its meaning and purpose. We should never dilute our commitment to those rights or even give the impression that we are doing so. Our future is not just about whether we remain part of the EU, as some seem to believe. As the right reverend Prelate the Bishop of Leeds said yesterday in what I thought was a wonderful speech, we need to ask ourselves what sort of Britain we want to inhabit. Who do we think we are? What do we live for and what are we prepared to die for? For me, and I suspect for many others in this House, the answer lies in the democratic system we have built down the years and in the fundamental human rights that many of us have sought to enhance and protect during our lives. The withdrawal process must never be achieved at the expense of those core values. There is not now, and I hope that there never will be, a mandate for that. We in this House need to have the courage to amend and improve this flawed Bill, not to frustrate democracy, but to protect it.

12.41 pm

* Lord Judd (Lab)    Share this contribution My Lords, that is a difficult speech to follow. It was powerful. I am very glad that the noble Lord concentrated on what the right reverend Prelate the Bishop of Leeds said yesterday, because that was a very challenging ***intervention*** as well. He talked about the issue of who we are, what kind of Britain we want to be and what kind of world we want to try to play our part in creating. I will add only one other issue alongside those. For me, it is an absolutely inescapable truth that from the moment we are born we are locked into an interdependent global community. The way we shall be judged by history is by the success we make of finding ways to meet that reality and to build institutions and methods of intergovernmental co-operation that enable us to face it. Climate change is a great example; security is another.​ We have heard a great deal about the importance of the constitution. It is quite clear from this debate, if in no other way, that referenda and representative parliamentary democracy are not easy companions. I have always held that we in Parliament are the practitioners as well as the representatives, but that the constitution belongs to the people. From my experience of what we have been through in recent years I have come to the conclusion that the rare case for constitutional change to be proposed is in the context of a general election. That is a way to bring the whole system together, but we seem to have been busy building dual systems and then telling Parliament that its function is to deliver what comes through a referendum. That makes a nonsense of the concept of dynamic representative democracy. That is why the debate, discussion and search that goes on in processing the Bill—not the Bill itself; we have heard too much about how the Bill is important—is vital to our parliamentary heritage. It really will not do for Ministers to keep lecturing us on how our job is simply to get it through. It is not. It is to make sure that what it is doing is compatible with everything that this country has stood for. Human rights are, of course, central to that. I have the joy—I think that is the right word to use—of serving on the EU justice sub-committee, which my noble friend Lady Kennedy chairs. She spoke very powerfully about those issues today. There are two issues that I would take above all others. The first is that the concept of citizenship matters deeply. By our referendum, we have removed European citizenship from countless numbers of people who thought they were enjoying what citizenship meant. That is a very grave thing to have happened. Therefore, one of the things that we must do in our deliberations in this House is make absolutely certain, if it can be done, that we have arrangements in place that will meet the challenge of restoring the rights that people thought they had. The other issue is the European court. I have been horrified and dismayed in the work of the justice committee to hear and see more and more evidence of the gap between myths, rhetoric and populism on one side and reality on the other. Almost without exception, witness after witness to whom we have listened has said how indispensable the European court is. Over and over again we have been given examples of the key part played by British lawyers in developing and strengthening European law—it is a tragedy that the British people do not understand this and have not been led to understand it. We are living in an interdependent world and we wanted to be part of an interdependent Europe. That required strong law in Europe and the British have been playing a huge part in that, so what are we doing walking away from it? Whatever happens on the Bill, and I hope we will have some very demanding and searching debates, I hope we remember—to come back to the ***intervention*** yesterday by the right reverend Prelate—that we cannot escape from being members of an interdependent world. Our children and grandchildren will ask what we did towards devising the policies and arrangements to meet the challenges of an interdependent world or whether we walked away in the opposite direction with a preoccupation with what was immediately popular.​

12.48 pm

* Lord Naseby (Con)    Share this contribution My Lords, the noble Lord, Lord Judd, is right to comment and demand that citizenship is vital. I say that with some feeling because my grandparents came from Germany in 1913. They were about to get British citizenship but they did not achieve it. They were sent back to Germany but, thankfully, reappeared after the First World War, so I guess a quarter of my blood is German. I have been pro-European all my political life. I joined the Young European Managers’ Association, along with my noble friends Lord Wakeham and Lord Vinson. We campaigned as young professionals to encourage the country to join Europe, and of course success was achieved. Just after that success, we had the 1974 election. I campaigned in that election in Northampton, a marginal seat that had been Labour all its life, where I won by the princely majority of 179, thanks, I think, to the Europeans in that constituency who supported me. When I got to Parliament it was in the period when we had dual-mandate Members of the European Parliament; in other words, they were elected to our Parliament and also sat in the European Parliament. Then we had elected MEPs. Somehow, somewhere in that period, from 1974 through the years, there was the beginning of disillusionment. Then we had the 1997 election. I had been in the seat 23 years, in a marginal seat, and I had a Referendum Party candidate purposely put up against me. At that point I was Chairman of Ways and Means and not able to campaign very much and I lost by a few hundred. So Europe has been very important to me. If you sit in a marginal seat you have to learn to listen. In this case I suggest to your Lordships that we now have to listen and accept the practicality of what has happened in the referendum. I voted to remain—that does not surprise anybody—but I do now listen deeply to industry, commerce, trade and, above all, the City, to ensure that we look after their interests. We have to accommodate both what the majority of people wanted and these key dimensions of our society. I do not need to explain the Bill to anybody here, but as I understand it we are transferring European law into UK law. I am not a lawyer, but it needs to be done in a stable and orderly way. I had the privilege of handling the Maastricht Bill in the other place. I had a good team that worked with me and the first decision we took was to call in all the sides that had strong views about Maastricht, listen to them and decide what could be agreed before it got on to the Floor of the House and what could not be agreed. One of the problems, I suggest to your Lordships, is that we do not have a similar procedure here. We have a very good Constitution Committee, no doubt, but I believe, having read its report, that it leaves an area of confusion. Certainly, not all of its proposals are terribly practical. That is where we come to the problem of Henry VIII clauses. I do not think it is practical to have all these challenges in primary legislation: it is just not practical and if it is not practical, we need to ensure that there are safeguards. That, I believe, is vital.​ There are three large areas of discussion. Should the Executive have power to accept the final deal without Parliament having a vote or, indeed, the people having another vote, or should there be further votes for Parliament en route? We must recognise that any Government has to govern and give the leadership that we, the people, want. I share the view that it is a great pity that the Cabinet today seems to be riven by various factions: that is not what I want to see in my Government. Secondly, everybody that has contributed has made it clear that this is all about the future of our nation. I, for one, am not in favour of a second referendum. The challenge, though, is not just a constitutional one. We have to accommodate trade, industry, commerce and the City because they are so vital to our economy, to employment and to standards of living. There are trade deals out there. I know quite a lot about Asia. I have visited many parts of Asia, both as an executive and as a politician. Frankly, it is not good enough at the moment to be appointing MPs as trade envoys. That is second-hand. We need experienced negotiators out there with specific experience of those markets to ***produce*** future trade deals that will enable us, a single country, to trade extensively and successfully. I finish with two quick points. I want to say on the record thank you to those who are doing the negotiating for us. To all those civil servants and politicians, I say a big thank you. At this point, frankly, our nation wants inspirational leadership and a goal that we can all sign up to. This is a time for a united Cabinet to decide what we really want, what we think we can get from Europe and what we can offer in return—not just in EU terms, but to defence, culture and so on. Do this, and the country will respond.

12.55 pm

* Lord Lea of Crondall (Lab)    Share this contribution My Lords, the Bill before us is a dog’s breakfast. In my view, it is inevitably so, for the reasons touched on only a few minutes ago, first by the noble Lord, Lord Bichard, and then by my noble friend Lord Judd; namely, it was obliged to spatchcock parliamentary sovereignty and procedure with plebiscitary democracy. As my noble friend Lord Judd said, the two do not fit. That is why there are several examples of where we are struggling, such as the Henry VIII powers and the interface with the devolved Administrations. There is, however, one novel feature in the Bill, which came in a late amendment in the House of Commons that was, I think, carried by four votes: Clause 9 provides that Parliament shall consider the outcome of the negotiations. I wish to develop a point made by my noble and learned friend Lord Falconer of Thoroton, concerning whether there needs to be a mandate at the start or at the finish. As a TUC official for many years—the TUC is accountable in innumerable ways—it strikes me that one does not go into a negotiation without first determining some basics about what one wishes to achieve; in other words, the remit or the mandate. If you do not have a mandate, the union executive will, when you get back, say that you did not achieve what you were asked to do. So, first of all, you have to define something about your priorities and, ​secondly, you have to make them less than extravagant or else you will come back looking foolish. HMG have done none of that. We saw an example of that at Lancaster House. Not only was that speech not a parliamentary presentation, it was simply a glorified press conference, where the fourth estate replaced Parliament. It is not just that it was not adopted and ratified by Parliament; it was not even put to Parliament—I do not think any parliamentarians were invited. What was said at Lancaster House was certainly not a road map that Monsieur Barnier or anyone else across the channel finds helpful at all to the negotiations. Taking my trade union analogy one stage further, I want to talk about a parliamentary mandate, which we need to include. That will be the essence of an amendment on the remit—namely, having a mandate at the outset of the negotiation and not just a vote at the end—which will complement the Commons amendment. Some of us hope to table that amendment with the Public Bill Office tomorrow, and later we will put some flesh on its bones. Whether this is helpful to the Government depends on whether Boris Johnson and Philip Hammond can be joined at the waist like Siamese twins—we will have to wait for the results of that little exercise. When it comes to the negotiations, something is very clear. If you look around at all the think tanks within two or three miles of here, you will find they all acknowledge that there are five options. The first is full divorce; the second is free trade with no express alignment and some trade-offs; the third is pick-and-mix on free trade with greater alignment in particular areas; the fourth is associate membership, which roughly means the EEA—I will come back to that; and the fifth is adjusted membership, with EU law directly applicable. I think we will probably come down on number four, but I thought I would simply set out the menu. The last three of those options involve free movement, give or take specific tests of different types that can be defined. Number four would tie in with a deal done on the island of Ireland. I noticed the other day that the EU Council is now insisting in public that the 8 December agreement is signed and sealed before the totality of negotiation is set in motion. Perhaps the Minister could confirm in his reply that that is the position. There is no point in disguising the fact that I am for the European Economic Area, which is the only option outside the EU that enables us to retain participation in the single market, the four freedoms and so forth. However, that means something like a beefed-up co-ordinating committee within the EEA twin-pillar structure between the two sets of Councils of Ministers. In my concluding sentence, I want to say a word about workers’ rights and the TUC. Frances O’Grady made the point the other day that, if we are not careful, the Bill could open Pandora’s box and that workers’ rights are at risk. If we are talking about workers’ disillusionment with the whole of this exercise, then it is very important that we get a guarantee that that cannot happen.​

1.02 pm

* Lord Sharkey (LD)    Share this contribution My Lords, I declare an interest as chair of the Hansard Society, whose briefing has been very helpful in considering the Bill, as has the excellent report from the Constitution Committee. I very much look forward to seeing the imminent report of the DPRR Committee later this week. The Bill represents a massive transfer of authority away from Parliament to the Executive, and such a transfer requires proper constraint via proper parliamentary scrutiny. The question is how Parliament might best secure reasonable oversight and scrutiny of this flood of delegated legislation without frustrating the purpose of the Bill. Previously, Parliament has insisted that a strengthened scrutiny procedure be inserted into Bills that grant Ministers wide delegated powers: the super-affirmative procedure in the case of LROs; the enhanced affirmative procedure in the case of the Public Bodies Act. There is no such procedure in the Bill, and that is a very serious defect. The Bill adds a novel procedural element to the SI process. It sets up in the Commons a sifting committee to examine all negative SIs, and it will have the power to recommend an upgrade to the affirmative procedure. It can only recommend, though, and that is not sufficient; the committee should be able to require an upgrade. We will want to address this as the Bill proceeds. The Bill contains nothing about how the sifting committee is to arrive at its decisions, and we will want to make good that lack. The Bill proposes a sifting committee only in the Commons. I was glad to hear the noble Baroness the Leader of the House promise to correct that and deliver an equivalent for this House. If a sifting committee in either House decided to upgrade an SI, that should be binding upon the Minister. I think it is generally acknowledged that Commons scrutiny of SIs leaves much to be desired, but that scrutiny process is left unchanged by the Bill. Sifting is not scrutiny. As usual, detailed and thorough scrutiny will take place in our House, where existing procedures require us to say yes or no—we cannot amend. We will of course be reluctant to invite more visits from the noble Lord, Lord Strathclyde, by exercising frequently, or at all, what may be called the nuclear option. But we should not allow unsatisfactory SIs to grant unsatisfactory powers to the Executive. It would be better to introduce a new power to return an SI to the Commons for reconsideration—a proposal recommended by the noble Lord, Lord Strathclyde in his report. It is not just the scrutiny procedures in the Bill that are inadequate, but their scope as well. For example, SIs generated by Clause 17 are not subject to the sifting mechanism, and they should be. There is also the Solicitor-General’s declared intention to use SIs deriving from existing non-Brexit-related Acts to make changes to retained EU law. These SIs need to be brought within the strengthened SI procedures in this Bill. There will be SIs generated by other Brexit Bills. We want all of them to be scrutinised as though they were generated by this Bill. For example, Clause 2 of the Trade Bill contains a negative procedure power to amend retained EU law where that law has the status ​of primary legislation. The safeguards in the EU withdrawal Bill are absent from the Trade Bill. We will want to change that. We will also want to look at the urgency provisions in this Bill. As things stand, there are no constraints on the exercise of the “urgent case” power in Schedule 7. Under this power, Ministers can lay a made affirmative instrument which will remain in force unless annulled within a month. We understand why the urgent case power may be needed, but we will also want to understand why in each case. We will require the Minister to explain and justify the use of the urgency power. We will also need to provide safeguards on the use of this power, including defining limits on its use and perhaps involving the sifting committees. The Bill at least contains sunset provisions. These are for the SIs themselves, not for whatever is enacted via them. It would be impractical to impose a sunset provision on these enactments, but that does not mean that they should not be reviewed. For primary legislation, the Government have to ***produce*** a report for Parliament within three to five years of royal assent. We see the case for a similar provision for legislation enacted by withdrawal-related SIs. This Bill grants Ministers exceptional powers but does not provide for effective scrutiny. That is very dangerous for the quality of the legislation and for the authority of Parliament. I hope we will be able to reduce these dangers as the Bill progresses.

1.07 pm

* Baroness Altmann (Con)    Share this contribution It is a pleasure to follow the noble Lord, Lord Sharkey, and so many other colleagues across the House in this monumentally important debate. I have always been proud to be British and believe the UK’s amazing achievements have been magnified by being a gateway to the rest of Europe. Free markets across the Channel and our integrated industrial operations have enhanced our performance on the global stage. One-fifth of the UK supply chain is located inside the EU. I firmly believe our multicultural diversity has made Britain a vibrant beacon of tolerance, decency and mutual respect, harnessing home-grown and overseas expertise to the benefit of ourselves and the wider world. We must not throw this away. Churchill spoke in his 1951 speech of the disadvantages and even dangers to us in standing aloof. He understood the perils of obsession with national sovereignty. It is a troubling sign of our times that anyone suggesting amending this Bill may be accused of wanting to frustrate the will of the people. That is nonsense. Parliament has respected the result of the referendum. It has triggered Article 50—albeit perhaps before we were ready—and is now trying to negotiate a good outcome for the whole United Kingdom from a new UK-EU relationship. This Bill is supposed to be about providing certainty for the future and, most particularly, about our constitutional arrangements and legal framework after we transfer all EU-derived law into UK law as a result of Parliament’s respect for the 2016 referendum vote to leave the EU.​ Some key issues of concern with the Bill have already been brilliantly exposed by previous speakers. It is our duty to scrutinise the legislation before us, which raises fundamental issues that go to the heart of our constitutional framework and parliamentary sovereignty. I do hope that my noble friend will listen carefully and relay these concerns back to his department, so that they can be addressed in government amendments. First, on the Henry VIII powers, this House cannot rubber stamp giving authority to the Executive that would normally be the role of Parliament as a whole. The amendments to Clause 7 introduced in the other place are insufficient to prevent parliamentary democracy being subverted by Ministers. As my noble friend Lord Balfe rightly said, how would we on these Benches—or indeed many on the Benches opposite—feel about handing such sweeping powers to Jeremy Corbyn? We must not allow the Bill to water down hard-won rights, for women, workers, the disabled and minorities that people in this country have relied on. I share the concerns expressed by so many noble Lords about Northern Ireland. The Government have promised a frictionless border, but have not actually come up with concrete proposals on how this will work. Paragraph 49 of the 8 December agreement promises regulatory alignment if no other way of protecting existing border freedoms can be found. That must mean staying in the customs union, single market and the EEA, with EFTA-style arrangements. There is no other way. Yet the Government, apart perhaps from my right honourable friend the Chancellor, have tried to skirt over such fundamental issues with soundbites. Ideological fixations or fantasies must not undermine the Good Friday agreement that has brought peace to Northern Ireland. The British people did not vote to break up the United Kingdom. In the words of Abraham Lincoln: “You cannot escape the responsibility of tomorrow by evading it today”.  That brings me to one of the Bill’s most serious flaws. Parliament, not Ministers, must have a meaningful vote on the terms of our withdrawal. The Government have offered a vote on a potentially very damaging deal, and the potentially even more damaging no deal. That is a meaningless, not meaningful vote. Why is it so important? Because we need to respect the will of the people. This is not about undermining our democracy; it is about upholding it. Many noble Lords have insisted that democracy requires that the 2016 vote is sacrosanct. They say that this is the will of the British people. They insist that those who voted to leave knew what they were voting for. Indeed they did. They voted to be better off; to have the exact same benefits as we have in the EU single market and customs union; for an extra £350 million a week that could go to the NHS; for easily agreed new free trade deals; for no change to the Northern Ireland border—and for having our cake and eating it. I could go on, but which of these elements promoted to the British people by the Leave campaign is being achieved? So far, it seems, not one. If these promises cannot be delivered, what should a democracy do? Triggering Article 50 has respected the democratic vote of 2016. But we are now in 2018 ​and things may have changed. Democracy does not happen at only one moment in time. This is about the ordinary people of this country who are trusting us to look after their future. The Bill needs to allow flexibility to cater for alternative scenarios that reflect new realities. That brings me, finally, to the Bill’s provisions for a so-called transition or implementation period. How has Parliament allowed itself to be enticed into this trap? We keep hearing about wanting to “take back control”. I say to noble Lords on all sides of the House who are sanguine about the direction of travel so far: please, open your eyes. Transition is the opposite of taking back control. It is about losing control. Once we are in a transition, we are trapped, with no way back. Our only ammunition may be a suicide bomb. We have surrendered our future and entered the unknown. If what the British people were promised turns out to be fantasy—nearly one year on from triggering Article 50, we are still unsure what lies ahead—we cannot rely on meaningless slogans such as “Brexit means Brexit”, and referring to “deep and special” partnerships. We cannot hand the Executive a form with plenty of headings and no detail, and just leave them to fill in the blanks. We must have a better idea of where we are heading. Without a realistic vision of the future we want—one that is achievable—we must not continue on the current path without any alternatives. Perhaps an extension, as suggested by my honourable friend Mr Rees-Mogg, would be more honest, rather than a transition with no say over the rules. There are signs that the EU might agree to this. My honourable friend has also pointed out that entering such a transition would be the first time since 1066 that our laws could be made without our having a say. Does that not mean that Europe has not been a dictatorship? We have had, and still have, the freedom to make our own rules and laws inside the EU. The necessary changes to the Bill need to be passed. That is not about undermining the will of the people; it is about upholding democracy.

1.15 pm

* Baroness Crawley (Lab)    Share this contribution My Lords, it is a pleasure to follow the noble Baroness, Lady Altmann, who has always been a steadfast pro-European. I refer noble Lords to my entry in the register of interests as a former MEP. So, Brexit—how do we think it is going? No unparliamentary language, please, from my noble friend Lord Foulkes of Cumnock in answering that question. According to the Government’s own economic impact report this week, we have to hold up our hands as the political establishment in this country and admit that we have probably scuppered people’s economic prospects for the next 15 to 20 years. This Bill, which our own Constitution Committee described as “constitutionally unacceptable”, comes to us at a time of unique instability in modern British politics. Half of Ministers and Conservative MPs want what my noble friend Lady Smith, the Leader of the Opposition, called a “buccaneering Brexit” that hauls us out into the mid-Atlantic, as far away from Europe as possible, and they ​want it to happen now, today, and with no transition. The other half, the Hammond half, want to shadow the economic and trade benefits of the European Union as closely as possible. My own party is not exactly free from criticism either. How can we answer Mr Barnier’s question—what does Britain want?—when we do not know ourselves? The Trade Secretary, meanwhile, fresh from the Derek Trotter school of international trade negotiations —its strapline being, “This time next year we’ll all be millionaires”—is touring the globe to drum up trade with deals that “could”, “might”, “possibly”, “maybe”, “sometime in the future”, come to fruition. On top of that we hear the business chorus, the cacophony coming from Davos, demanding certainty—a certainty, of course, that an embattled Prime Minister just cannot give. Meanwhile, the money men and women in the City of London are packing their bags and will probably head for Frankfurt, as the noble Lord, Lord Higgins, suggested yesterday in his quite powerful speech. They have promises to keep, and miles to go before we sleepwalk out of the European Union—with apologies to Robert Frost. British businesses and their workforces cannot wait for the Government to decide what they want: equivalence or passporting; customs union-lite or not at all; regulatory alignment or compatibility; transition or implementation or maybe both; transition or implementation or maybe both. Then, of course, we have what 19th-century Peers in your Lordships’ House used to call “the Irish question”. Here I declare my Irish nationality. The new Irish question is of course: “How can you have virtually no border with the Republic of Ireland, an EU member state, and not be in the customs union and the single market?”. Paragraph 49 of the 8 December agreement, which supposedly answers this question, is written so ambiguously that Malcolm Tucker from “The Thick of It” would have been proud. The purpose of the Bill before us is, as we know, to provide a functioning statute book on the day after we leave the European Union. But this Bill is not just a procedural device: it is not a cut-and-paste, drag-and-drop, pull-across-and-slap-it-down technical exercise to convert EU law as it stands at the moment of exit into domestic law. It is, in the words of our own House of Lords Delegated Powers and Regulatory Reform Committee, a Bill that, “contains unacceptably wide Henry VIII powers”, or, as the noble and learned Lord, Lord Hope, said in his excellent speech yesterday, “Oliver Cromwell” powers. Chris Bryant MP suggested at Second Reading in another place that in the history of the 20th century, and I understand that he looked into this, no Bill has ever attempted to do this, even in times of war or civil emergency. The Fawcett Society said in its briefing to us that, notwithstanding the gains from the equality Bill in the other place, it fears Ministers’ excessive powers to be able to amend and repeal all manner of employment and equalities legislation through this Bill. It should never be forgotten that our EU membership has brought enormous protection to the women of this country—their working rights, family rights and equal rights—much of it to do with the legal underpinning from the European Union.​ Our EU membership has brought great protections that now seem to be at risk, because those rights do not continue under the Bill with the enhanced status that the legal underpinning from the European Union has given them for the last 40-odd years. They survive in the Bill only in delegated form, as do the equally important environmental and consumer rights that the British people take for granted as part of a safe, civilised life. The Government can expect no let-up in our efforts to make this Bill somehow, against all odds, work in the interests of the British people as we leave Europe, but leaving Europe is an act of extraordinary political self-harm for which our grandchildren and their children will not forgive us.

1.23 pm

* Lord Cameron of Dillington (CB)    Share this contribution My Lords, it is a great pleasure to follow the noble Baroness, Lady Crawley, and indeed a panoply of excellent speakers over the past two days. It is a well-worn opening sentence of after-dinner speakers to say: “As Henry VIII said to his wives, I shall not be keeping you long”. I hope indeed that I will not be keeping your Lordships for long but, more to the point, as the 129th speaker in this debate, I will only focus on the Henry VIII powers in the Bill. Like many others, I have serious concerns about the powers being taken by Ministers. I have seen forecasts that more than 1,100 SIs could be used in this process. In my field, which is the environment and our countryside, some 80% of our laws are shaped by, and in some instances controlled by, Brussels, so our countryside and environment, more than any other aspect of our lives, could be gravely affected by Clauses 7 and 9. It is to be hoped that some of the necessary changes to that body of EU controls, judgments and laws concerning the environment can be dealt with in the four Defra Bills that should come before us before Brexit on animal welfare, fisheries, ***agriculture*** and, most importantly, environmental protection. In this way, we can deal properly with many of the issues involved on the Floor of the House, but we must get it right. Post-Brexit, we must create a new “brand UK” that exudes quality in every aspect of our lives—our beaches, habitats, rivers, air, soil and, indeed, the rights of our workers and of our children. There must be no opportunity for the Executive to water down this quality agenda. We must think long term and not rely only on the promises of the current Executive. As sure as eggs is eggs, they will change, and who knows what we will get in their place—of whatever party. I believe that a democracy is only as safe as its institutions are strong. Having Ministers able to bypass our institutions and processes is not a good sign. The unprecedented powers granted to Ministers could be dangerous. I am extremely dubious about the current sifting arrangements proposed by the Leader of the House yesterday. One committee for the Commons; another for the Lords—what a waste of everyone’s time. What happens if they disagree? How can any such committee, of whichever House, contain all the necessary expertise in the various fields involved—fields as diverse as the licensing of drugs; changes to scientific research, ​employment law or the Equality Act; alterations to the birds and habitats directives vis-à-vis raptors, squirrels or seabirds, or changes to our nuclear industry? Etcetera, etcetera. How will one group of Peers know whether every SI involved is a mere technical adjustment or is instead—surreptitiously or inadvertently—a complete game-changer? Then there is the likely number of SIs—supposedly more than 1,100. How can one group of Peers or MPs deal with them all? SIs will be flying at them like snowflakes on to a car at night. You focus on one which immediately melts on the windscreen. Meanwhile, another 50 have flown in unnoticed. You are driving your institutional car into the black of night and probably into a snowdrift. This is not good enough. In my humble view, what is needed in the Bill, as well as changing the word “appropriate” to “necessary”, is a scrutiny committee with the power to appoint expert sub-committees—like our EU Sub-Committees, but made up of Members of both Houses. The committee should have the power to propose that some negative instruments become positive and even recommend, in a few rare cases, that primary legislation is required. Because time is likely to be of the essence in this process—hence the need to use secondary legislation—I suggest that they should be able to recommend that such and such an SI should have a sunset clause. I have checked with the clerks, who tell me that this is entirely possible. This way, before the sun sets, as it were, there can be time—in certain crucial areas—for primary legislation to be properly debated in both Houses. We need to aim for the very best of Britain in our new independence. We all know that Governments cut corners and we must ensure that, for our environment at least, in the Bill this is made too difficult to contemplate.

1.28 pm

* Baroness Sherlock (Lab)    Share this contribution My Lords, in a debate full of marvellous speeches, I apologise in advance that mine is going to be boring. It is possible to be boring and very important at the same time—I know: I used to work in the Treasury. I am going to look at a specific area but, by the end, this may be a lens through which we can look at the Bill as a whole. I want to look at family law and the law affecting families with kids. In doing so, I have been grateful for some wise and thoughtful briefing from various quarters, including the Children’s Society and the Brexit family law group. Family law has a major international dimension. There are about 140,000 international divorces and 1,800 cases of child abduction within the EU every year. The matters at stake cover divorce and maintenance, child contact and child protection, child abduction and the protection of victims of domestic violence and harassment. Brexit and the way this Bill is crafted pose some real problems for this area. By importing EU family provisions into our law, this Bill does not change substantive law, but it maintains our obligations without any guarantee of the reciprocity necessary to make them work. The result is that the Bill shunts us into a one-way street where the UK is obliged to apply the current provisions, but the EU 27 will not have to do the same for us because we will have left.​ Although there is no effect on our substantive law, EU family provisions affect our lives in various ways. Imagine a German man, Andreas, married to an English woman, Jane, living in Germany with their son, Thomas. They are affected in various ways. First, there is jurisdiction. Imagine that Andreas and Jane separate and Jane comes back to England and petitions for divorce in Birmingham, while Andreas petitions in Berlin. Thankfully, there is a mechanism to decide which court takes precedence, avoiding expensive parallel proceedings. Secondly, there is enforcement. If Jane gets an order from an English court for maintenance and Andreas will not pay up, Jane can enforce the English order by applying directly to the court in Germany using her English court paperwork, or via the central authorities. If Jane also has a contact order from an English court when Andreas fails to return Thomas after a summer visit, the EU family law provisions provide enhanced and quicker mechanisms to get him back. England also gets the final say if, for any reason, Germany will not return Thomas. If Andreas then gets cross and starts harassing Jane, she can get an injunction against him in England which is automatically enforceable in Germany. Thirdly, there is co-operation. The stress means Jane starts neglecting Thomas and a neighbour gets worried and alerts social services, at which point Jane disappears to Ireland. Fortunately, the rules on co-operation mean the two countries can readily share information. What will happen to this admittedly rather unhappy family post Brexit? We will lose the rules that stop parallel divorce proceedings, so with Andreas and Jane both petitioning for divorce, if Andreas files first in Germany, under this Bill we have to stop proceedings here. But if Jane files first, Germany does not have to stop its proceedings. We could end up with simultaneous cases running in Birmingham and Berlin at vast expense, reaching contradictory decisions on maintenance and contact with no certainty about enforcement. Jane loses the enhanced provisions that would ensure the speedy return of Thomas if his dad keeps him in Germany, and our courts lose their final say but would have to respect it the other way round. Jane would have no ability to enforce any domestic violence injunction in Germany. She would have to raise separate litigation there, by herself if she cannot afford lawyers. On the rare occasions this has even been touched on, Ministers like to say that there are alternatives. They cannot point to common law as here, we are talking procedural not substantive law. They might cite existing conventions but there is no guarantee that they will apply. There is nothing in place of the domestic violence protection measures. There are no practical alternatives on divorce. With regard to maintenance and children cases, the relevant Hague conventions offer much weaker protection and narrower provision than we have now. In short, our citizens would be disadvantaged by lesser provisions. We would have to apply the EU provisions in our law while the EU 27 would have to give our citizens only the secondary protection under ​the Hague conventions, if they are applicable at all. The Bill will create confusion as to which laws apply and when. Families will not know whether or when their orders can be enforced and disputes will be slower and more expensive. What are the alternatives to the options in this Bill? There are not many. The first is to retain full reciprocity. That would almost certainly mean being bound by the CJEU and its decisions, which Ministers currently reject. It is worth noting that unlike other areas of law, here the CJEU is dealing only with procedural questions, not with substantive law. Every EU state keeps its own family law. The court can rule on questions of interpretation of laws, such as which country decides a case or the wording of enforcement orders. It does not change the law by which a country decides who gets divorced, what maintenance will be granted or how much contact there will be. Secondly, we could seek a bespoke arrangement. We could try to make a deal with the EU for a new framework for family law co-operation. That would be slow and difficult and certainly not possible by 2019. Even if we end up with no deal and even if we can get rid of the asymmetry, there is still no guarantee that the Hague conventions would apply, leaving us with an unacceptable void. I am very worried that Ministers appear to have given no attention to what they will do about this area. I have heard not a single thing telling us what they will do. By the time we get to Committee—where I intend to return to this—I very much hope that the Government are in a better position. I have a final word on children. Children’s charities are deeply concerned about whether our law will be sufficiently robust and comprehensive to protect vulnerable children post Brexit. For example, not all the provisions of the EU anti-trafficking directive 2011 were brought into domestic law, which will leave real gaps in safeguards, for example for unaccompanied minors. It is not just trafficking. Noble Lords may remember the awful case of Northern Irish teenager Ronan Hughes—just one example of the international nature of many crimes against children. He killed himself when images he was lured into sharing online were sent to his friends when he would not pay a ransom. Last year his blackmailer was finally put away thanks to Europol. These issues do not make headlines, but perhaps they should. Whatever the high politics of Brexit, children in the UK deserve protection and our citizens should be able to enforce our family law in Berlin as well as in Birmingham. That is what is at stake. I very much hope that the Minister will attend to it.

1.34 pm

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North Devon Journal

November 16, 2017 Thursday

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**Section:** AGENCY:OTHER; Pg. 46-47

**Length:** 7867 words

**Body**

Alwington

Social Dance

Saturday at the Village Hall. Dancing 7.30-10.30pm. Admission £3 includes light refreshments. Raffle. Info: Alan 01237 472746.

Live music

Westerley 5 or 6 tomorrow and Northern Soul Disco on Saturday at The Champ. Monday: Alison Rayner Quintet, North Devon Jazz Club, The Beaver, 8.30pm. Entry free but collection for band.

Sarah Sampson, Ashford Holt, Ashford, 01271 345225

Parish council

Ashford Parish Council met on October 19, apologies received from Cllr Vaughan Lawson and Cllr Caroline Chugg. Attending were Mike Kelly, ***planning*** manager; Graham Townsend, ***strategic*** ***planning*** development officer; North Devon councillor Andrea Davis and 32 members of the public.

A first birthday party for the opening of the telephone box library was well attended by 43 people with great success.

Ashford now has several community groups which are the Ladies Group, Coffee Mornings, Bike Club, Art and Literature and Gardening Club, and charity fundraising is always on the agenda.

The Neighbourhood ***Plan*** was further discussed and reports read. The grant to be applied for to proceed was voted, the result was three for and three against, carried in favour by the casting vote of the chairman.

The chairman is in discussion with local landowners to find a possible children's play area.

A report from the police showed there were again no crimes reported in the village.

Next meeting today, 7.30pm, in the Church Hall. All welcome.

Prize bingo

Tomorrow, Atherington Pavilion. Doors open 7pm. Raffle and refreshments.

Shirley Punt, 01271 343716, [*shirley-punt@btinternet.com*](mailto:shirley-punt@btinternet.com)

Christmas bonanza

A Christmas Bonanza will be held in St Paul's Church and Hall, Sticklepath, on Saturday from 2-5pm.

Christmas and table top sale

In Magdalene Lawn common room, Barnstaple, tomorrow, from 10am. Free admission.

Golden Coast Big Band

At Portmore Golf Park on Sunday. Contact: Lyndon White 07791 863576.

Painting and Drawing

Every Tuesday at Barnstaple Baptist Church, 10am-1pm. Contact: 07831 493326.

Hearing Loss Support Group

The See Hear Centre, today, 2-4pm.

Charity bingo

At Tesco Rose Lane coffee shop on Sunday, doors open 6.30pm, starts 7.30pm. 50p entry includes tea/coffee. Door prize and raffle.

Christ church

Thursdays during term time: 10-11.30am Two Bridges CafÃ© - tea, coffee, home made cakes and scones.

Friday: 10am-noon Hob Nob Tea, coffee and cakes.

Sunday: 10.30am Morning Service, Rev Don Macalister; 6.30pm Communion Service, Rev Marilyn Tricker.

Tuesdays: 9.30am-noon Coffee Morning.

Wednesdays: 9.30-11.30am Community Stay and Play, drop-in for parents, toddlers and under-fives; 1pm Toddler Praise followed at 1.30-3pm with Parents and Toddlers.

Saturday, December 9: Carols by Candlelight 7pm.

Wow

North Devon's scrap store, based on the third floor of Barnstaple Library. Run by the charity Action for Children. Opening hours: Monday, Wednesday, Saturday and Sunday closed; Tuesday, 9.30 am to 12.30pm; Thursday, noon to 4pm; Friday, 9.30am to 1.30pm.

Quaker Meetings

Sundays, 10.30am, Pilton Bluecoat School. Contact: 01271 371415 or swquakers.org.uk

Library

Open: Mon, Tue, Thu, Fri 9am-6pm, Wed 10am-6pm, Sat 9am-5pm.

All events are free but booking is essential. Please visit the ground-floor enquiry desk or call 01271 318780 to book.

Barnstaple Library Friends Quiz Night on Wednesday, 7-9pm. Teams of up to 4, £5 per person to include refreshments. Please book and pay for your teams in advance at the library. Funds raised will support future library events.

Arlington Court

The Christmas Fair is returning on Saturday and Sunday with more than 40 stalls from 10.30am-4pm.

Nicola Kennaugh, 01271 549248, [*nnkennaugh@yahoo.co.uk*](mailto:nnkennaugh@yahoo.co.uk)

QUIZ NIGHT

On Saturday at 7pm at St John the Baptist Church. Tickets are £4 adults and £2 children to include nibbles and soft drinks, please feel free to bring your own alcohol. Teams of six and if you are on your own do come along anyway as we can find you a team to be part of. Raffle and prizes for the first and last teams. For tickets contact Martin or Nicola Kennaugh on 01271 549248 or [*nnkennaugh@yahoo.co.uk*](mailto:nnkennaugh@yahoo.co.uk) All money raised in aid of church funds and Devon Historic Churches Trust.

CHRISTMAS FAYRE

On Saturday, December 2, from 10am-12.30pm at St John the Baptist Church. Stalls to include crafts (including Driftwood Creations, All Things Crafty, Sewn By Alice and craftjoyuk), cakes, books, gifts, toys, children's activities, auction of promises, raffle and refreshments. Entrance is free and all proceeds in aid of the church's local community work. All are welcome.

SOUL SPACE

A new weekly offering at St John the Baptist Church. The church will be open early morning every Monday to anyone who wants to "reflect and refresh" for the week ahead. The church will provide a peaceful and welcoming space for anyone to pop in between 7.30am and 9.30am.

SLIMMING WORLD

Classes in Newport at St John the Baptist Church Hall each Friday at 9.30am and 11.30am. Contact Clare Mutch on 07951 738890 or just come to class.

MINI MUSIC

For babies and toddlers every Monday from 2pm to 3pm at St John the Baptist Church. Children and their parents/carers are most welcome.

COFFEE MORNING/ CAKE CLUB

Every Wednesday from 10am to noon at St John the Baptist Church. Everyone is most welcome and this runs weekly throughout the year.

KNIT AND NATTER

At Newport Methodist Church every Wednesday from 2pm to 4pm. If you enjoy knitting and nattering do join with us, plenty of both goes on!

HALL VACANCIES

At St John the Baptist Church Hall we have two rooms to let, the main hall being suitable for larger events and the lower room for meetings. If interested, please contact volunteer hall manager Nicola Kennaugh on 01271 549248.

1ST NORTH DEVON BARNSTAPLE SCOUT GROUP

The group are seeking new leaders and new members. We meet at Trinity Church Hall, Barbican Road. Beavers (6-8 years) on Mondays 5.30pm to 6.30pm, Cubs (8-10 years) on Mondays 6.45pm to 8.15pm, Scouts (10-14 years) on Wednesdays 7.15pm to 9.15pm.

For more information or to arrange a trial, contact Mark Etheridge on 07713 386588. Information about scouting in Barnstaple can be found at [*www.barnstaplescouts.co.uk*](http://www.barnstaplescouts.co.uk).

DEVON AIR AMBULANCE

The collection of milk bottle tops is ongoing with a collection bowl located in the entrance of Newport Church Hall. Tony Dyer wishes to thank those who have contributed so far. He would also like to thank those people who have dropped them off at the hall and encourage more to continue the same. He is also looking for stamps to donate. This is an ongoing request and the stamps are collected for church funds.

Live music

Tomorrow: Stone Faced Wellers at the Reform Inn.

Roundswell Church

Sunday Service to be led by Clive Redrup at Roundswell Community Centre at 10am on Sunday. The preacher is the Rev Dave Eadie and everyone of any denomination is welcome to attend this friendly family service.

Roundswell Monday Club

The club is holding its regular meeting at Roundswell Community Centre on Monday. The meeting starts at 2pm and will take the form of a tai chi lesson. Everyone is welcome to come and enjoy this interesting afternoon. Refreshments are provided.

NORTH DEVON DIABETES

Support group, Roundswell Community Centre, 10.30am.

Bideford Folk Club

Joiners Arms on Thursday, November 23, 7.30pm. Contact: John Purser 424286.

Painting and Drawing

Mondays: Cafe Collective, 1-3pm. Contact: 07831 493326.

Devonshire Association

The Bideford Branch will have a talk from John Bradbeer on The North Devon Tithe Map tomorrow at 2pm at Burton Art Gallery.

Concert

Newton St Petroc Male Voice Choir on Sunday at High Street Methodist Church, 7pm.

Church services

Sunday: St Mary's Parish Church, Holy Communion 8am, Parish Communion 10am, Taize 7pm. Tuesday: St Mary's Parish Church, Holy Communion 10.30am, Reflections (fellowship for those suffering loss) 2.30pm.

Live music

At the Joiners Arms, Wildhatters tomorrow and Basil's Balls Up Band on Saturday, both 9.30pm.

Cheryl Woollacott, Capitol Farm, Bishops Nympton, EX36 4PH, 01769 550435

community Club

The AGM is on Monday, 7.30pm, at the club, to which all members are invited. The committee are volunteers who have put their names forward to help get the club set up as a business, so it is now time to have the first AGM to officially elect the officers.

Frock swap

The Ladies Frock Swap Evening takes place on Saturday in the Parish Hall from 7.30pm. Tickets £10 available on the night to include complimentary glass of fizz and cheeseboard. Just bring your clean, old clothes, jewellery, bags, shoes etc and start swapping. Licensed cocktail and mocktail bar, plus cake stall.

Norman and Gwen Rider, 01271 322109, [*norman@riderfamily.co.uk*](mailto:norman@riderfamily.co.uk)

Family bingo

Tomorrow in the Village Hall. Doors open at 7pm for eyes down 7.30pm. This is a family event, so everyone welcomed to join the fun. Raffle donations are always welcomed.

SUNDAY CHURCH SERVICES

In the Village Hall: November 19, 11am, Holy Communion. November 26, 11am, Morning Praise.

QUIZ AND RAFFLE

In aid of the Pancreatic Cancer charity on Friday, November 24, 7.30pm, in the Village Hal. Raffle prizes always kindly accepted. Teams of four to six. Minimum £10 per team or £2/person. No bar but bring your own drinks and nibbles.

REMEMBRANCE PARADE

Our Scout Group paraded through the village on Sunday to fall in line with the congregation to observe two minutes' silence while lowering the Union Jack to half mast, laid poppy wreaths and then fell into line for the Remembrance Service. The Rev Andy conducted the service outside in the autumnal sunshine due to work inside the church. Everyone enjoyed refreshments and biscuits after in a relaxed, friendly atmosphere.

PINTS OF VIEW

Everyone welcome to join Reverend Andy and everybody at the Chichester Arms at 8pm on Tuesday, November 28, for an enjoyable evening of constructive discussion and socialising.

VILLAGE TIDY-UP

Saturday, November 25. The BT Tidy-Up team are volunteers who do tremendous tasks, helping to clear overgrown areas and cutting back hedges, it's also a great way to keep fit and meet new people. Volunteers are always welcomed and needed to help with refreshments and lunch.

CHRISTMAS TREE FESTIVAL

In the church, date to be confirmed. Any interested group or parties please phone Marian on 01271 371857. The theme will be Christmas Around the World.

CHRISTMAS STARTS HERE

The Christmas tree will be lit up on Friday, December 1, at 6pm. Sparkling wine and chocolate brownies served in the Village Hall from 5.30pm. Get your outside lights ready and come along and join in the fun.

Events

Today: 7pm Community Land Trust AGM, Collacott Room. Saturday: 7-8pm Uchenna Dance perform The Headwrap Diaries and post show meet the cast and learn how to headwrap, Bradworthy Memorial Hall, doors open 6.15pm, book: 01409 241313. Saturday, November 25: 2.30pm Christmas Bazaar, Bradworthy Church; 7.30pm Wine and Wisdom, Bradworthy Memorial Hall, £5 including wine and nibbles, 07971 563432.

The Bradworthy Inn Gallery Room features the work of Debbie Cox. To see past artists, visit the BIGR Facebook page. To exhibit your own work in the gallery contact [*bradworthyarts@btinternet.com*](mailto:bradworthyarts@btinternet.com)

NEIGHBOURHOOD ***PLAN***

The Steering Group have gathered factual information alongside responses from a questionnaire sent to all households. Look at the results at [*www.bradworthy.org*](http://www.bradworthy.org) Respond via the contact page. All Bradworthy parishioners can contribute towards the future of the village. Please share your ideas.

REGULAR ACTIVITIES

Mondays - badminton from 7pm to 8.30pm, Memorial Hall. Tuesdays - Knit and Natter/Stitch and Bitch (alternate Tuesdays) from 8pm to 10pm, Collacott Room; gymnastics - juniors from 5.45pm to 6.45pm and seniors from 6.45pm to 7.45pm, school hall; short mat bowling 7.30pm, Bradworthy Memorial Hall. Wednesdays - Bradworthy History Society 10am to noon, Collacott Room; All Blacks netball training, from 8pm to 9pm, Holsworthy Leisure Centre; the WI meet on the first Wednesday of the month, 7.30pm, Chapel Room. Thursdays - Baby and Toddlers Group, 10am to noon, Memorial Hall; running group from 6.30pm to 7.30pm, meet on The Square; Baroque Choir from 7.30pm to 9pm, Bradworthy Church; Bradworthy Noisemakers, fun music making for all, first Thursday of the month, 6.30pm in the school hall.

Lesley McLean, 13 Church Close, Bratton Fleming, EX31 4TB, 01598 710115, [*lesmclean1@hotmail.co.uk*](mailto:lesmclean1@hotmail.co.uk)

Parish church

Our service was led by the worship leaders and the theme was Be Prepared. Afterwards nearly 100 people gathered for the Service of Remembrance at the War Memorial, taken by the Rev Rosie Austin, Marion Ridd-Jones and Pastor Peter Ayrton of the Baptist Church. Poppy wreaths were laid on behalf of the parish council and the Beavers.

Next Sunday service will be taken by Brenda Prentice at 9.30am and Sunday Club in the Wesley Suite simultaneously.

Joint Prayer meeting with the Baptist Church at St Peter's on Monday, November 20, 7.30pm.

Messy Church: Sunday, November 26, 3.45pm.

CHRISTMAS TOY APPEAL

For children whose parents are clients of the Foodbank. Can you please give a new or nearly new toy so they have a present to open on Christmas morning? Please leave gifts in the church or with Sue Squire at Haxlea, 2 Threeways, Bratton Fleming.

BAPTIST CHURCH

Sunday: Peter Ayrton morning and evening. Monday: Bright Sparks 6pm.

SCHOOL

A message from Mrs Denham: I will be having knee replacement surgery soon. I will be available by phone or email and in and out of school to support the Christmas build-up.

Certificates were awarded to: James Fyers and Rosa Williams, Annabel Hotham-Gough, Jacob Leonard, Emma-Grace Shapland, Callum Drew, Jack Gridley and Ryan Potter.

PRE-SCHOOL

Last week most of the children watched a firework display so they made colourful artwork representing the patterns and colours. At circle time we discussed the sounds, looks and smells of fireworks. At snack time, the children enjoyed hot dogs. We offer 30-hour free childcare entitlement Early Years Funding and two-year-old funding. Contact 01598 710019, or email [*preschoolbf@gmail.com*](mailto:preschoolbf@gmail.com)

BABY AND TODDLER GROUP

Every Wednesday at the village hall, 9.30am to 11.30am. Contact: 710019

CRAFT WORKSHOPS

Village hall, Thursdays, 6.30 to 7.30pm, £6. Contact Charmain Woolley 01271 850917.

FRIDAY KLUB

For seven to 15-year-olds, tomorrow, 6pm to 8pm, £1 admission, tuck shop.

HATTON BOXING FITNESS

Mondays 5.45pm to 6.45pm. Contact Jonny 07702 738346.

LIFE DRAWING GROUP

Today, 7.30pm to 9pm. Contact Louise 07758 077089.

CUB SCOUTS

Wednesdays 6pm to 7.30pm. Contact Andrew Gibbs 763304.

PILATES

Mondays at 7pm, 01271 343944.

WHISKY TASTING

Save the White Hart Charity Event in the village hall, December 2, 7pm. Tickets from £10 to include haggis, neeps and tatties. Tickets from shop or 710782.

CHRISTMAS TREE FESTIVAL

December 2 and 3 in the parish church with live music and refreshments. If you want to do a tree, please contact Sue or Terry Squire (710526). Free entry, tree and lights supplied if required.

CHRISTMAS FAIR

Thursday, December 7, 6.30pm to 9pm. Please contact Tracey Tapp on 01598 710436.

POP UP COMMUNITY CHOIR

Join the Community Choir to sing at the Carols by Candlelight Service on Saturday, December 16, at 7pm. Rehearsals are on Wednesdays, 7.30pm to 8.30pm. Contact: Roger Martin 710303.

November Fayre

St Brannock's November Fayre is on Saturday at the parish hall from 10am-noon. There will be a full hall of stalls selling lots of interesting things from cakes and jams and marmalade to lovely jewellery and pretty scarves, plants, books, bric-a-brac, pictures of old Braunton. There will be lots of Christmassy bits and a chance to get those early presents, particularly handmade crafts. Then try your hand on the tombola, raffle and 100 Squares. Make sure you have a break with refreshments and a tempting bacon sandwich. All this and lots more including a range of goodies for the children.

Braunton Library

Friends of Braunton Library AGM is on Thursday, November 23, 7pm, in the library, includes cheese and wine and a talk by local wine experts Ray and Anne Young. The evening is free but any donations gratefully received.

Story Time, Mondays, 10.15am to 10.45am. Lego Club, Tuesdays, 3.30pm to 4.30pm. Bounce and Rhyme, Wednesdays, 11am to 11.30am. Craft Knit and Natter, Thursdays, 10.30am to 12.30pm. Wii Club, Fridays, 3.30pm to 4.30pm term time only. Colouring and Coffee, Mondays, 2.15pm to 3.15pm.

Free use of computers with library card and Pin number, free wifi.

We still need more volunteers, two hours a week could make a difference.

Braunton Museum and Information

Taw Link Light Railway, what's that about you might say. You can find out more by looking in at the museum until November 25 where there will be a display showing the proposed development of a modern light railway which will run between Braunton and Barnstaple Railway Station with battery-driven trams and will be sited alongside the existing Tarka Trail.

We have thoroughly enjoyed the visit by the juniors from Southmead School this past week. It is so good to be able to foster such visits by the young people in our community. If you belong to a youth group or club and would like to visit the museum just call in or phone on 01271 816688 to arrange a suitable date and time.

The museum remains busy selling the charity Christmas cards, also a selection of books, some of which are at a reduced price, and attractive craft items.

Church services

Sunday: 8.30am Said Eucharist at St Brannock's, Braunton; 9.45am Sung Eucharist followed by coffee at St Brannock's; 11.00am Eucharist with hymns at St Anne's, Saunton. Wednesday: 10am Said Eucharist at St Brannock's.

Braunton Fundraising Group for Cancer Research UK

The Quiz Night figure now stands at £382 and the Penny for the Guy £104.05, so thank you everyone for your support.

We are now gearing up for the Braunton Christmas Market on Saturday, December 2, look out for us on plot 26. We are having the ever-popular Chocolate Tombola with lucky numbers ending in a 5 or a 0.

Monday, December 4, will be our final committee meeting of 2017 so why not join us and help ***plan*** for 2018. Meet at The Aggi at 7pm. Thanks to Julian for accommodating us all year.

Saturday, December 9, we hope to close the year with a flourish with our Grand Christmas Coffee and Crafts morning. Amazing Christmas Draw and lots of interesting craft tables with seasonal goods for sale. Admission remains at £1 but this time includes a hot mince pie with your tea or coffee. Doors open at 10am. Info: 01271 814475.

Braunton Ladies Handbell Ringers

Coffee Morning at Mariners Court, 10am-noon on Saturday.

Madeleine Brownell, brownell [*19361949@btinternet.com*](mailto:19361949@btinternet.com)

REMEMBRANCE DAY Donations

Every year the communities of Brayford and Charles, through High Bray Church, Charles Church and the Brayford Chapel gather items for donation to those in need in the UK and abroad. Last year we sent a van load to Eastern Europe for refugees. This year we have sent 26 Christmas shoeboxes through Samaritan Purse via Grosvenor Church and donated more than 50 bags of warm clothing and blankets to those in need in Barnstaple and our local communities, working through the Freedom Centre and Encompass Southwest.

DEHUMIDIFIER

High Bray Church has for sale a two-year-old compressor dehumidifier, on wheels, in excellent condition, needing only a new humidistat, £50. Call Jonathan Brownell on 01598 710389.

Anne and Ron Thorne, Higher Ditchaton, Chittlehamholt, Umberleigh EX37 9HB, 01769 540389, [*anne@fhsinternet.com*](mailto:anne@fhsinternet.com)

Cadence

Make a much-anticipated return to the village hall on Saturday. Their blend of music, much from yesteryear, clearly appealed to a large section of the village and so they return to satisfy the call for their return.

Tickets are available from Mike (01769 540 057), Debs (01769 540325) or Nikki (01769 540605), price £10. On the door the cost is £12.

CONCERT

In Warkleigh Church on Saturday, November 25, showcasing local musical talent, both with performances by Vicky's pupils and by two local choirs - Making Waves and one from Burrington. Tea and coffee will be served after the performance.

There will be no charge but donations towards the upkeep of the church would be most appreciated.

Trevor Kirby, 01759 540680, [*trevor@cleavefarm.com*](mailto:trevor@cleavefarm.com)

Brubeck at Beaford by the Neal Maya quartet

Let this superb Devon-based quartet immerse you in the cool sounds of one of the world's greatest jazz bands, the Dave Brubeck Quartet, tomorrow at 8pm at St Hieritha's Church, Chittlehampton. Tickets: £7.50 in advance, £8.50 on the door, tel: 01769 540581. Doors 7.15pm, interval raffle and refreshments available, wine, tea, coffee. Warm but bring a cushion.

Umberleigh Friends of the School

The friends are having a Christmas Bingo on Wednesday, November 29, at Umberleigh Village Hall, eyes down 7.30pm. Everyone welcome with Christmas one, two lines and full-house prizes, plus a large selection of raffle prizes. Proceeds for Friends of Umberleigh School.

Sioux, [*combemartinmuseum@googlemail.com*](mailto:combemartinmuseum@googlemail.com)

Coffee mornings

Every Thursday in the Baptist Church between 10.30am and noon during term time.

MUSEUM MEAT RAFFLE

Every Sunday at the Dolphin, £1 per strip (or 5 tickets). First prize a joint of meat and veg; second prize rump or gammon steak, mushrooms and tomatoes; third prize breakfast consisting of half a dozen eggs, bacon, sausages, tomatoes and mushrooms.

MUSEUM

The museum will be operating their winter hours until March on Tuesdays, Wednesdays and Thursdays from 10.30am-3pm.

SHAMWICK ART GROUP

The group meets at Combe Martin Church Parish Hall every Thursday 2-4pm, Art workshops by arrangement, £5 per person, 1.30-4.30pm. Info: Judy Jones 01271 883863, Linda Thomas 01271 883345.

Gavin Bell, 01271 890770, [*gavinbell262@btinternet.com*](mailto:gavinbell262@btinternet.com)

Pre-Christmas Entertainment

A seasonal play and entertainment from Croyde Players suitable for all the family will be held in the village hall. A choice from four performances on Thursday and Friday, December 7 and 8, at 7.30pm and on Saturday, December 9, at 2.30pm and 6.30pm. Tickets are available in Croyde from The Stores Coffee House or the Post Office, from Georgeham Post Office and from Copycatz in Braunton - £8 for adults and £6 for children. Refreshments are available.

Paul Donovan, Courtiford, Dolton, EX19 8RE, 01805 804425, [*pauldon876@btinternet.com*](mailto:pauldon876@btinternet.com)

KOREAN WILDLIFE

Just back from South Korea, the globetrotting Diana Goodacre will give an illustrated talk on its wildlife tomorrow, from 7.30pm to 9pm, in the village hall. Admission is £2.50, which includes tea or coffee and biscuits, with under-12s free. Diana has transported hundreds of villagers in recent years to lands such as India, Sulawesi, Sri Lanka, Taiwan and Ethiopia, and a good turnout is also expected for this event - particularly as South Korea is in the news for nuclear geopolitics rather than its flora or fauna. Diana can be contacted for more details on 01805 603937.

MARIE CURIE SALE

Pym Gander's annual coffee morning in aid of Marie Curie Cancer Care is on Saturday from 10am-noon at 40 Orchard Gate. It is the ninth year running that Pym has done this and she hopes people will come along. Most of us need no second bidding, given the array of jam, marmalade, chutney, cakes and small gifts for sale. Admission is £1, which includes coffee and mince pies.

CARNIVAL WINNERS

Fewer people seemed to be on the streets for the annual carnival on November 4. But the procession, with its blazing torches, bands, drums, royalty, walking entries, colourful costumes and brightly-lit floats was terrific. The pubs were doing a good trade with music and special stalls. The school's doleful effigies sitting in the bus shelter won first prize in the carnival guys competition, with Penny and Derek Thorp's entry coming second and Eddy and Jean Levett's entry third.

ALL SOULS

The service at St Edmund's on All Souls' Day (November 2) was attended by 48 people. Organised by Frances Whistler, it contained reflective readings, poetry, music and prayers. People also had the opportunity to light candles in remembrance of loved ones. There was a brief but interesting talk from the Cruse Bereavement Counselling Service, followed by refreshments. About £100 was raised, which was donated to Cruse.

Peter Bunch, Arlington Old School, EX31 4LW, 01271 850215, [*peter.bunch562@btinternet.com*](mailto:peter.bunch562@btinternet.com)

CHRISTMAS TREE FESTIVAL AND CAROL SERVICE

Once again St James Church, Arlington, is to be the venue for the Arlington Christmas Tree Festival, last held in 2015, and this year being held between December 2 and 17.

The idea is that local people, businesses and organisations sponsor a donated tree, decorate it to taste and the trees, with or without decorations, are then auctioned off on the last day at the end of a special Carol Service.

In the meantime, the amazing sight of some 30 or more trees all together and sparkly, can be viewed and a collecting bucket will be available at the church. The trees themselves are to be generously donated by Mole Valley Farmers and all proceeds will be added to the Arlington church repair fund.

Only a few trees remain to be sponsored and sponsors are invited to contact church treasurer Edward Mather on 850598.

Add the dates to your diary for a spectacular Christmas display, with an uplifting Carol Service on December 17 and the opportunity to buy the family Christmas tree and at the same time support Arlington Church.

Christmas Whist

On Thursday, December 7, with refreshments, seasonal prizes and a raffle (donations appreciated), in aid of Village Hall funds. Contact Sandra Gregory 882287 or Patrick Kift 882691 for further information.

Blackmoor Gate Young Farmers

Meet on the first Tuesday of every month at East Down Village Hall at 7pm. They hold lots of fun events, organise socials such as big breakfasts and raise money for charity. They also do beef and lamb stock judging, club rallies, shearing and much more. If this sounds like something you would enjoy, join them at their next meeting on December 5. For information call chairman Nick Smyth on 07790 584448.

Bridge Day

Held on Saturday, a miserably dark and wet autumnal day, packed a warm and cosy East Down Village Hall with bridge players from all over North Devon, who enjoyed a welcome drink as they arrived, a two-course home-cooked Lunch of cottage pie plus a remarkable variety of different puddings and generously supported the well-endowed raffle to make the excellent sum of £630 net for parish church maintenance funds. Pat Bunch was the organiser, with catering supervised by Shirley Lerwill, assisted by many members of the PCC and a number of other churchgoers, who kindly provided the delicious food.

Margaret Weeks, [*dmweeks@tiscali.co.uk*](mailto:dmweeks@tiscali.co.uk)

Exbourne with Jacobstowe Parish Council

Extracts from the draft minutes for the October Exbourne with Jacobstowe Parish Council meeting held Jacobstowe Church. All councillors were present and nine members of the public.

During public speaking time comments were expressed on various ***planning*** applications that were to be discussed later in the meeting.

In the absence of the borough councillors there was no BC report.

Cllr Williams reported that additional Lengthman work funded from a TAP grant had been completed.

The parish council has received one application to fill the councillor vacancy. The applicant to be invited to the next meeting.

The following ***planning*** applications were discussed:

Proposed erection of one permanent ***agricultural*** worker's supervisory dwelling at Hole Downs, Exbourne. Councillors felt it important to support ***agriculture*** in the countryside and so agreed to support the application, subject to an ***agricultural*** needs survey.

Proposed construction of workshop extension (retrospective) at Meadows Edge, Exbourne, was supported.

Re-advertised (revised site location ***plan***) erection of two-storey, three-bedroom house, a separate single garage and parking for two vehicles at Hayfield House, Exbourne. Councillors reaffirmed their previous comments.

The next meeting will be held on Wednesday, November 29, in Exbourne Village Hall.

Exbourne Methodist Church

On Sunday Exbourne Methodist Church will welcome Stowford Meadow Singers for a concert at 2.30pm. The chairman will be the Rev Liz Singleton and the concert will be followed by a scrumptious tea. Proceeds will be for chapel funds and will celebrate the chapel's 85th-year anniversary.

Exbourne Local History Group

The next meeting will take place in the village hall on Tuesday at 7.30pm and the speaker will be Peter Mason who will give a talk about Dartmoor Life in the First World War. It will cover farming life, recruitment marches and the impact on the area of the conscientious objectors in Dartmoor Prison. Non-members very wecome - entry £3 to include tea and biscuits.

Art and craft fayre

At St Peter's Church on Saturday, 10am-5pm, in aid of North Devon Hospice. Free entry.

Maureen Poole, Wyndene, Hele Lane, Frithelstock Stone, 01805 622834, [*maureenpoole@talktalk.net*](mailto:maureenpoole@talktalk.net)

Remembrance Service

Held at Frithelstock Parish Church and led by the Rev Peter Bevan, organist Gwen Barrow. At the War Memorial wreaths were laid by Sidney Adams, church warden and chairman of Torrington British Legion; Mike Stokes, parish council; Michael Short, Frithelstock Skittles Club; Maureen Poole, Frithelstock WI; and Terry Warrington, Frithelstock Bell Ringers. The Last Post was played by Nick Megson, bandmaster of Torrington Silver Band. Many thanks to the extra people who laid wreaths.

50 CLUB

November winners were: first Mary Pearce £25, second Judith Brock £15, third Judith Seaman £10.

Mary Tonkin, 01271 378910, [*goodleighnews@lundybay.net*](mailto:goodleighnews@lundybay.net)

Goodleigh twinning

Wine and Cheese Tasting evening on Saturday at 8pm in the Village Hall, tickets: £15 from Emily on 07776 251514.

Exhibition Day

Sunday, March 11: photography competition and displays. If you would like to be involved please contact Pat Newell, village hall chairman at [*patricianewell@btinternet.com*](mailto:patricianewell@btinternet.com)

Village Hall

Will be hosting an evening of music with Blackheart on Saturday, January 13, 7.30pm. Tickets: £10 to include a hot dog supper, there will also be a real ale and cider bar.

Goodleigh WI

Welcomes new members at any meeting and meets on the third Tuesday of each month at 7.30pm in the Village Hall. On Tuesday our speaker is Rebecca Harris from the Freedom Centre who will introduce us to the work of the organisation and those who are helped by it. On December 19 our meeting will have a Christmas theme making table decorations demonstrated by Janet Bryant and Pat Bissel. Details: Janet Bryant 01271 344583 or Mary Fardon 01271 344629.

HORTICULTURAL SOCIETY

The winter ***programme*** continues on December 15 with a Fun Quiz and bring and share supper. In the new year - January 10: Forest Gardens. February 14: Mike Mann on Dahlias and The National Collection. March 14: Open Meeting with Tony Russell on Japanese Gardens. All meetings at 7.30pm in the village hall.

UNITED CHURCH

Welcomes you to their Sunday morning service at St Gregory's Church at 9.30am.

Christians Together are collecting plastic milk bottle tops for pet charities and used stamps for the air ambulance. Please bring your saved items to the church for these two popular charities.

PILATES

With Louise on Tuesdays, there is a rehabilitation session for those who need more time or have an injury at 4.15pm, followed by the regular class at 5.30pm in the village hall. Contact Louise on 01271 343151 for more details.

ART CLASSES

Continue with Avice Yeo on Mondays from 10.30am to 12.30pm, £10 per session. For more information call Avice on 01271 870849.

LADIES' MUSIC AND MOVEMENT CLASS

In the Village Hall, on Tuesdays with teacher Marie Johns, 10.30-11.30am.

MOBILE LIBRARY

Next visit is on December 4 from 11.50am-12.20pm.

BRATTON FLEMING DANCE CLUB

The next Club Night is Tuesday from 7.30-10pm. The Charity Dance is on Saturday, November 25, from 7.30-11.30pm, bring and share supper. For more information phone Lynn on 01769 573239 or Mike on 01271 373095.

PARKINSON'S UK

The next meeting at the Village Hall is on December 2 from 10am-1pm. It is a friendly club for those with Parkinson's and neurological issues and their carers and partners.

We have a variety of speakers and visitors to entertain and we enjoy coffee, tea and sandwiches.

GOODLEIGH SCHOOL

Big Breakfast for Children in Need on Friday.

Tricia Oakley, 01237 441690, [*barnpark@live.co.uk*](mailto:barnpark@live.co.uk)

church services

Sunday: Morning Worship at the Methodist Church, 11am. Hart Service (all-age) at St Nectan's, 11am.

ENQUIRIES

About church weddings and baptisms may be directed to the parish office, which is situated in the Church Rooms in the car park. The office is open on weekday mornings from 10am to noon and an answerphone is in operation (01237 441142). For those who prefer to use email, the address is [*hartlandcoastparishes@gmail.com*](mailto:hartlandcoastparishes@gmail.com)

Coffee morning

The Friends of St Nectan's Christmas Coffee Morning, Saturday, 10-11.30am in the Church Rooms, Hartland. Cakes, Christmas tombola, raffle. Choose gifts from our range of merchandise.

Big Bookshop and Coffee Morning

At the Methodist Church on Saturday, November 25.

TOWN BAND

Christmas Fayre in Hartland Parish Hall on Saturday, December 2, 10.30am-noon. Usual stalls, raffle. Admission £1.50 to include coffee and mince pie.

Christmas Concerts will be held on Saturday, December 2, and Sunday, December 3, at Hartland Parish Hall, 7.30pm. Admission by ticket only (£6) available from Ann Pillman 01237 441434 or Sheila Jeffery 01237 441543.

Christmas Bingo on Thursday, December 7, in Hartland Parish Hall. Doors open 6.30pm, eyes down 7.30pm.

Louise Williams, [*allsmiles1063@btinternet.com*](mailto:allsmiles1063@btinternet.com)

BANGERS, MASH AND BEANS

The annual supper will take place on Saturday, December 9, at 7pm at Huntshaw Parish Hall. With delicious desserts and a selection of cheeses with tea/coffee. Adults £9, children under 16, £6. Advance tickets only from Gill on 01805 623113 or Margaret on 01805 624821.

CHURCH NEWS

On Sunday at 11am there will be a Family Service at Newton Tracey Church. On Sunday at 10am there will be a Joint Service at the Methodist Church in Alverdiscott.

GARDENING CLUB

Talks and visits on the last Monday of each month except bank holidays from 2.30pm at Alverdiscott Methodist Chapel.

Please call Cynthia on 01271 858237 for more information.

HORWOOD WEBSITE

Please visit [*www.horwooddevon.co.uk*](http://www.horwooddevon.co.uk) for interesting village information and details of all events in and around Horwood.

EXPLORE

Come along on the last Sunday of each month to Alverdiscott Methodist Chapel for Interactive Bible Study. Light refreshments served. More details from Stuart on 01271 858258.

Shirley Jones, Sunnydale, 4 Avenue Road, Ilfracombe, EX34 9AT, 01271 863630, [*shirleyjns311@gmail.com*](mailto:shirleyjns311@gmail.com)

Hearing Loss Support Group

The Ilfracombe Centre, today, 10.30am-noon.

MUSICAL MEMORIES

A singing group for people with Alzheimer's, dementia and memory difficulties and their carer/companion, meet on Tuesday at the Vision Centre, Slade, 2-4 pm. Contact: Hazel 01271 863944 or Margaret 01271 882927.

ILFRACOMBE PENSIONERS SOCIAL CLUB

A smaller group than usual met on Wednesday, November 1, we hope members get better soon. We are back in the Lantern Club Room until our Christmas Party at the Osborne Hotel on December 13. Members thoroughly enjoyed John Kinsman's talk and slideshow about Old Ilfracombe. We marvel at his extensive knowledge. He also brought along one of his many photograph albums which members looked at.

COMMUNITY MINIBUS OUT AND ABOUT GROUP

The group enjoyed lunch at The Merry Harriers, Woolsery, on Wednesday, November 8. Lots of Christmas presents were brought home.

CHRISTMAS DAY LUNCH

Once again, thanks to the generosity of people and groups in Ilfracombe, we are arranging to provide lunch on Christmas Day for people in the community who are on their own or housebound and may not otherwise have a Christmas lunch. It is a meals on wheels service for any who would appreciate it. A form is available in the November Focus or from Paul Carpenter, Hairport, 114 High Street, Ilfracombe. Please book before Monday, December 11.

Church service

Tomorrow: Holy Trinity Church, Four Parish Said Communion, 9.30am.

Church service

Sunday: St Swithun's Church, Morning Praise 11.10am.

Chris Harrington, 01271 850200, [*2012LoxhoreNews@gmail.com*](mailto:2012LoxhoreNews@gmail.com)

Coffee morning

Today at 10am at the Village Hall. Everyone is welcome. We usually have cakes, cards and books for sale.

PARISH COUNCIL MEETING

This evening at 6pm at Loxhore Village Hall. Everyone welcome to attend.

VILLAGE HALL COMMITTEE

Meeting on Tuesday, November 28, at 7.30pm at Loxhore Village Hall.

SEND-a-COW BREAKFAST

Saturday, December 2, at Loxhore Village Hall. There will be two sittings, 9am and 10.30am. There will be fruit juice, choice of cereals, full English (veggie and G/F available), toast and preserves, tea and coffee. Booking essential to ensure your place and help with catering, at £7.50 each. All profits from this event will be UK Aid Match Funded - ie every pound raised will be doubled by the Government, enabling more families to work their own way out of poverty. More info on the charity from sendacow.org.uk. Contact Carole at [*sydandcarole@loxhore.org.uk*](mailto:sydandcarole@loxhore.org.uk) or 850316.

CHRISTMAS QUIZ

Saturday, December 9, at 7pm at the Village Hall. By popular demand Julie and Priscilla will be compiling and delivering another of their infamous quizzes. Teams of no more than six. The tickets are £7 each person and will include soup and a pudding. Booking is essential, phone Julie 01271 850610.

Mervyn Mugford, Tranquillity, Parracombe, 01598 763261, [*mervyn@bodley.demon.co.uk*](mailto:mervyn@bodley.demon.co.uk)

Lynton Cinema

The cinema will be showing Home Again (12A) for the final time at 8pm this evening. Starting tomorrow for seven days, The Mountain Between Us (12A). Showing each evening at 8pm with matinÃ©e on Monday at 2.30pm. Coming next, The Death of Stalin (15). Enquiries and booking: 01598 753397.

See Hear on Wheels

Lynton Town Hall, Thursday, November 23, 10am-noon.

bingo

On Saturday in the Top Hall. Doors open noon, eyes down 2.15pm.

Ruth Govier, 01598 740661, [*ruth.govier@btinternet.com*](mailto:ruth.govier@btinternet.com)

NOMADS PANTO

Snow White will be performed in the Victory Hall at 8pm from this evening until Saturday. There are still a few tickets left, available from North Molton Post Office, price £6.

YOUTH CLUB

Meets this evening for a session playing skittles at North Molton Sports Hall from 7.15-9.15pm.

Linda Bird, 01237 451579, [*lester.bird@tesco.net*](mailto:lester.bird@tesco.net)

Coffee morning

Parkham Church Christmas Coffee Morning at Teaselwood, Rectory Lane, Parkham, on Saturday, 10am-noon. All welcome.

BINGO

Monday at Allardice Hall, 7.30pm. Fresh meat and groceries. Open the box to win cash. Raffle. Free refreshments at half time. All welcome.

BIG BREAKFAST

Saturday, November 25, 10am-noon at the Allardice Hall. Raffle. Please book with Rachel on 01237 451201/452345. All money towards the Allardice Hall. All most welcome.

PRIMARY SCHOOL

Christmas Fayre at the Allardice Hall from 6pm to 8pm on Friday, December 8. Mulled wine, turkey and bacon rolls, massive raffle with fantastic prizes, games, Santa and lots of other exciting things to do throughout the evening. All welcome.

INN OVER THE ROAD

Open Sunday noon-2.30pm, please book on 451201, bar open until 4pm.

Mervyn Mugford, Tranquillity, Parracombe, 01598 763261, [*mervyn@bodley.demon.co.uk*](mailto:mervyn@bodley.demon.co.uk)

Quiz night

In the village hall, Saturday November 25, doors open at 7pm. Admission £10, will include a ploughman's supper and pudding.

For tickets, bookings and enquiries: Mary Yeo 01598 763222, Sue Rawle 01598 763202 and Trish Collins 01598 763494.

Proceeds will go towards Christ Church PCC fundraising towards the costs of repairing floorboards affected by dry rot and a number of other urgent outstanding repairs.

A list of events at Christ Church in the period up to Christmas can be found on the Parracombe page at achurchnearyou.com and on the Christ Church Parracombe facebook page.

David Kelsey, Wooletts, Rectory Rise, EX20 3HQ, 01837 810796, [*davidindevon@btinternet.com*](mailto:davidindevon@btinternet.com)

LAUREL'S QUIZ

The winners of the quiz held in the pub on Tuesday, November 7, were the Red Hot Silly Peppers, second team Clamjamfrey and third All Bar One. £116 was raised for Royal British Legion Funds.

The next quiz will take place on Tuesday, December 5, with the winner choosing their charity of choice.

CHRISTMAS TREE FESTIVAL

St Petroc's Church PCC are holding a festival in the church on December 1, 2 and 3. It is anticipated that more than 20 trees provided by village members and local companies will be decorated. Open from 10.30am-3.30pm. Craft stalls plus drinks.

For further information please contact Maureen on 01837 810796 or Ann on 01837 810728.

MERTON AND DISTRICT FOOTBALL CLUB

The away game v Combe Martin on Saturday will start at 2.30pm.

Christmas Fayre

Saturday, November 25, in the Village Hall, 10am-2pm. Morning coffee and cake, lunch soup and rolls. A variety of stalls with interesting articles for sale, maybe an early Christmas gift. Stalls £5. To book and any other details ring Lyn on 01271 850175.

Debbie Quick, 01769 573103, [*debbie.quick65@btinternet.com*](mailto:debbie.quick65@btinternet.com)

Film society

All meetings are at the George Hotel, 7.30pm. Sunday, December 3: My Life As A Courgette (PG). Enquiries: 01769 572449 or the George 01769 572514.

SOUTH MOLTON COMMUNITY CHOIR

Autumn rehearsals now taking place at the Methodist Church, 7.30pm. No auditions. Fun choir, turn up and sing. New members very welcome. Info: John Parkhouse 07971 963943.

SOUTH MOLTON SINGERS

Under the direction of Tom Bayliss the singers are rehearsing Handel Choruses for Christmas Concert. Rehearsals at the Methodist Church. New choristers welcome. Info: John Parkhouse 07971 963943 or [*jparkhouse110@gmail.com*](mailto:jparkhouse110@gmail.com)

CHRISTMAS LIGHTS SWITCH ON AND FIREWORKS

Tomorrow, 6pm for 6.15pm in South Molton Square followed by fireworks in the central car park. Free town event. The lights will be switched on by BBC Radio Devon DJ David "Fitz" Fitzgerald. Both during and after the event the pannier market will be full of entertainment.

CHRISTMAS FAYRE

The PTFA of South Molton United CofE Primary School are holding their Christmas Fayre on Thursday, December 14, from 3-5pm.

An opportunity to not only support our fundraising for the children's outdoor learning space but a chance to have a look around our new school. Visit Father Christmas in his grotto.

There will also be games, refreshments and items for sale that the children have made themselves.

Stallholders are welcome, one table will be provided at a cost of £5 to advertise/sell their products.

Please contact Debbie Quick to book your stall on 01769 573103.

See Hear on Wheels

South Molton Lorry Park, today, 2-4pm.

Concert

Friends of South Molton Parish Church Recordiano Recorder Concert in the Parish Church tomorrow at 7.30pm. Joanna Preston recorders and Tom Bayliss keyboard. Adults £5 under-18s free.

Refreshments by David - soft drinks and home bakes - will be on sale from 7pm and during the interval.

Proceeds towards his trip to Kira Farm, Uganda, with Amigos.

Christmas Tree Festival

South Molton Parish Church's Seventh Christmas Tree Festival will be held from Thursday, November 30, to Monday, December 4.

The church will be filled with 124 illuminated trees entered by organisations, clubs, businesses, schools and churches.

There will be light lunches and refreshments available with mulled wine on Friday and Saturday, also cake and bric-a-brac stalls and a Grand Draw.

Open: Thursday, Saturday, Monday 10am-4pm; Friday 10am-9pm; Sunday noon-4pm.

Jazz concert

The Manouche gypsy jazz quarter on Friday, November 24, 8.30pm, at the George Hotel. Tickets: £10 from the hotel or on the door.

Joyce Holmes, 01598 710408, [*vjholmes@tiscali.co.uk*](mailto:vjholmes@tiscali.co.uk)

Parish meeting

There will be a parish meeting in the village hall at 7.30pm on Tuesday. See the noticeboard for the agenda.

Christmas coffee morning

On Saturday, November 25, Stoke Rivers Church will be holding its Christmas Coffee Morning in the village hall from 10.30am-noon.

There will be a cakes and ***produce*** stall, book stall and a draw.

Christmas concert

Unfortunately we have had to cancel our concert this christmas, but hope to have one in the spring.

Coffee morning

In St James Church on Saturday from 10am-noon. There will be numerous stalls, including homemade cakes and a draw. Tea, coffee, mince pies and cream. Proceeds for the upkeep of the church.

Pauline Barrow, Short Cottage, Tawstock EX31 3HZ, [*pbarrow@btinternet.com*](mailto:pbarrow@btinternet.com)

Christmas Bingo

At Tawstock Village Hall on Thursday, December 7, 7.30pm start. Raffle, tea, coffee and biscuits. Great prizes.

Hearing Loss Support Group

The Bickford Centre, Tuesday, 2-4pm.

Exhibition

Torrington town crier Al Mitchell is hosting an exhibition of historical and archaeological artifacts found in and around the area on Saturday at the town hall undercroft, 10am-3pm. Refreshments. Entry free but donations appreciated.

Charity Dance

On Saturday at Umberleigh Village Hall in aid of The Parkinson's Support Group. Dancing to Bett from 7.30-11.30pm. Bring and share supper, raffle. Admission £3.50. Everyone welcome.

Church service

Sunday: Holy Trinity Church, Parish Communion 9.30am.

Big Breakfast

On Saturday, November 25, in the village hall there will be a Big Breakfast and Christmas Market with raffle from 9am-1.30pm. Breakfast £6, no booking required. Tables for stalls available at £2 each. Contact for stalls: 01598760437

See Hear on Wheels

Winkleigh Square, today, 10am-noon.

Louise Williams, [*allsmiles1063@btinternet.com*](mailto:allsmiles1063@btinternet.com)

christmas fayre

Saturday 10am-2pm at Harracott Hall. Lots of local craft stalls, a good chance to buy some lovely Christmas presents. Homemade cake and tea/coffee available all day.

CHURCH NEWS

On Sunday, 6.30pm, please join us at St Andrews Church for Evening Prayer.

CAROL SERVICE

As a big thank you to the community of Yarnscombe, St Andrew's Church will be presenting a special Christmas Carol Service with Rakes Adrift accompanying the carols and playing winter music. Come and join this Christmas celebration of carols, songs, readings, poetry and more on Sunday, December 17, at 6.30pm. There is no charge, please bring with you a candle lantern if you have one.

BINGO

Tomorrow at the Victory Hall. Doors open 6.30pm, eyes down 7.45pm. Meat and fruit prizes, raffle. Everyone welcome.

QUIZ LEAGUE

From October to March, there will be one quiz per month on a Saturday night in the village hall. Dates as follows: November 18, December 16, January 27, February 17 and March 17. Start time 8.15pm; teams of six, £2 per head.

YOUTH CLUB

We meet at the village hall on alternate Fridays to bingo at 7pm. The next date is November 24. All welcome. Under-eights must be accompanied by an adult. Nominal charge for each child. Please follow the Youth Group Facebook page to find out about meeting dates, visits and activities.

CHRISTMAS FAYRE

On Saturday, December 2, 10am-noon, at the village hall. There will be the usual stalls with a Christmas flavour and the refreshments will include mince pies and some particularly festive coffee.

MOBILE LIBRARY

Visits Yarnscombe Village Hall car park on Monday, December 4, from 11am to 11.40am.

VICTORY HALL

The bar in the village hall is open Saturday and Monday evenings from 8pm until 11pm. To book the hall, contact Karen Avery on 01805 624834.

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ICIS Chemical Business

June 1, 2018

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**Section:** SPECIAL REPORT

**Length:** 24173 words

**Byline:** X x

**Body**

Special report

Our comprehensive global listing of chemical distributors gives you a wide and diverse range of choices for your supply chain needs

1

Brenntag

2017 Sales: 11.7bn ($14.0bn)

Essen, Germany

[*www.brenntag.com*](http://www.brenntag.com)

CEO: Steven Holland

Products: Full-line range of over 10,000 products; industrial chemicals; adhesives; paints; oil and gas chemicals; food ingredients; water treatment chemicals; personal care ingredients; pharmaceutical ingredients; cleaning chemicals; coatings and construction chemicals; animal nutrition products; pulp and paper chemicals

Services: Tailor made distribution solutions; one-stop-shop solutions; specific application technologies; extensive technical support; just-in-time delivery; product mixing and blending; formulation; storage; repackaging; inventory management; drum return handling

Assets: More than 530 locations in 74 countries; workforce of more than 15,000 employees

Downers Grove, Illinois, US

[*www.univar.com*](http://www.univar.com)

CEO: David Jukes

Products: Full range of more than 1,500 specialty and basic ingredients and chemicals; coatings chemicals; adhesives; composites; sealants and elastomers; food and beverage ingredients; nutraceuticals; beauty and personal care ingredients; active pharmaceutical ingredients (APIs); water treatment chemicals; ***agriculture*** chemicals; vegetation and pest control chemicals; oilfield chemicals; mining chemicals; household and industrial cleaning chemicals; lubricants and metal-working fluids; plastics; specialty, commodity and performance chemicals

Services: Application expertise and development; warehousing and logistics solutions; technical services; formulation; laboratories and development kitchens offering expertise in multiple end-markets; 24/7 digital commerce and document access; on-time delivery; custom blending and packaging; on-site customer storage and delivery; chemical waste management and recycling; industry specific sales solutions; sophisticated digital marketing; end-to-end visibility and data capture throughout entire supply chain from development to delivery

Assets: Over 600 distribution facilities delivering to over 140 countries; several hundred tractors, railcars, tankers and trailers; nearly 9,000 employees located in 31 countries; extensive and diverse network of supply chain resources across a broad geographic footprint

Houston, Texas, US

[*www.triconenergy.com*](http://www.triconenergy.com)

President and CEO: Ignacio Torras

Products: Chlor-alkalis; aromatics; glycols; fibre intermediates; solvents; olefins; polymers; fertilizers

Services: Marketing; pre-export financing; shipping; logistics; packaging; blending; storage; just-in-time delivery; repackaging; inventory management; risk management for commodity price and foreign exchange

Assets: Global presence with sales into over 100 countries; 28+ offices; more than 450 employees

Hamburg, Germany

[*www.helmag.com*](http://www.helmag.com)

CEO: Hans-Christian Sievers

Products: Feedstocks; organic and inorganic chemicals; acids and lyes; active pharmaceutical ingredients; pharmaceuticals; fertilizers; crop protection chemicals

Services: International marketing; logistics; production; project development; scientific and technical services

Assets: More than 100 subsidiaries and sales offices; participation in over 30 countries

The Woodlands, Texas, US

[*www.NexeoSolutions.com*](http://www.NexeoSolutions.com)

President and CEO: David Bradley

Products: Alcohols; blends; esters; glycols; hydrocarbons; ketones; resins; silicones; surfactants; engineering and specialty thermoplastics; polyolefins; styrenics

Services: Blending; packaging and private label; technical support; environmental services – recycling; global sourcing; analytical testing; product formulations; market dedicated resources; local delivery scheduling; supply chain services

Assets: Over 1,000 fleet assets; over 1,100 bulk storage tanks and silos

Rotterdam, Netherlands

[*www.imcdgroup.com*](http://www.imcdgroup.com)

CEO: Piet van der Slikke

Products: Pharmaceutical, personal care and food ingredients; coatings; adhesives; construction chemicals; lubricants; detergent chemicals; fine chemicals; plastics additives and compounds

Services: Technical sales and marketing; application laboratories; local and central stock holding; drumming; repackaging; blending; sampling

Assets: Application laboratories, offices and warehouses in all major European countries, Canada, US, Turkey, Morocco, Tunisia, Algeria, Egypt, Kenya, South Africa, India, China, Malaysia, Indonesia, Thailand, Singapore, Vietnam, Japan, Philippines, Brazil, Australia and New Zealand

Luxembourg

[*www.azelis.com*](http://www.azelis.com)

CEO: Dr Hans Joachim Mueller

Products: Animal nutrition ingredients; food and health ingredients; personal care ingredients; home care and industrial cleaning chemicals; pharmaceutical ingredients; speciality ***agricultural***/horticulture chemicals; coatings, adhesives, sealants, elastomers (CASE); electronics chemicals; essential chemicals; fine chemicals; lubricants and metalworking fluids; rubber and plastic additives; textile and leather chemicals; paper chemicals

Services: Laboratory analysis; formulation development and blending; expert technical and regulatory support; repackaging; flexible pack sizes; local stockholding; market research and trend analysis; GMP and cleanroom pharmaceuticals facilities; integrated supply chain services; sampling

Assets: 41 application laboratories; offices and access to warehouses across EMEA, Americas and Asia-Pacific; high quality sales force technically trained for the market segments they serve

Beijing, China

[*www.sinochemplastics.com*](http://www.sinochemplastics.com)

General manager: Zhang Xiaolei

Products: Engineering plastics (ABS, AS, PS, PMMA, MS, PC, PA, POM, PC/ABS, ASA, POE, PVC, EVA, Q-resin, ABSHR); high performance plastics (modified nylon, modified PBT, modified polyformaldehyde, polysulfone, PES), plastic additives (antioxidents, flame retardants, lubricants, matting agents, compatilizers, titanium dioxide); epoxy resin (BPA and crude glycerine); UPR (phthalic anhydride, 2-methyl-1, 3-propanediol, Neopentyl glycol); coatings (organic silicon, emulsion, coating agents, surfactants); hygiene products (fluff pulp, SAP); synthetic rubber (IIR, SSBR, EPDM, SBC, TPE); automotive plastics (PE, modified PP, modified polycarbonate); polyurethane; rubber chemicals; specialty chemicals; ***agricultural*** products; food ingredients; textile chemicals; oleochemicals

Services: Agent distribution; one-stop purchase; supply chain management; technical support; manufacturing consignment; after-sale service; brand maintenance; customs clearance and storage; logistics; information consulting; market analysis; e-commerce; HSE

Assets: 4 warehouses with gross area of 82,834 square metres and total construction area of 57,124 square metres; 2 office buildings with gross area of 9,939 square metres

Trading sales: 34%

Hamburg, Germany

[*www.biesterfeld.com*](http://www.biesterfeld.com)

CEO: Thomas Arnold

Products: High performance polymers and engineering polymers; thermoplastic elastomers, styrenic polymers; acrylic polymers; standard polymers and additives; cosmetics and pharmaceutical ingredients; organic synthesis chemicals; household cleaning chemicals; functional food and beverage ingredients; coatings, adhesives, sealants and elastomers; performance products; synthetic rubbers; silicone and fluorosilicone rubber compounds; carbon blacks; industrial and ***agricultural*** chemicals; plant protection products and fertilizers; animal nutrition and health care ingredients; salts

Services: Technical expertise and consulting; active application development and product specification; direct and warehouse distribution; blending; storage; formulation and technical assistance; laboratory support of specialty chemicals; less-than-truckload (LTL) quantities; customised logistical solutions; marketing; consultancy and advisory services for Europe’s Reach regulation; legal compliance; silicone rubber compounding

Assets: Subsidiaries in more than 30 countries; application laboratories; mixing, blending and storage facilities for solid and liquid chemicals

Trading sales: 10%

Dublin, Ireland

[*www.pluschem.com*](http://www.pluschem.com)

President: Alan Looney

Products: Specialty and fine chemicals

Services: Marketing; logistics; warehousing; product handling and repackaging

Assets: Offices in Ireland, UK, France, Germany, Spain, Italy, Finland, Netherlands, India, South Africa, Brazil; operations in north Africa (Tunisia, Algeria, Morroco); warehouses in France, Spain, Italy, Finland, South Africa, Brazil; warehousing complex and logistics operation (Netherlands); logistics operations in Spain, Netherlands South Africa, Brazil; freight operations and trucks in Italy; bulk liquid storage vessels in Netherlands, Spain and Italy; 530 employees; European logistics affiliate NBK

Trading sales: 10%

Hoofddorp, Netherlands

[*www.barentz.com*](http://www.barentz.com)

CEO: Hidde van der Wal

Products: Starches and derivatives; amino acids; proteins; active pharmaceutical ingredients (APIs); additives; flavours

Services: Blending; spray drying; formulating; testing; pilot production

Assets: 4 production plants; 3 application labs

Trading sales: 12%

Oftringen, Switzerland

[*www.omya.com*](http://www.omya.com)

Vice president: Peter Bigler

Products: Minerals and specialty chemicals for polymers (film and sheet, wire and cable, pipe and conduit, profile, moulding, compounding, thermosets, rubbers and elastomers, flooring); chemicals for construction (decorative paints, industrial coatings, printing inks, adhesives and sealants, plasters and renders); water and energy chemicals; ***agriculture*** and forestry chemicals; alu-finishing chemicals; printing and writing chemicals; packaging and ingredients for consumer goods (food and nutraceuticals, personal care, home care, animal nutrition)

Services: Global marketing and sourcing; global supply chain management (logistics infrastructure, customer service); regulatory affairs management and services; R&D for surface science, mineral pigment, chemical engineering, microbiology and life sciences; technical application services for all product categories including analytics, microscopy, microbiology and quality control

Assets: Sales affiliates in more than 50 countries; global network of 70+ warehouses complemented with worldwide technical services and innovation hubs

Bielefeld, Germany

[*www.stockmeier.de*](http://www.stockmeier.de)

CEO: Peter Stockmeier

Products: Industrial chemical; (acids, caustic soda, solvents, solids); specialty chemicals for industrial and home care; coatings materials; construction chemicals; cleaning products; peracetic acid; polyurethane chemicals; flavours and spices; printing inks; textile auxiliaries; AdBlue diesel exhaust fluid; solvent recycling chemicals; water treatment chemicals

Services: Warehousing; blending; toll manufacturing; specialised laboratory services; logistics

Assets: More than 40 locations in Europe; 200 trucks; 1 deep-sea terminal

Courbevoie, France

[*www.snetor.com*](http://www.snetor.com)

President: Emmanuel Aubourg

Products: PE; PP; PVC; PET; PS; ABS; engineering polymers; polyols; TDI; industrial chemicals

Services: Trading; packaging; technical support

Assets: 15 warehouses

Trading sales: 85%

Antwerp, Belgium

[*www.manuchar.com*](http://www.manuchar.com)

CEO: Philippe Huybrechs

Products: Sodium sulphate; soda ash; STPP; zeolite; caustic soda; sodium bicarbonate; calcium chloride; sodium lauryl ether sulphate (SLES); linear alkyl benzene sulphonic acid (LABSA); glycerine; surfactants and oleochemicals; home care and detergent chemicals; textile chemicals; personal care and cosmetics ingredients; construction chemicals; mining chemicals; oilfield chemicals; food and feed additives

Services: Local know-how and technical support in emerging markets; tailor-made warehousing and logistics/supply chain services; financial solutions

Assets: 50+ affiliates worldwide across 35+ countries; 140+ locations; 380,000+ square metres of warehouse space

Trading sales: 40%

Dubai, UAE

[*www.petrocheme.com*](http://www.petrocheme.com)

CEO: Yogesh Mehta

Products: Aromatics; alcohols; aldehydes; ketones; phenol; glycols; monomers; esters; methanol; caustic soda; plasticizers; pentaerythritol; phthalic anhydride

Services: Storage of bulk and drum chemicals; blending; distillation; trading chemical commodities; storage tank leasing and logistical services for chemical ***producers***

Assets: Offices in China, Taiwan, Singapore, Netherlands, India, Egypt; head office in Dubai

Assets: Large state-of-the-art terminal in Jebel Ali, Dubai with 39 bulk chemical storage tanks, including drum storage for 25,000 drums and 4 drumming lines; tank terminal in Adabiya, Egypt storing bulk chemicals; 24 trailer trucks; 14 road tankers

Trading sales: 38%

Barcelona, Spain

[*www.quimidroga.com*](http://www.quimidroga.com)

CEO: Vicente Munoz

Products: Solvents; monomers; glycols and intermediates; fine chemicals and specialties for food and feed; agrochemicals and fertilisers; pharmaceutical ingredients; cosmetics ingredients; detergents; coatings; adhesives; paper chemicals; water treatment chemicals; resins; plastics; elastomers

Services: Storage of liquid and packed products; blending; standard and tailor-made packaging; dissolutions

Assets: Logistics complex at the Port of Barcelona with capacity of 30,000 tonnes of packed products and 12,000 cubic metres of liquids in 155 tanks; 2 regional sites for liquids and packed solids; 7 distribution centres; fully equipped quality control laboratory

Trading sales: 5%

Rotterdam, Netherlands

[*www.caldic.com*](http://www.caldic.com)

CEO: Olav C van Caldenborgh

Products: Personal care ingredients; pharmaceutical ingredients; rubber additives; plastics and composites additives; coatings and construction chemicals; water treatment chemicals; food, feed and beverage ingredients; nutritional ingredients; dairy and confectionary ingredients

Services; Sourcing and procurement; production; supply chain services; technical and formulation services; regulatory services; blending; mixing; repackaging

Assets: 23 entities with 45 sites comprising offices, warehouses, production facilities, laboratories and innovation centres

Bangkok, Thailand and Hamburg, Germany

[*www.ingredients.jjsea.com*](http://www.ingredients.jjsea.com)

[*www.jebsen-jessen.de*](http://www.jebsen-jessen.de)

CEOs: Marc Deschamps; Fritz von der Schulenburg

Products: Coatings and resins; plastics and rubber additives; food and nutrition ingredients; feed additives; oil and gas chemicals; oil derivatives; bioethanol; pharmaceutical and personal care ingredients; home care specialties; adhesives; water treatment specialties; mining components; agrochemicals; modified starches; collagen and sweeteners; malt ingredients and specialties

Services: Sales and marketing; applications R&D; import/export; regulatory services; warehousing; sourcing; factory audit; credit report; local currency financing

Assets: 24 offices worldwide; 15 warehouses; 6 laboratories

New York, New York, US

[*www.iccchem.com*](http://www.iccchem.com)

President: Naveen Chandra

Products: Acrylonitrile; aromatics; glycols; plastics; solvents; specialty chemicals; olefins; oxo-alcohols; sebacic acid

Trading sales: 95%

[*www.tergroup.com*](http://www.tergroup.com)

CEO and managing shareholder: Christian A Westphal

Products: Waxes; gum rosin; thermoplastic and thermoset polymers; adhesives; hotmelts; additives; polybutenes; SIS/SBS block copolymers; butyl rubber; caseine; amorphous polyalphaolefins; hydrocarbon resins; pigments; dyes; polyvinyl alcohol; food ingredients; fibreglass; vaseline

Services: Blending; packaging; storage; production

Assets: Numerous office buildings; warehouses; trucks

Trading sales: 25%

Zurich, Switzerland

[*www.dksh.com/pm*](http://www.dksh.com/pm)

CEO: Stefan P Butz

Products: Food and beverage ingredients; personal care and cosmetics ingredients; pharmaceutical ingredients; specialty chemicals

Services: Marketing and sales; logistics; blending and repackaging; after-sales services; sourcing services; innovation and formulation services; regulatory services

Assets: 29 innovation centres with 36 application laboratories; 100 business locations

Hamburg, Germany

[*www.behnmeyer.com*](http://www.behnmeyer.com)

Products: Fertilizers; crop protection chemicals; food ingredients; personal care ingredients; home care and pharmaceutical chemicals; feed additives; specialties for rubber and plastics; water treatment chemicals; petrochemicals; coatings; leather and textiles process chemicals

Services: Technical support; customer service; regulatory and risk management; laboratory testing; production; blending and tailoring; packaging; warehousing and logistics; supply chain management; marketing

Assets: Over 1,100 employees; office and warehouses in 13 countries; 38 warehouse locations; global production facilities in Malaysia, Thailand, Indonesia, Italy, Netherlands and US; laboratory facilities in Malaysia, Indonesia, Thailand, Vietnam, Italy and Netherlands

Monchengladbach, Germany

[*www.oqema.com*](http://www.oqema.com)

Executive board members: Peter Overlack, Heinrich Eickmann, Sabine Moritz

Products: Adhesives and sealants; automotive and machinery chemicals; construction chemicals; energy and electronics chemicals; personal care and industrial cleaning chemicals; lubricants; metal and surface treatment chemicals; paint and coatings materials; plastics and rubber additives; surface technology; printing, packaging and paper chemicals; textile and leather chemicals; cosmetic and personal care ingredients; feed and food ingredients; flavours and fragrances; pharmaceutical ingredients

Services: Tailored logistic solutions; technical support; filling and repackaging; blending; dilution and mixing; distillation and recycling; tail-end spending solutions

Assets: 40 locations; 50 warehouses; trucks; laboratories; workforce of 1,000 Europe-wide

Trading sales: 60%

San Francisco, California, US

[*www.connellbrothers.com*](http://www.connellbrothers.com)

President: Dr Azita Owlia

Products: Food and nutritional ingredients; personal and home care chemicals; pharmaceutical ingredients; coatings, adhesives and sealants (CAS); construction chemicals; inks; rubber; plastics; lubricants; metalworking fluids

Services: Application development and technical services including pilot plant and efficacy testing for life sciences; marketing and concept creation; supply chain management; product registration; regulatory and risk management

Assets: Extensive footprint across Asia Pacific – 48 offices in 18 countries with laboratories and warehouses across the region

Luxembourg

[*www.ravagochemicals.com*](http://www.ravagochemicals.com)

General manager EMEA: Filip Van Camfort; General manager US: Kevin Wettstein

Products: Coatings; polyurethanes and polymers; construction chemicals; asphalt; personal care ingredients; life science chemicals; performance chemicals; water treatment chemicals; solvents; inorganics; intermediates

Services: Technical expertise; warehousing; logistics; blending; repackaging, laboratory services

Assets: Network of warehouses (owned and third party); blending facilities; laboratories; feed premix plant; pressure vessel manufacturing equipment

Trading sales: 10%

Puteaux, France

[*www.safic-alcan.com*](http://www.safic-alcan.com)

CEO Safinca (Holding Company): Martial Lecat; CEO Safic-Alcan: Philippe Combette

Products: Rubber elastomers and chemicals; polymers; plastics additives; resins; pigments; coatings and construction additives; PU additives; cosmetics and personal care ingredients; active ingredients for pharmaceuticals; excipients for pharmaceuticals and nutraceuticals; synthesis chemicals; lubricants and metal-working fluids and additives; detergent additives; composite chemicals

Services: Blending; packaging

Assets: 9 state-of-the-art laboratories

Frankfurt/Main, Germany

[*www.solvadis.com*](http://www.solvadis.com)

CEO: Andreas Weimann

Products: Sulphur; sulphuric acid; methanol; petrochemicals; solvents; industrial chemicals; industrial minerals; pharmaceutical raw materials; synthetic lubricants; laboratory chemicals; coatings; fertilizers; packaging materials; personal protective equipment

Services: Marketing; storage; transport; logistics; packaging; supply chain management; processing; remanufacturing; regeneration

Assets: 10 tank farms; 2 storage facilities/warehouses; 1 production facility

Trading sales: Less than 5%

Sao Paulo, Brazil

[*www.gtm.net*](http://www.gtm.net)

CEO: Jose Manuel Berges

Products: Oilfield chemicals; coatings, inks, adhesives, sealants and elastomers; cosmetics ingredients; personal care ingredients; fragrances and flavours; pharmaceutical ingredients; ***agricultural*** chemicals; water treatment chemicals; food ingredients; animal feed; pulp and paper chemicals; mining chemicals; lubricants; household and industrial cleaning chemicals

Services: Product mixing and blending; formulation; packaging; storage (bulk and packed warehousing); preparation of samples; chemical analysis; production of lubricants (automotive and industrial); labelling; stock control; logistics; just-in-time delivery; drum return handling; inventory management; technical support; waste management

Assets: 47 facilities throughout Latin America, including 4 owned maritime terminals; tank farms and blending units in all countries; 9 laboratories (product development, application technology, quality control)

Brookfield, Wisconsin, US

[*www.hydrite.com*](http://www.hydrite.com)

CEO: John Honkamp

Products: Chlor-alkali; foam control chemicals; food processing chemicals; liquid sulphites; pulp and paper chemicals; organics; inorganics; metal finishing chemicals; solvents; wastewater treatment chemicals

Services: Blending; manufacturing; solvent reclamation; hazardous waste removal; technical training; customer product research

Assets: 12 locations; bulk storage of 15m gal; private fleet of trucks and professional drivers

Hamburg, Germany

[*www.nrc.de*](http://www.nrc.de)

Managing directors: Irina Zschaler, Dr Gerd Bergmann

Products: Adhesives and sealants; composites materials; construction and coatings chemicals; contact lens, dental and medical materials; flame retardants; food additives; industrial chemicals and intermediates; lubricant additives; monomers; oleochemicals; personal care additives; pharmaceutical and nutraceutical ingredients; polyurethane chemicals; synthetic rubber and rubber chemicals; thermoplastics and polymer additives

Services: Laboratory, study and R&D services; chemical synthesis and compounding; marketing and market intelligence; legislative and regulatory support; quality management and safety; global supply chain management; repackaging and refilling; sample service

Assets: Warehouses located all over Europe, Asia and North America

Barcelona, Spain

[*www.indukern.com*](http://www.indukern.com)

[*www.grupoindukern.com*](http://www.grupoindukern.com)

CEO: Daniel Diaz-Varela

Products: Food ingredients; pharmaceutical ingredients; pharmaceutical APIs; flavour and fragrance ingredients; industrial chemicals; veterinary and animal nutrition ingredients

Services: Blending; packaging; storage

Asstes: 11 Warehouses in Spain; subsidiaries Trading sales: 9%

Roseville, Minnesota, US

[*www.hawkinsinc.com*](http://www.hawkinsinc.com)

President and CEO: Patrick Hawkins

Products: Alkalis and acids; food ingredients; health and nutritional ingredients; water treatment chemicals; ***agricultural*** nutrients; pharmaceutical ingredients, surface finishing chemicals

Services: Blending; acid/base reactions; formulation and packaging

Assets: 5 barge terminals; 4 bleach manufacturing plants; 31 water treatment branches; 4 food ingredient manufacturing plants

Sydney, Australia

[*www.redox.com*](http://www.redox.com)

Managing director and chairman: Robert Coneliano

Products: More than 1,000 products serving over 140 different industries; commodity and specialty chemicals; food ingredients; ***agricultural*** chemicals; household and personal care chemicals; mining chemicals; surface coatings; plastics additives; grease and lubricants; water treatment chemicals; building and construction chemicals; pharmaceutical ingredients

Services: Custom blending; dilutions; repackaging; bulk storage of powders, solvents, acids, alkalis

Assets: 11 regional sales offices; 2 manufacturing sites; 7 warehouses

Laatzen, Germany

[*www.cg-chemikalien.de*](http://www.cg-chemikalien.de)

CEO: Uwe Klass

Products: Organic and inorganic chemicals; solid matter and acids; alkaline solutions; solvents; specialties; food and feed ingredients; intermediates; pharmaceutical ingredients; cosmetic ingredients; paints and varnishes; water chemistry products

Services: Storage; packaging; filling; blending; single sourcing; toll manufacturing; tank monitoring; application engineering; consulting; manufacturing of paints/varnishes; GMP certification

Assets: 6 warehouses; 100 trucks

Trading sales: 40%

Hamburg, Germany

[*www.lehvoss.de*](http://www.lehvoss.de)

Managing partners: Knut Breede, Soenke Thomsen, Dr Thomas Oehmichen

Products: Compounds; masterbatches; pastes; magnesia; diatomatious earth; rare earths; cosmetic raw materials; food supplement raw materials; additives; fillers; blowing agents

Services: Tailor-made products; repackaging; storage; sourcing; masterbatching; pastes

Assets: 5 production facilities on 3 continents; 8 warehouses, repackaging facility

Trading sales: Around 30%

Vaudreuil-Dorion, Quebec, Canada

[*www.quadrachemicals.com*](http://www.quadrachemicals.com)

[*www.quadraingredients.com*](http://www.quadraingredients.com)

CEO: Tony Infilise

Products: Performance adhesives; flexible packaging; household, industrial and institutional cleaning chemicals; water treatment chemicals; mining and smelting chemicals; soluble fertilizer; pulp and paper chemicals; metal treatment and galvanizing chemicals; construction chemicals; coatings, adhesives, sealants and elastomers (CASE); pool and spa chemicals; oil refining and gas processing chemicals; nutritional and functional ingredients; health and personal care ingredients; pharmaceutical ingredients

Services: Storage; packaging; blending

Assets: 6 locations (warehouses and tank farms)

Pleasant Prairie, Wisconsin, US

[*www.emcochem.com*](http://www.emcochem.com)

President: Edward Polen

Products: Acids and alkalis; additives; aliphatic and aromatic hydrocarbons; amines; carbonates; chelating agents; ester and ether esters; glycols; ketones; pigments; plasticizers; resins; silicones; surfactants; terpene and citrus solvents

Services: Blending and packaging; waste services; application laboratory services; warehousing; order fulfilment; USP and food grade packaging; private fleet delivery

Assets: 3 production facilities (US – North Chicago, Illinois; Columbia, Illinois; Pleasant Prairie, Wisconsin); 6 warehouses (US – Elkhart, Indiana; Minneapolis, Minnesota; Cincinnati, Ohio. Canada – Calgary, Alberta; Toronto, Ontario; Montreal, Quebec); 5,000 square foot CASE applications laboratory; 40 trucks; 85 trailers

Johannesburg, South Africa

[*www.proteachemicals.co.za*](http://www.proteachemicals.co.za)

[*www.omnia.co.za*](http://www.omnia.co.za)

Divisional managing director: Martin Kearns; CEO of Omnia: Adriaan de Lange

Products: Food ingredients; animal feeds; watercare chemicals; consumer care specialty products; bulk and packed acids; alkalis and solvents; coatings, adhesives, sealants and elastomers; bulk liquids; caustic soda; monomers and glycols; bulk powders (soda ash, sodium sulphate, ammonium sulphate); oil and gas commodities and specialties; polymer commodities and specialties; mining chemicals

Services: Importing; warehousing; breaking bulk; packaging; hydrating; proprietary blending to recipe; watercare specialty flocculant and coagulant manufacture; ship to ship transfer of bulk liquids to offshore-based FPSO units

Assets: 20 warehouses (50,000 square metres under roof); 140 distribution vehicles; 350 liquid bulk tanks with capacity of over 40,000 kilolitres; 5 main distribution sites; production and blending plants; manufacturing sites in main cities in South Africa, along with sales and distribution sites in Kenya, Angola, Namibia, Ghana and Zimbabwe

Trading sales: Less than 5%

Rho, Italy

[*www.eigver.com*](http://www.eigver.com)

President: Dr Nathalie Veronelli

Products: Adhesives chemicals; construction chemicals; cosmetics ingredients; detergent ingredients; ecology products; food ingredients; feed and veterinary ingredients; leather chemicals; paper chemicals; pharmaceutical ingredients; plastic additives; polyurethane chemicals; rubber chemicals; surface coatings; textile chemicals

Services: Production including toll and third party manufacturing; repackaging; warehousing

Assets: 2 production plants; 3 warehouses

Trading sales: 15%

Hong Kong, China

[*www.vikudha.com*](http://www.vikudha.com)

CEOs: Vikash Adukia, Deap Kumar Adukia

Products: Agrochemicals and feed ingredients; cosmetics and personal care ingredients; detergents and home care chemicals; food and beverage ingredients; mining and oilfield chemicals; paints and coatings materials; plastics additives; polyurethane chemicals; rubber and paper chemicals; textile and leather chemicals; water treatment chemicals

Services: Mixing; blending; formulation; product sourcing; market development; creative financial solutions; market intelligence; logistics expertise; shipping advisory and documentation

Assets: 19 sales offices across the globe; 275+ employees worldwide; multiple warehouses globally; facility in Malaysia

Trading sales: 70%

Sao Paulo, Brazil

[*www.quimicanastacio.com.br*](http://www.quimicanastacio.com.br)

CEO: Jan Felix Krueder

Products: Cosmetics and personal care ingredients; pharmaceutical ingredients; flavors and fragrances; animal health ingredients; ***agricultural*** chemicals; rubber; household and auto care chemicals; lubricants; plastics; polyurethanes; paints and coatings; resins and adhesives; food and feed ingredients; sports nutrition ingredients

Services: Storage; blending; packaging; bulk distribution; trading; cargo consolidation; dedicated procurement

Assets: 6 warehouses in Brazil – 2 in Sao Paulo, 1 in Santa Catarina, 1 in Goias, 1 in Rio de Janeiro; 1 in Pernambuco

Trading sales: $7%

Mexico City, Mexico

[*www.pochteca.com.mx*](http://www.pochteca.com.mx)

[*www.pochteca-english.com*](http://www.pochteca-english.com)

Executive director: Eugenio Manzano

Products: Inorganic chemicals; solvents and blends; food ingredients; chemical specialties; lubricants

Services: Blending; packaging, storage and logistics solutions; product application; product development; quality control

Assets: More than 310,000 square metres of logistics capacity; capacity to store 20.6m litres of liquids and 111,000 square metres of storage of dry goods; 32 distribution centres in Mexico, 3 in Central America and 6 in Brazil; fleet of more than 200 units; solvent recycling plant; 10 product application laboratories

Dubai, UAE

[*www.rai-uae.com*](http://www.rai-uae.com)

CEO: Henry F Roth

Products: Polymers – polyethylene (PE), polypropylene (PP), engineered thermoplastics (ETP), polyvinyl chloride; paraxylene (PX); aromatics; masterbatches and fillers

Services: Trading

Assets: 4 owned warehouses; leased warehouses

Trading sales: 25%

Chennai, Tamil Nadu, India

[*www.pure-chemical.com*](http://www.pure-chemical.com)

CEO: M Ponnuswami

Products: Acids and derivatives; solvents; ketones; esters; ethers; chlorinated solvents; alcohols; aliphatic solvents; hydrocarbons; monomers; coatings and inks; plastics and composites; textile chemicals; leather and paper chemicals; sugar chemicals; water treatment chemicals; lubricants

Services: Small packaging; underground storage; technical service; R&D; custom blending; just-in-time delivery; transportation

Assets: 27 Branches in India; 4 overseas branches in Singapore, Australia, Sri Lanka and Dubai; 23 warehouses across India (inclusive of 7 explosive repacking warehouses; leased terminal facility at Kandla, Mumbai, Ennore, Kakinada and Haldia, India; high-tech R&D laboratory; underground storage facility

Trading sales: 5%

Pune, India

[*www.dfpcl.com*](http://www.dfpcl.com)

President – industrial chemicals: RM Kelkar

Products: Acetone; phenol; methanol; toluene; isopropanol (IPA); methyl isobutyl ketone (MIBK); methylene dichloride; ammonia; hexane; styrene; xylene; methacrylic acid (MAA); acetic acid

Services: Packaging; trading; labelling; storage; warehousing

Assets: 5 port locations in India; drumming and labelling facility in India

Trading sales: 30%

Sao Paulo, Brazil

[*www.mcassab.com.br*](http://www.mcassab.com.br)

CEO: Victor Cutait Neto

Products: Performance and specialty chemicals for polyurethanes, paints, resins, construction and polymers; solvents; oils; additives; silicones; pigments; monomers; emulsifiers; polyols; isocyanates; biocides; APIs and pharmaceutical excipients; ingredients for food and nutritional premixes; home and personal care ingredients; veterinary products; feed premixes and ingredients; vitamins; amino acids

Services: Blending; packaging; storage; dilutions; technical application laboratory services (polyurethanes, home and personal care, pharmaceuticals and food); full technical support; formulation

Assets: 3 warehouses in Brazil; 1 warehouse in Argentina; 4 premixes facilities for animal nutrition; 1 premix facility for food nutrition; physical, chemical and microbiological accredited ISO 17025 laboratory

Trading sales: 1%

La Mirada, California, US

[*www.ethorn.com*](http://www.ethorn.com)

President (Life Sciences): DJeff Martin; President (Industrial): Bob Ahn; CFO and Chairperson: Julie Wubbena; Director: Patrick Marantette

Products: Thermoset resins; rheology modifiers; specialty formulation additives; pigments/colourants; surfactants; flow aids; colloids; incipients; flavours; sweeteners; fragrances; emollients; vitamins; proteins

Services: Warehousing; heated and refrigerated storage; food grade storage; hazardous material storage; logistics; order fulfilment; packaging; blending; labelling

Assets: 13 warehouses; 8 trucks; multiple blending operations; multiple sampling facilities

Trading sales: Less than 3%

Hamburg, Germany

[*www.krahn.eu*](http://www.krahn.eu)

Managing directors: Dr Rolf Kuropka, Axel Sebbesse

Products: Coatings ingredients; construction chemicals; adhesives; sealants; plastics and rubber additives; lubricants; additives; pigments; plasticizers; resins; synthetic rubber; adhesion promoters; mould release agents; ceramic powders; base oils; functional fillers; heat transfer fluids

Services: Business development; technical support; logistics; drumming and packaging; bulk breaking; local storage and warehousing; sampling; blending and formulating; laboratory formulations and analysis

Assets: 2 laboratories

Trading sales: 100%

Great Neck, New York, US

[*www.wegochem.com*](http://www.wegochem.com)

Principal and President: Dr Bert Eshaghpour

Products: ***Agricultural*** chemicals; animal nutrition and feed ingredients; antifreeze and coolants; coatings, adhesives, sealants, elastomers (CASE); corrosion inhibitors; lithium battery and electrolyte chemicals; lubricants and greases; pharmaceutical and fine chemicals; HI&I chemicals; flame retardants; food and beverage ingredients; metalworking fluids; finishing and flux chemicals; oilfield chemicals; plastics, resins and rubber additives; pulp and paper chemicals; water treatment and pool chemicals

Services: Chemical supply; supply chain solutions; logistics; warehousing; outsourcing

Assets: 100+ worldwide professionals; 14 international offices; global distribution network of 50+ warehouses

Trading sales: 20%

Buenos Aires, Argentina

[*www.quimtia.com*](http://www.quimtia.com)

President: Diego Collard Bovy

Products: Industrial specialties; environment solutions; industrial chemicals; amino acids; premixes and other specialties for animal nutrition additives; animal health products; food and pharmaceutical ingredients and premixes

Services: Storage; blending; dilutions; packaging; end-user product development; formulation; application; laboratory testing; customer process development

Assets: 9 distribution centres; 10 laboratories; 3 feed premix facilities; 2 food premix facilities; 3 peroxide dilution plants; 1 savoury manufacturing facility; 2 industrial chemicals blending facilities; 1 animal vaccine and health products facility

Toronto, Ontario, Canada

[*www.ccc-group.com*](http://www.ccc-group.com)

President: Patrick Haineault

Products: Coatings specialties; environmental and water treatment chemicals; food and personal care ingredients; oilfield chemicals; mining chemicals; polymer additives; pulp and paper chemicals; solvents; inorganics; plastic resins; colour concentrates

Services: Blending; packaging; storage; transloading

Assets: 9 warehouses; 20 trucks

Amsterdam, Netherlands

[*www.ecem.com*](http://www.ecem.com)

CEO: Barend Barendse

Products: Acrylates and methacrylates; hydroxy monomers; 150 special monomers; anhydrides; phosphonates; water treatment chemicals; over 100 products in stock

Services: Bulk storage; drumming installation; blending; consignment stocks; returnable IBCs

Assets: 8 own ISO tanks for dedicated transport; over 100 returnable IBCs; all major products Reach registered; several local storage facilities

Trading sales: 5%

Avon, Ohio, US

[*www.maroongroupllc.com*](http://www.maroongroupllc.com)

President and CEO: Mark E Reichard

Products: Specialty additives; specialty resins; specialty pigments; specialty intermediates; specialty ingredients; packaging

Services: Custom blending; repackaging; micronization; drumming; public warehousing; FDA and SQF storage; 130,000 square foot headquarters in Avon, Ohio; 170,000 square foot facility in Lincoln, Rhode Island; 37,000 square foot facility in Newark, New Jersey; additional 35 total warehouses in North America strategically located to service customers; 7 company owned and operated trucks; 6 customer service centres

Hutchinson, Minnesota, US

[*www.agritradingcorp.com*](http://www.agritradingcorp.com)

President: Brett Johnson

Products: Agrochemical and biofuel raw materials; fats and oils; food and beverage ingredients; oilfield chemicals

Services: Liquid and dry blending; packaging; storage (bulk and packed warehousing); truck and rail logistics; importing/exporting; salvage and recycling

Assets: 350 leased railcars; 20 tanker trailers; 10 semi trailer-trucks

Trading sales: Around 3%

Manchester, UK

[*www.tennantsdistribution.com*](http://www.tennantsdistribution.com)

Managing director: Andrew Mitchell

Products: Acids and alkalis; animal feed raw materials; fatty acids, alcohols and esters; flotation reagents; food ingredients and flavours; general chemicals; Greenox AdBlue diesel exhaust fluid; personal care ingredients; pharmaceutical products; resins; solvents; specialty products; surfactants; water treatment chemicals

Services: Warehousing and storage; repackaging; blending; formulating; relabelling

Assets: 20 sites (including warehousing and storage); own vehicles

Trading sales: 2%

Bangkok, Thailand

[*www.topsolvent.com/en*](http://www.topsolvent.com/en)

CEO: Acharee Tiyabhorn

Products: Hydrocarbon solvents (hexane, pentane, SBP group, toluene, xylene, aromatic solvents, white spirits); chemical solvents (isopropyl alcohol, acetone, methyl ethyl ketone, ethyl acetate, butyl acetate; styrene monomer; ethylene glycol (MEG, DEG); food ingredients; pharmaceutical ingredients; personal care ingredients

Services: Manufacturing of hydrocarbon solvent products; storage; blending; drum filling; transportation; multi-delivery mode offerings (vessel, bulk lorry, ISO tank, drum)

Assets: 1 hydrocarbon solvents manufacturing plant with nameplate capacity of 141,000 tonnes/year via subsidiary Sak Chaisidhi (SAKC); 2 tank terminals in Thailand; 2 tank terminals in Vietnam; 73 chemical storage tanks with total capacity of over 46m litres; 5 warehouses with total capacity of 27,000 drums (200 litres); loading and unloading facilities with both trucks and vessels; drum filling station; laboratory (QC and technical); 59 bulk trucks (contracted); 42 pack trucks (contracted)

Trading sales: 3%

Detroit, Michigan, US

[*www.pvschemicals.com*](http://www.pvschemicals.com)

CEO: Timothy F Nicholson

Products: Full line of inorganics; surfactants; water treatment chemicals; HI&I chemicals; metalworking chemicals; food ingredients; oilfield chemicals; ***agricultural*** chemicals

Services: Blending; packaging; storage; delivery; bulk; minibulk; microbulk; transloading

Assets: 6 warehouses; 100 company owned trucks; multiple terminals

Trading sales: 5%

Cyprus

[*www.solvochem.com*](http://www.solvochem.com)

Managing director: Anthony Joseph Flouty

Products: Solvents; plasticizers; urethanes; plastics; additives; construction chemicals; mineral oil; mining products

Services: Storage; drumming; blending; packaging

Assets: Storage tanks with capacity of 1,650,000 cubic metres; 11 warehouses; 10 trucks

Trading sales: 25%

Guildford, Surrey, UK

[*www.solventis.net*](http://www.solventis.net)

CEO: David Lubbock; Managing director: Nick Johnson

Products: Alcohols; antifreeze; brake fluids; acetate esters; glycols; glycol ethers; hydrocarbons; ketones; monomers; propylene glycol ethers; white oils; airplane deicers

Services: Imports of bulk chemicals; global bulk and drum distribution; blending of automotive products

Assets: Antwerp, Netherlands storage terminal with drumming and blending facilities; UK storage and blending facility

Knutsford, Cheshire, UK

[*www.norkem.com*](http://www.norkem.com)

Group managing director: A Nicholson

Products: Iodine and iodine salts; zinc oxide and zinc salts; manganese compounds; copper salts; barium carbonate; citric acid; potassium carbonate and hydroxide; food chemicals; pharmaceutical intermediates; feed chemicals

Services: Blending; packaging; manufacturing; liquid suspensions; liquid solutions

Assets: 12 locations worldwide

Istanbul, Turkey

[*www.ktm.com.tr/en*](http://www.ktm.com.tr/en)

CEO: Keyan Zulfikari

Products: Olefins; polymers; oxo alcohols; solvents; alcohols; acrylates; plasticizers; monomers; rubber and rubber chemicals; polyurethane raw materials; titanium dioxide (TiO2); organic and inorganic chemicals

Services: International marketing; logistics; packaging; storage; inventory management (VMI); just-in-time delivery; blending; financing; risk management; pan European coverage

Assets: Offices; shore tanks and bulk storage facilities; numerous warehouses covering Europe and Turkey; truck fleet; road tankers

Trading sales: 35%

Istanbul, Turkey

[*www.arkem.com*](http://www.arkem.com)

Chairman and CEO: Levend Kokuludag

Products: Monomers; hydrocarbon solvents; alcohols; ketones; esters; glycols; glycol ethers; chlorinated solvents; oleochemicals; specialty chemicals; cosmetic, pharmaceutical and food ingredients

Services: Sales and marketing; storage; blending; filling; packaging

Assets: 1 deep sea tank terminal at Gebze/Turkey with capacity of 84,000 cubic metres; logistics company with 95 transport units and 1,000 ISO tanks

Trading sales: 5%

Gothenburg, Sweden

[*www.cellmark.com*](http://www.cellmark.com)

President (Chemicals): Hugo Galletta; President (Basic Chemicals): Ersin Alkan

Products: Basic chemicals; lignosulfonates; caustic soda; semiconductor and renewable battery materials; oil and gas chemicals; water treatment chemicals; coatings materials; agrochemicals; flame retardants; food and beverage ingredients; cosmetics, oral care and active pharmaceutical ingredients; organic chemicals; inorganic chemicals; vitamins; plant extracts; nutraceuticals; amino acids; specialty and fine chemicals

Services: Sales and marketing; sourcing; custom manufacturing; packaging; blending; milling and granulations; technical support; regulatory services; market research; logistics

Assets: Production equipment and inventory held at public warehouses in over 20 locations worldwide

Trading sales: Less than 30%

Beirut, Lebanon

[*www.orkila.com*](http://www.orkila.com)

Chairman and CEO: Antoine Sacy

Products: Specialty chemicals; food ingredients; life sciences chemicals; pharmaceutical ingredients; agrochemicals; animal nutrition ingredients; personal care ingredients; performance products; paints materials; construction chemicals; oilfield chemicals; plastics additives; home care chemicals; water treatment chemicals

Services: Sales and marketing; warehousing; centralised purchasing; consolidated shipment; local currency invoicing; laboratory services; local technical support to improve formulations; in-house market data collection and analysis; ISO and GDP certifications; coverage of 60 countries

Assets: 3 regional free zone warehouses located in Dubai, Alexandria and Beirut; European hub based in Rotterdam, Netherlands; 18 regional centres; more than 45 warehouses throughout the Middle East and Africa; technically qualified sales force

Lainate, Italy

[*www.gammachimica.it*](http://www.gammachimica.it)

President: Giuseppe Mearini

Products: Glycols; ethanolamines; fatty acids; intermediates; solvents; antifreeze; glycerine; sequestering agents

Services: Storage; packaging; blending; antifreeze production

Assets: Head office; warehouse of 54,000 square metres (15,000 square feet covered)

Vienna, Austria

[*www.donauchem.com*](http://www.donauchem.com)

Member of the board: Bogdan Banaszczyk

Products: Food ingredients; pharmaceutical ingredients; paint and construction chemicals, cosmetics and detergents ingredients; metalworking chemicals; printing chemicals; water treatment chemicals; customer specific compositions

Services: Mixing; blending; environmentally friendly consultancy and ***planning***; technical consultancy; training sessions on safety and the law; waste disposal; consultancy on chemical law and Reach

Assets: 14 warehouses

Trading sales: 20%

Hamburg, Germany

[*www.hsh-chemie.com*](http://www.hsh-chemie.com)

Managing directors: Stephan P Lohden, Frank Raabe, Stefan Rather

Products: Coatings, adhesives and building chemicals; personal and home care chemicals; food and feed ingredients; pharmaceutical ingredients; plastics and rubber additives; industrial performance chemicals

Services: Technical consultancy; formulation advice; storage and logistics; sampling; financing; full compliance support; full marketing support

Assets: 12 sales office locations in central and eastern Europe

Trading sales: 10%

Indianapolis, Indiana, US

[*www.superioroil.com*](http://www.superioroil.com)

President: Kurt Hettinga

Products: Solvents; water-based cleaners; paint pre-treatment products; paint purgers; thinners; heat transfer fluids; pressroom chemicals; fiberglass reinforcements; resins; catalysts; gel coats; corrosion inhibitors; surfactants; plasticizers

Services: Solvent recycling; blending; custom manufacturing; private labelling; waste disposal; acetone replacement systems; vendor managed inventory; regulatory consulting; bulk and package delivery

Assets: 8 full service locations; 55 trucks; 150 trailers; 250 bulk tanks; 55 blend tanks

New York, New York, US

[*www.LBBSpecialties.com*](http://www.LBBSpecialties.com)

President and CEO: Charles Hinnant

Products: Personal care chemicals; nutritional ingredients; biotech materials; food ingredients; pharmaceutical ingredients; plastics additives; water/metal treatment chemicals; flavours and fragrances; nutraceuticals; electronic chemicals; industrial chemicals; plastics; veterinary chemicals; concrete additives; medical devices

Services: Warehousing; blending; packaging; custom/contract manufacturing; custom synthesis; product development

Assets: 69 stocking locations in North America

Altmoorhausen, Germany

[*www.buefa.de*](http://www.buefa.de)

CEO: Ronald Ijzer

Products: Ethanolamines; ethylene glycol ethers; ethylene glycols; polyethylene glycols; propylene glycol ethers; propylene glycol; isopropylalcohol; propionic acid; formic acid; caustic soda; solvents; aromatics; styrene; surfactants; oxo alcohols

Services: Formulating; warehousing; filling and bottling; blending; logistics; drumming

Assets: 5 warehouses; 14 trucks

Trading sales: 30%

Helsinki, Finland

[*www.bangbonsomer.com*](http://www.bangbonsomer.com)

CEO: Mikko Teittinen

Products: Specialty raw materials; coatings and construction chemicals; food ingredients; personal and home care chemicals; packaging and plastics additives; composites and polyurethanes materials; polymer materials.

Services: Process chemistry solutions with engineering, remote control and digitisation; manufacturing of intermediate products and functional blends; application laboratory services, R&D and formulations; blending; dissolving; packaging; warehousing; logistics

Assets: 5 application laboratories and technical centres; 4 manufacturing sites; 15 warehouses

Hamburg, Germany

[*www.act.de*](http://www.act.de)

CEO: Dr Ramin Ghaffari

Products: Vitamins; amino acids; sweeteners; energy ingredients; sports nutrition ingredients; preservatives; acidifiers; flavours and fragrances; plant extracts; feed additives; food additives

Services: Customising; global supply chain

Assets: 13 offices worldwide; several warehouses worldwide

Trading sales: 10%

Maua, Sao Paulo, Brazil

[*www.bbquimica.com.br*](http://www.bbquimica.com.br)

CEO: Carlos Eduardo Marin

Products: Aromatics; aliphatic and oxygenated solvents; coatings additives; ethanolamines; titanium dioxide (TiO2); specialty resins; carbon black; tailor-made blends; UV monomers/oligomers; household and personal care chemicals; silicas; amines; ***agricultural*** chemicals; epoxy resins; glycols; resins; mining chemicals

Services: Blending; agency sales (indent sales); formulation; technical assistance; storage; packaging

Assets: 8 branches; 95 tanks; 5 warehouses; truck fleet; 2 laboratories; 1,000 intermediate bulk containers (IBCs)

St Petersburg, Russia

[*www.utsrus.com*](http://www.utsrus.com)

Managing directors: Lars Hjorth, Andrey Shkola

Products: Paints and coatings chemicals; dry mixture and construction chemicals; plastics and polymer additives; rubber chemicals; resins and chemicals for composites; fibres; chemicals for detergents; cosmetics and household chemicals; oil and oilfield chemicals; lubricants; refinery additives and chemicals; food additives; specialty and industrial chemicals; pharmaceutical raw materials; ***agricultural*** chemicals

Services: Storage; mixing/blending; laboratory services; techical support; applications development; certification

Assets: 11 offices; 11 warehouses; 40,000 square metres of warehouse space; 14,000 square metres of office space; 4 laboratories; 421 employees

New Delhi, India

[*www.kplintl.com*](http://www.kplintl.com)

Managing director: Surinder Kumar Kak

Products: Polymers; paper and allied chemicals; specialty chemicals; paint and coating chemicals; industrial and specialty gases; engineering consumables; darjeeling teas

Services: Development of markets for new products and applications; repackaging; market intelligence, technical and after-sales support; sourcing, export, procurement and auditing services; sourcing and exporting from India, China and Middle East countries to international markets; warehousing and logistics; technical support for quality control, testing and plant audits

Assets: 7 warehouses; 1 refrigerant gas repackaging facility

Trading sales: 33%

Geneva, Switzerland

[*www.metadyneatrading.com*](http://www.metadyneatrading.com)

President: Dr Ralph Theuer; Directors: Ivan Mazourenko, Alexander Maksimov

Products: Methanol; hexamine (urotropine); pentaerythritol; micronised hexamine; micronised pentaerythritol

Services: Storage of liquid and solid chemicals; transhipment; blending; toll manufacturing; warehousing; packaging; delivery by vessel, rail, container, truck and silo-truck

Assets: Head office in Switzerland; branch office in Austria; 2 manufacturing/warehousing sites in Russia and 1 in Austria; 3rd-party warehouses in the Netherlands, Poland, Russia, Spain and US

Trading sales: 10%

Hamburg, Germany

[*www.velox.com*](http://www.velox.com)

Managing directors: Bernard Goursaud, N Max Schlenzig; General manager: Francois Minec

Products: Plastics; additives; composites; coatings, adhesives, sealants, elastomers (CASE)

Services: Market studies; consulting; blending; packaging; storage

Assets: Public warehouses in over 20 locations worldwide

Trading sales: 5%

Houston, Texas, US

[*www.ksolv.com*](http://www.ksolv.com)

Owner and CEO: Russ Allen

Products: Aliphatic solvents; aromatic solvents; alcohols; glycols; glycol ethers; acetates; chlorinated solvents; ketones; base oils; white oils; acids

Services: Packaging; blending small and large quantities; laboratory services; maritime services; emergency spill response; disaster response; industrial services; waste management; transportation

Assets: Tote and drum warehouse with over 100,000 gal capacity; tank farm with over 1m gal capacity; fleet of trucks and trailers; flare; nitrogen access; dock with full waterfront access and licensed tankerman on staff

New York, New York, US

[*www.smc-global.com*](http://www.smc-global.com)

CEO: Adam Feldman

General manager: Francois Minec

Products: Specialty solvents; paint and coatings; coatings, adhesives, sealants, elastomers (CASE); oilfield chemicals; phosphorous derivatives; surface coatings; water treatment chemicals; biocides; electronic chemicals; mining chemicals; flame retardants; textile chemicals; photo/image chemicals; PCBTF; coalescent for latex paints; industrial solvents; sodium hypophosphite; THPS; glutaraldehyde; corrosion Inhibitors

Services: Custom blending; relabelling; solution adjustments; neutralisation; reactions and conversions; dilutions; storage; bulk distribution; consignment inventory; just-in-time delivery; 3rd party warehousing; technical sales; regulatory affairs expertise

Assets: 4 global production sites; 2 distribution centres; toll manufacturing facility; own fleet of 22 trucks and hazmat drivers

Zurich, Switzerland

[*www.impag.com*](http://www.impag.com)

[*www.impag.ch*](http://www.impag.ch)

CEO: Remo Bernardi

Products: Coatings additives; anhydrides; acrylates; polyols; flame retardants; polyurethane; green solvents; detergents; base chemicals; cosmetic functionals and active ingredients; food ingredients; pharmaceutical ingredients/APIs; metals; oleochemicals

Services: Global logistics; global sourcing; storage; laboratory services; technical support; regulatory support; financing; packaging

Assets: 5 sales offices across Europe; 1 tank farm for liquid goods; own application laboratory

Trading sales: 20%

Sydney, Australia

[*www.isochem.com.au*](http://www.isochem.com.au)

CEO: Alireza Ehsani

Products: Polyurethane systems; aromatic isocyanates; polyols; surfactants; catalysts; glycols; hydrocarbons; refrigerants; polymers and plastics

Services: Warehousing; transloading; sourcing; supplier due diligence and audit; sales channel development; technology and machinery services

Assets: 10 warehouses; corporate headquarters

Trading sales: 15%

Fairfield, Ohio, US

[*www.chemgroup.com*](http://www.chemgroup.com)

President: Marty Wehr

Products: Acids; alkalis; hydrogen peroxide; sodium hypochlorite; solvents and intermediates; glycols; glycol ethers; amines; surfactants; alcohols; water treatment chemicals; nitrogen products; white oils; borates; lime; specialty chemicals; gas-to-liquid (GTL) fluids and solvents

Services: Inventory management; blending; warehousing; technical and safety training; customised billing

Assets: 10 warehouses with over 400,000 square feet; over 2m gal bulk storage; 26 tractors; 16 straight trucks; 36 trailers; 12 tankers

Antwerp, Belgium

[*www.transmare.com*](http://www.transmare.com)

[*www.transmare-chemie.com*](http://www.transmare-chemie.com)

CEO: Dr Patrick Van Ende

Products: Oilfield chemicals; fine chemicals for health; personal and home care chemicals; food and feed ingredients; industrial and high purity solvents; paints and adhesives additives and pigments; reference fuels; plastics additives

Services: Personalised blends and formulation support; drumming; packaging

Assets: Class 2 storage facilities; 11 warehouses (Antwerp, Belgium; Hamburg, Germany; Singapore; Malaysia; Algeria; Angola; Ivory Coast; Nigeria; Kenya)

Trading sales: 50%

Famalicao, Portugal

[*www.grupornm.pt*](http://www.grupornm.pt)

Chairman of the board, CEO:

Ricardo Machado

Products: Caustic soda; hydrogen peroxide; sulphuric acid; hydrochloric acid; sodium hypochlorite; plastics (PE, PP, PVC, PS, PET, EVA); solvents; glycols; propylene glycol; glycol ethers; surfactants; silicones; methanol; epoxy resins; inorganics; specialty chemicals

Services: Storage of liquid and packed products; blending; standard and tailor-made packaging; stock control and telemetry; logistics operations consulting

Assets: Logistics complex at the Famalicao, Santo Tirso, Madrid, Valencia, Vigo, Cartagena, Lisboa with 45,000 square metres, capacity for 30,000 tonnes of packed products and 8,000 cubic metres of liquids in 45 tanks; four tank terminals for liquids with 12,000 cubic metres and packed solids; our own fleet of 45 trucks, 40 cisterns, 6 semi-trailers and 65 stainless steel Isotainers of 26 cubic metres

Trading sales: 10%

Houston, Texas, US

[*www.theplazagrp.com*](http://www.theplazagrp.com)

President: Randy Velarde

Products: Solvents; intermediates; elastomers; styrenics; polyethylenes

Products: Additives; pigments and dyes; actives and intermediates; performance materials and fillers; resins

Services: Marketing; logistics; storage

Assets: 1 warehouse; 1 bulk storage tank; 86 railcars

Asperg, Germany

[*www.haeffnergroup.com*](http://www.haeffnergroup.com)

CEOs: Jurgen Martin, Thomas Dassler

Products: Water treatment chemicals; paints, inks, coatings, adhesives and resin additives; paint, textile and leather auxiliaries; food additives; feed additives; metal treatment chemicals; household and personal care ingredients; lubricant additives

Services: Mixing, blending and formulating; repackaging; contract packaging; warehousing of hazardous goods; just-in-time delivery; applications advice; single sourcing

Assets: 6 warehouse facilities across Europe with tank farm for acids/lyes/solvents and Hazard Analysis and Critical Control Points (HACCP) filling and blending area; 1 laboratory; 22 trucks

Trading sales: 10%

Neuss, Germany

[*www.grolman-group.com*](http://www.grolman-group.com)

Managing directors: Dirk Grolman, Florian Grolman, Jurgen Grolman, Mike Dorsam

Products: Pigments; dyes; mineral fillers; performance materials; binders and resins; additives; personal care ingredients; pharmaceutical ingredients

Services: Laboratory services

Assets: 3 labs; 1 warehouse

Des Moines, Iowa, US

[*www.barsol.com*](http://www.barsol.com)

President David M Casten

Board member: Pawe Tomaszkiewicz

Products: Aliphatics; aromatics; alcohols; glycol ethers; acetates; ketones; glycols; epoxy resins; surfactants; distilled spirits; specialty chemicals; USP/NF pharmaceutical ingredients; oils; lubricants

Services: Custom packaging; custom blending; delivery to customer or job site; waste services; laboratory services

Assets: 6 stocking locations; delivery fleet of 81 power units and 147 trailers

Athens, Greece

[*www.elton-group.com*](http://www.elton-group.com)

CEO: Nestor Papathanasiou

Products: Coatings and adhesives materials; construction chemicals; detergent chemicals; cosmetics ingredients; pharmaceutical ingredients; food, feed and beverage ingredients; water treatment chemicals; metal treatment chemicals; textile chemicals; paper chemicals; agrochemicals; rubber and plastics additives; refrigerants

Services: Local warehousing and storage; full coverage of Greece, Bulgaria, Romania, Serbia, Turkey, Kosovo, Albania, FYROM, Cyprus and Ukraine markets; technical promotion and business development; inventory management

Assets: 9 warehouses (4 privately owned); 2 laboratories; privately owned trucks and tank trucks

Zwijndrecht, Netherlands

[*www.khchemicals.com*](http://www.khchemicals.com)

CEO: Hans Ketting

Products: Acrylates; acetates; alcohols; anhydrides; aromatics; chlorinated solvents; glycols; glycol ethers; hydrocarbons; ketones; monomers; oxo-alcohols; plasticizers; propylene glycol ethers; vegetable oils

Services: Trading; packaging; drumming; logistics

Assets: Office space of 450 square metres; 2 ISO tanks

Trading sales: 8%

Antwerp, Belgium

[*www.arpadis.com*](http://www.arpadis.com)

CEO: Laurent Abergel

Products: Acrylates and monomers; isocyanates and polyols; solvents; specialty acrylates; HMD; glycols; additives and pigments; blowing agents; flame retardants

Services: Technical sales and marketing; local and central stockholding; sampling

Assets: Blending; dilution; repackaging; storage; transports

Ruti bei Buren, Switzerland

[*www.thommen-furler.ch*](http://www.thommen-furler.ch)

CEO: Franz Christ

Products: Industrial chemicals (inorganics, organics, liquids and solids); hygiene and surface cleaning products; activated carbon; intermediates; plasticizers; high-purity solvents and reagents; electronic grade chemicals; industrial and automotive lubricants; marine and aviation lubricants; automotive fluids; car care-products; AdBlue diesel exhaust fluid; wastewater treatment chemicals

Services: Storage; blending; mixing; packaging; laboratory services; quality and control tests; hazardous waste management; OptiTank tank farm management by telemetry

Assets: 3 dedicated sites for chemicals and hazardous waste handling; tank farms and warehouses for chemicals and hazardous waste; blending, mixing and filling installations; waste treatment installations; 57 road tankers and trucks for general cargo

Port Washington, New York, US

[*www.aceto.com*](http://www.aceto.com)

CEO: William Kennally

Products: Specialty chemicals

Services: Global sourcing; global logistics

Runcorn, UK

[*www.2m-holdings.com*](http://www.2m-holdings.com)

CEO: Mottie Kessler

Products: Triklone, Perklone and MEC Prime; SamSol; chlorine gas (cylinders & drums) for water treatment and chemical synthesis; surfactants/reology modifiers; AdBlue diesel exhaust fluid; aerospace cleaning approved products; Pigmentan (anti-corrosive environment friendly pigments); oilfield drilling and completion products; specialty personal care and cosmetics ingredients; hydrocarbons and oxygenated solvents; home care and I&I ingredients; pharmaceutical excipients and APIs; precision cleaning solutions; Cool-Phos and Vaposol; dry ice

Services: Blending; packaging; storage; formulation and technical support with laboratory facilities; sample management; technical, regulatory and legislative expertise; cosmetics and hygiene products formulation advice; water treatment; pigment dispersion; development and formulation

Assets: Application laboratories; warehousing in UK, Poland, Brazil, Nordics, Benelux, Germany; blending and storage; own trucks

Assago, Milan, Italy

[*www.urai.it*](http://www.urai.it)

CEO: Roberto Giuliani

Products: Coatings chemicals; adhesives; construction chemicals; lubricants; pharmaceutical ingredients; cosmetics chemicals; personal and home care chemicals; rubber and plastics additives; water treatment chemicals; food and beverage ingredients

Services: Technical sales and marketing; application development; analytical testing and quality control; warehousing; regulatory services; supply chain management; after sales services

Assets: Tank farm

Mumbai, India

[*www.vimalagencies.net*](http://www.vimalagencies.net)

CEO: Bimal Shah

Products: Amines; matting agents; isocyanates; polyols; monomers; propylene glycols; epoxy resins and hardeners; hydroxyl ethyl cellulose; additives; surfactants; glycol ethers; redispersible powders; carbon black; vinyl resins; fatty acids; carbonyl iron powder; solvents; polyurethane hardeners; personal care ingredients; PTFE powders; PE waxes; molecular sieves; benzyl alcohol; benzyl acetate; benzyl chloride

Services: Repackaging; drumming; laboratory services

Assets: 6 warehouses (140,000 square feet); head office; 2 regional offices; 9 resident representatives; 2 application laboratories

Trading sales: 15%

Amsterdam, Netherlands

[*www.keysermackay.com*](http://www.keysermackay.com)

Managing partners: Gerard de Waal, Willem Augustinus

Products: Specialty chemicals; coatings and inks ingredients; plastics and rubber additives; adhesives; sealants; construction chemicals; personal care chemicals; food and feed ingredients; pharmaceutical ingredients

Services: Technical sales and marketing; local and central stockholding; sampling

Assets: Offices and warehouses in 7 European countries.

Trading sales: Less than 5%

Ratingen, Germany

[*www.connectchemicals.com*](http://www.connectchemicals.com)

Managing director: Dirk Otmar, Basar Karaca

Products: Coatings, adhesives and sealants; construction chemicals; cosmetics and personal care ingredients; flavours and fragrances; household and industrial care chemicals; life science chemicals; lubricants and metalworking fluids; metal surface treatment chemicals; paper chemicals; plastics additives; resins; textile and leather chemicals; water treatment chemicals

Services: Custom manufacturing; blending; formulating; packaging; logistics

Assets: 3 production sites

Varese, Italy

[*www.rainoldi.it*](http://www.rainoldi.it)

CEO: Simone Bombardieri

Products: Industrial chemicals; pharmaceutical ingredients; feed and food ingredients

Services: Packaging

Assets: 2 warehouses

Trading sales: 70%

Nuremberg, Germany

[*www.csc-jaekle.de*](http://www.csc-jaekle.de)

CEOs: Robert Spath, Philipp Klass, Dr Michael Spehr

Products: Industrial chemicals; acids; alkaline solutions; solvents; solids; specialities; coatings, adhesives and sealants; high quality parts cleaning chemicals; life science chemicals; water treatment and environmental chemicals

Services: Technical expertise and field service; warehouse distribution; direct distribution; inventory management; blending and repackaging; proper disposal of chemical waste; worldwide shipment; trucking

Assets: Storing, filling and trans-shipment site; warehouse; laboratory for quality assurance; tank wagons for chemicals; trucks; company vehicles

Zurich, Switzerland

[*www.selectchemie.ch*](http://www.selectchemie.ch)

CEO and delegate of the board: Dr Peter Kaufmann

Products: Active pharmaceutical ingredients (APIs); pharmaceutical excipients; nutritional ingredients

Services: Regulatory support; development of generic dossiers; storage; lab trials

Trading sales: 10%

Milan, Italy

[*www.tillmanns.it*](http://www.tillmanns.it)

CEO: Stefano Vollmer

Products: Coatings additives; adhesives; plastics additives; construction and ceramic chemicals and materials; organic and inorganic pigments; binders; resins; additives; waxes; preservatives; specialty chemicals for water treatment; functional additives and ingredients for food and feed

Services: Marketing; formulation and blending; standard and tailor-made packaging; laboratory testing and technical support; regulatory support; green chemistry product solutions; warehousing and supply chain management; extensive logistics; vendor managed inventory; fire class 4.1 storage of flammable products

Assets: 2 company owned and operated warehouses with total capacity of 45,000 tonnes; technical team; 2 laboratories; own truck fleet

Milan, Italy

[*www.faravelligroup.com*](http://www.faravelligroup.com)

CEO: Luca Benati

Products: Fine chemicals; food ingredients; nutraceuticals; cosmetics ingredients; pharmaceutical ingredients; animal nutrition raw materials and ingredients

Services: Blending; packaging; storage; cosmetics and food application laboratory services; international trading of commodities

Assets: 6 warehouses

Trading sales: 25%

Hamburg, Germany

[*www.penpet.com*](http://www.penpet.com)

General managers: Tim Meister, Christoph Meister

Products: Oxo-alcohols; melamine; solvents; plasticizers

Services: Blending; packaging; storage

Assets: 1 warehouse

Trading sales: 25%

Vienna, Austria

[*www.prochema.com*](http://www.prochema.com)

CEO: Werner Figlhuber

Products: Additives; acrylates; alcohols; anhydrides; flame retardants; methacrylates; monomers; organic acids; paper chemicals; pigments; resin intermediates; resins; PUR feedstocks; UV curing monomers

Services: Manufacturer representations; market research; product roll out; financing; transport and warehouse logistics; refilling; repackaging

Assets: 11 points of sales; 12 warehouses in all European regions

Offenbach am Main, Germany

[*www.bm-chemie.com*](http://www.bm-chemie.com)

Chairman and managing director:

Frank Haug

Products: Adhesives and bonding systems (epoxy, polyurethane, MMA, hotmelts); sealants; silicones; resins (basic, epoxy, alkyd, acrylic); casting and potting resins for electronics (polyurethane, epoxy and silicone based); hardeners and curing agents; composites (resins, gelcoats, reinforcements); mould-making materials (boards, pastes, casting resins); additives for coatings (pigments, matting agents, drier, compounds); additives for plastics and rubber (pigments, stabilizers, masterbatches, stearates); additives for lubricants (corrosion protection, antioxidants, metal deactivators); chemicals and dyes for textiles; performance chemicals for paper, water and air treatment, medical

Services: Packaging; filling; testing; modification; blending

Assets: Headquarters in Germany; affiliates in Europe, Africa, Asia and US; warehouses; laboratory facilities; production plant for polymer formulations

Holtsville, New York, US

[*www.pridesol.com*](http://www.pridesol.com)

President: Art Dhom Jr

Products: Alcohols; amines; esters; glycols; glycol ethers; glycol ether esters; hydrocarbon solvents; ketones; mineral oils; oleochemicals; petrolatum; plasticizers; polyols; silicones; stearates; surfactants

Services: Blending; packaging; storage; NF USP Kosher repackaging; DSP ethyl alcohol blending and repackaging

Assets: 2 distribution centres; 12 tractor trailers; 5 straight trucks; 25 tank wagons; 400,000 gal bulk storage

Twinsburg, Ohio, US

[*www.hbchemical.com*](http://www.hbchemical.com)

President and CEO: Jeffrey L Rand

Products: Rubber accelerators; zinc oxide; magnesium oxide; synthetic polymers; natural rubber; stearic acid; sulphur; antioxidants; paraffin and microcrystalline waxes; polyethylene glycol waxes; ester plasticizers; anti-tack agents; carbon black; phenolic resins

Services: Packaging

Assets: 2 warehouses

Grand Rapids, Michigan, US

[*www.havilandusa.com*](http://www.havilandusa.com)

President and CEO: Mike Karasiewicz

Products: Caustic soda; sulphuric acid; hydrochloric acid; finishing chemicals; anodizing chemicals; cleaning chemicals; waste treatment chemicals; potable water chemicals; swimming pool chemicals; solvents

Services: Liquid and powder blending; liquid and powder packaging; sachet/pouching; screen printing; labelling; laboratory analysis; technical service; bulk storage

Assets: 6 warehouses; 14 trucks; 24 trailers; 3 tankers; 5 manufacturing locations

Trading sales: Less than 5%

Boca Raton, Florida, US

[*www.jtechsales.com*](http://www.jtechsales.com)

CEO: Jeffrey Tannenbaum

Products: Surfactants; terpenes; soy methyl esters; fluoroadditives; biological products; enzymes; rheology modifiers; water-based defoamers; water-based acrylic copolymers; polyethylene and wax emulsions; plasticizers; polyurethanes; US EPA registered disinfectants; antimicrobials and biocides; silicone fluids and emulsions; green solvents

Services: Inventory management and ***planning***; custom formulating; product development; prototype formulating; regulatory compliance and support; warehousing; logistics; laboratory testing

Assets: Corporate headquarters; research and analytical laboratory; 9 public warehouses throughout North America; regional office in Colorado, US; regional office in Illinois, US; regional office in Brazil

Muelheim an der Ruhr, Germany

[*www.harke.com*](http://www.harke.com)

President: Thorsten Harke

Products: Cleaning and detergent chemicals; coatings; electronic/high purity chemicals; food ingredients; functional food; industrial chemicals; cosmetics/personal care ingredients; pharmaceutical excipients; phosphates; plastics; specialty films; specialty chemicals; synthetic polymers; water-soluble films; water treatment chemicals

Services: Formulation; blending; mixing; encapsulation; packaging; refilling; storage; gravure; film coating; Reach consulting

Assets: Warehouse; packaging machines; filling stations; silo; encapsulation machines

Trading sales: 10%

Zurich, Switzerland

[*www.rahn-group.com*](http://www.rahn-group.com)

CEO: Marcel Gatti

Products: Raw materials for inks, coatings and adhesives; personal care ingredients; flavours and fragrances; food ingredients

Services: Application support; R&D; customised products; regulatory affairs; formulations; international logistics; analytics

Trading sales: 50%

Espoo, Finland

[*www.algolchemicals.com*](http://www.algolchemicals.com)

Managing director: Juha Jokinen

Products: Resins and binders; fillers and additives for paints and coatings; additives, auxiliaries and fillers for polymers and rubber; polymers; food ingredients and additives; raw materials for animal feed; chemicals for metal production and systems for metal treatment; industrial chemicals; water treatment chemicals; mining chemicals; ammonia gas and aqueous ammonia; soil remediation systems

Services: Warehousing and bulk storage; logistics; repackaging and relabelling; blending and mixing; toll production; Reach services; laboratory testing

Assets: 23 warehouses in 11 countries (Finland, Scandinavia, Baltics, Russia, Ukraine, Belarus, India)

Trenton, New Jersey, US

[*www.hmroyal.com*](http://www.hmroyal.com)

President: Joseph E Royal

Products: Rubber polymers; resins and diluents; curing agents; processing aids and plasticizers; rubber to metal bonding adhesives; flame retardants and smoke suppressants; films and wrapping tapes; functional fillers and reinforcements; rheology modifiers

Services: Sales development; customer service; storage; logistics

Assets: 2 owned warehouses; 10 public warehouse sites; 2 trucks

Trading sales: 15%

Paris, France

[*www.unipex.com*](http://www.unipex.com)

President: Patrice Barthelmes

Products: Active and functional personal care ingredients; active pharmaceutical ingredients (APIs) and excipients; enzymes; amino acids; lactose; sweeteners; sugar; starch; fibres; plasticizers; surfactants; additives; silicones; titanium dioxide (TiO2); dyes and pigments; sports grounds polymers and resins

Services: Corporate Social Responsibility (CSR); warehousing; application laboratory services; formulations; regulatory services; auditing; reconditioning

Assets: 2 owned warehouses in the Paris area

Trading sales: 9%

Dubai, UAE

[*www.afriglobalonline.com*](http://www.afriglobalonline.com)

Managing director: Maneesh Bhushan Garg

Products: Flexible and rigid polyurethane chemicals; food and feed ingredients, beverage grade ethanol; paint raw materials including solvents, specialty paint additives; cosmetics raw materials and fine chemicals; soap and detergent raw materials; leather, textile and water treatment chemicals; oilfield chemicals; lubricant additives; plastic resins and processing aids; construction chemicals; pharmaceutical excipients

Services: Imports; end to end logistics; vendor managed inventory (VMI); warehousing; blending; technical after-sales support

Assets: 8 warehouses with 150,000 square feet; 25 trucks; blending and formulation unit

Trading sales: 2.6%

Westlake, Ohio, US

[*www.sealandchem.com*](http://www.sealandchem.com)

President: Jennifer Altstadt

Products: Acids; amines; biocides; chlorinated paraffins; corrosion inhibitors; defoamers; esters, emulsifiers; ethoxylated alcohols; fatty acids; industrial and transportation lubricant additive components; polyalphaolefins; primary amino alcohols; natural petroleum sulfonates; surfactants; vegetable and animal oils

Services: Stocking; packaging and repackaging; product sourcing; market development; technical expertise; lubricant testing; logistics; small package to bulk deliveries; ISO9001:2015 standards; regulatory support

Assets: 10 warehouse locations in North America and Europe; 6 repackaging facilities; 1 testing laboratory

Trading sales: 15%

Dubai, UAE

[*www.dia33.com*](http://www.dia33.com)

Group CEO: Nadeem Raza

Products: Polyolefins; acrylic resin; polyurethane (PU) resin; radiation curing resin; powder coating resin; epoxy resin; PU hardener; epoxy hardener; micronised and polyethylene (PE) wax; organic pigments; inorganic pigments; performance additives; fibres and filler; concrete admixtures; binder cement

Services: Consignment stock solutions; call-off stock solutions; door-to-door logistics; free label solutions; customised product solutions; technical consultancy; product development and technical laboratory solutions; storage for hazardous and classified chemicals; logistics and warehousing; inventory management solutions

Assets: 12 warehouses in 6 countries; 18 exclusive associates handling cargos via road, air and sea to cater to customers in 26 countries

Trading sales: 68%

Moscow, Russia

[*www.nortex-chem.ru*](http://www.nortex-chem.ru)

CEO: Vladimir Yakushin

Products: Isocyanates; polyols; epoxy resins; hardeners; fillers; flame retardants; polyolefins; engineering plastics; antioxidants; synthetic and natural rubber; vulcanising agents; PVC resins; plasticizers; blowing agents; titanium dioxide; oilfield chemicals; construction chemicals

Services: Logistics; packaging; professional technical support

Assets: 8 warehouses; 4 trucks

Trading sales: 20%

Barcelona, Spain

[*www.grupbarcelonesa.com*](http://www.grupbarcelonesa.com)

President and CEO: D Enric Collell

Products: Chlor-alkalis; acids and bases; metallic salts; oilfield and mining chemicals; resins, curing agents and composites; food and feed additives; tailor-made blends for food and feed; agrochemicals; metalworking formulations; detergent and disinfection chemicals; home care and personal care chemicals; pharmaceutical ingredients; textile and leather chemicals; coatings materials; water treatment chemicals; polyols and polyurethanes

Services: Blending; drumming; custom and toll manufacturing; contract manufacturing; VMI (telemetry); environmental assistance; technical assistance; packaging; agency services; specialised chemicals storage and transportation

Assets: 8 warehouses with storage capacity of 70,000 square metres equalling 56,000 pallets in southwest Europe, northern Africa and China; tanks capacity of 17,000 cubic metres; own trucks fleet; 80 person sales force in southwest Europe, northern Africa, Latin America and China

Trading sales: 20%

Baltimore, Maryland US

[*www.tilleychem.com*](http://www.tilleychem.com)

President: John M Tilley

Products: Food ingredients; pharmaceutical ingredients; personal care ingredients; HI&I chemicals; process chemicals; beverage ingredients; industrial chemicals

Services: Blending; packaging

Assets: 2 company owned warehouses; 3 public warehouses; 30+ trucks; 24 tank trucks

Akron, Ohio, US

[*www.harwick.com*](http://www.harwick.com)

President and CEO: Ernie Pouttu

Products: Polymers; rubber chemicals; plasticizers; process oils; flame retardants; activators; chemical and colour dispersions; processing aids; organic peroxides; resins; vulcanizing agents; colourants; fillers; stabilizers; dry liquid concentrates

Services: Warehousing; bulk break; logistics; storage; technical support; regulatory support

Assets: 2 company owned and operated warehouses; 7 public warehouses; 1 truck

Saskatoon, Saskatchewan, Canada

[*www.cleartech.ca*](http://www.cleartech.ca)

President: Randy Bracewell

Products: Water treatment; caustic soda; hydrochloric acid; chlorine; sodium hypochlorite; coagulants; flocculants; acids; alkalis; sulfites; defoamers; activated carbon; phosphates; chemical feed systems; analytical products

Services: Blending; packaging

Assets: 10 buildings in 7 cities across Canada

Nuremberg, Germany

[*www.staub-silbermann.de*](http://www.staub-silbermann.de)

Managing directors: Andreas Frank, Thomas Seiler, Peter Stockmeier

Products: Industrial and speciality chemicals; acids and lyes; solvents; solid chemicals; cleaning agents; food and feed ingredients; pharmaceutical ingredients; cosmetics ingredients; water treatment chemicals; thermal transfer agents; ammonia; AdBlue diesel exhaust fluid

Services: Storage; mixing; blending; filling; packaging; polymerisation

Assets: 2 warehouses; 17 trucks

Trading sales: 34%

Levallois-Perret, France

[*www.quimdis.com*](http://www.quimdis.com)

President: Jean-Francois Quarre

Products: Pharmaceutical excipients; veterinary APIs and excipients; food and feed ingredients and additives; food supplements; flavours and fragrances; cosmetics ingredients

Trading sales: 60%

Jamestown, Rhode Island, US

[*www.thechemco.com*](http://www.thechemco.com)

CEO: Robert N Roach, Jr; President: Robert N Roach III

Products: Polymer additives; coatings, adhesives, sealants and elastomers (CASE); flame retardants; silanes; water treatment chemicals; intermediates; acids

Services: Global procurement; packaging; imports; international customs management: EH&S team; logistics and rail fleet management

Assets: Global network comprised of 41 sites, with regional offices in California, US; Colombia, Mexico City, Mexico; and Nanjing, China; 10 storage facilities; 14 railcars; global warehouses, shore tanks and distribution centres

London, UK

[*www.noahsark.eu.com*](http://www.noahsark.eu.com)

CEO: Dr Bharat Bhardwaj

Products: Solvents; glycols; styrene; benzene; acrylates

Services: Blending; storage

Trading sales: 30%

Dubai, UAE

[*www.tajchem.com*](http://www.tajchem.com)

Chairman and CEO: Irfan Mulla

Products: Polyurethane chemicals (TDI, MDI, polyols); lubricant additives (PPD, TBM, ZDDP, base oils); paints, inks and coatings; construction chemicals; oilfield chemicals; solvents; polyurethanes (PU); machinery; fabrics

Services: Blending; repackaging; local warehousing; technical support; supply chain management; just-in-time delivery; inventory management

Assets: Extensive marketing network in GCC and Africa; 3 warehouses in UAE; 1 Warehouse in Saudi Arabia

Trading sales: 40%

Krefeld, Germany

[*www.cherbsloeh.com*](http://www.cherbsloeh.com)

CEO: Christopher Erbsloeh

Products: Coatings materials; adhesives; construction chemicals; lubricants; pharmaceutical ingredients; cosmetics ingredients; personal care and home care chemicals; rubber additives; plastics additives; electronics chemicals; water treatment chemicals; food and beverage ingredients

Sevices: Technical sales and marketing; application development; analytical testing and quality control; warehousing; regulatory services; supply chain management; after sales services

Assets: 10 office locations; application and quality control laboratories; fully owned and operated warehousing and tank farm

Southampton, Pennsylvania, US

[*www.tannerind.com*](http://www.tannerind.com)

President and CEO: Stephen Brad Tanner

Products: Anhydrous and aqua ammonia

Services: Safety training; tank storage; pump out services; storage tank repairs and maintenance

Assets: 16 distribution locations; full fleet of tractors and trailers

Bangkok, Thailand

[*www.unionpetrochemical.com*](http://www.unionpetrochemical.com)

Managing director: Perapol Suwannapasri

Products: Alcohols; aromatics; esters; glycols; ketones; monomers; PP; PE

Services: Blending; packaging; repackaging; storage, delivery; inventory management

Assets: 5 warehouses; 30 trucks

Dzerzhinsk, Russia

[*www.neochemical.ru*](http://www.neochemical.ru)

CEO: Andrey Lipovetskiy; Director: Vladimir Fedyushkin

Products: Additives; peroxide compounds; titanium dioxide; silanes; polyisobutylenes; hardeners; hexene-1; citric acid; surfactants; base oils; disinfectants; polyurethanes; polyols; n-pentane; furfuryl alcohol; amines

Services: Storage; shipping

Assets: Wholesale warehouse in Dzerzhinsk, Russia

Trading sales: 49.5%

Kraainem, Belgium

[*www.novasolchemicals.com*](http://www.novasolchemicals.com)

General manager: Claude Fickers

Products: Specialty and commodity methacrylate monomers; specialty and commodity acrylate monomers; crosslinking agents; specialty and commodity solvents; additives; emulsifiers; emollients; intermediates; flavours and fragrances; surfactants; vitamins; water treatment chemicals; denaturants; pure solvents; crosslinking additives

Services: Tailored services; flexibility; reactivity; customer focus; single point of contact; customised handling (filling, mixing, packaging and labelling)

Assets: Presence in North America, Europe, Asia; pan European presence in 23 countries; development in Eastern Europe; Reach - own registration (lead registrant and co-registrant)

Bishops Stortford, UK

[*www.cornelius.co.uk*](http://www.cornelius.co.uk)

Chairman: Dr Neville Prior

Products: Monomers; specialty chemicals; food ingredients; personal care ingredients; pigments; additives; resins; minerals; surfactants; adhesive materials; excipients; natural products; animal feed ingredients; medical device raw materials; coatings ingredients

Services: Global supply chain management; laboratory services; logistics; legislative/regulatory advice; distillation; chemical reactions and manufacturing; repackaging; R&D; sales and marketing

Assets: 9 warehouses; 5 laboratories; 2 manufacturing sites; 7 offices; 1 clean room

Trading sales: 15%

Charlotte, North Carolina, US

[*www.phtchemical.com*](http://www.phtchemical.com)

President: Lihong Yu

Products: Pharmaceutical ingredients; agrochemicals; consumables; electronic chemicals; personal care ingredients; industrial chemicals

Services: Custom manufacturing; in-house chemical development; quality control and regulatory support; ***strategic*** sourcing; logistics; sales and marketing; sample generation; contract research organisation; import/export services in the US and China

Assets: 100% owned Sancus Arc BioChem manufacturing facility

Macon, Georgia, US

[*www.lintechinternational.com*](http://www.lintechinternational.com)

CEO: Julie Van Brunt

Products: Adhesives and sealants raw materials; advanced composite resins; additives for paints and coatings, plastics, rubber and metalworking; crosslinkers; personal care ingredients; resins; fillers; colourants; printing ink materials; dyes; rubber adhesion promoters; lubricants; industrial and institutional (I&I) cleaner ingredients; building product chemicals; textile auxiliary chemicals

Services: Technical support; contract packaging; vendor managed inventory; temperature controlled storage

Assets: 13 warehouses

Santa Catarina, Brazil

[*www.quimisa.com.br*](http://www.quimisa.com.br)

President and CEO: Rogerio Wehmuth

Products: Caustic soda; chlorinated solvents; oxygenated solvents; aromatic solvents; glycols; hydrogen peroxide; organic acids; inorganic chemicals; ethanolamines; heat transfer fluids; textile auxiliaries and dyestuffs; enzymes; chemicals for household care and industrial/institutional applications; water treatment chemicals

Services: Liquid and dry storage; packaging; blending; flexible delivery; technical support; product and solutions development

Assets: Headquarters; 3 branches; 8 warehouses; 75 trucks

Indianapolis, Indiana, US

[*www.mayschem.com*](http://www.mayschem.com)

President: Kristin Mays Corbitt

Products: Acidulants; binders; buffers; chelates; citrates; emulsifiers; excipients; glycerine; gums; methanol; phosphates; solvents; starches; stearates; surfactants

Services: Shipping; warehousing; liquid blending; repackaging; reformulation

Assets: 2 warehouses; 1 warehouse/blending facility; 2 freight trucks; 7 liquid tank trucks; 12 forklifts/related equipment

Atlanta, Georgia, US

[*www.essentialingredients.com*](http://www.essentialingredients.com)

CEO: Kris Maynard

Services: Personal care ingredients; pharmaceutical ingredients; home care, industrial and institutional care chemicals; textile chemicals; animal care chemicals

Services: R&D solutions; product development; technical support; dedicated customer service representatives; blending; repackaging; logistics solutions; regulatory team; sample inventory; multi-language personnel

Assets: 7 distribution centres in the US

La Palma, California, US

[*www.tcrindustries.com*](http://www.tcrindustries.com)

CEO: Sam Rumfola

Products: Resins; pigments; additives; specialties

Services: Storage

Assets: 10 warehouses

Trading sales: 10-20%

Gaglianico, Italy

[*www.ilarioormezzano.it*](http://www.ilarioormezzano.it)

President: Giancarlo Ormezzano

Products: Solvents; phenol; acrylates; base chemicals; pharmaceutical intermediates; hydrocarbons

Services: Storage of liquid and solid products; storage for third parties; blending; customised handling (packaging, mixing, filling and labelling); quality control; technical after-sales support; Reach support

Assets: 2 warehouses owned with a total of 85,000 square metres and storage capacity for liquid products of more than 7,000 cubic metres; 1 warehouse for rent; 3 offices; 2 laboratories; 5 trucks

Trading sales: 20%

Alkmaar, Netherlands

[*www.joss.nl*](http://www.joss.nl)

CEO: Frits Jeukens

Products: Natural rubber and latex; synthetic rubbers (SBR, BR, SBS, IIR, IR); process oils; zince oxide; accelerators; silica; carbon black

Services: Trading; warehousing; financing

Trading sales: 50%

Roanoke, Virginia, US

[*www.chemsolv.com*](http://www.chemsolv.com)

CEO: L Glenn Austin

Products: Specialty blends; thinners; ink solvents; aromatics/aliphatics; hydrocarbons; isoparaffins; chlorinated solvents; alcohols; ketones; esters; glycols and glycol ethers; polyethylene glycols; amines; ethanolamines; plasticizers; surfactants; acrylates; silicones; metalworking fluids; process oils; oils and lubricants; diesel exhaust fluid; inorganics; ammonium, sodium and potassium salts; phosphates; chlor-alkalis

Services: Solvent blending; packaging; solvent distillation of NMP, EG, DEG, TEG, PG, 2-EH; lab services; safety and environmental consulting

Assets: 6 plant locations; 38 trucks; 50 trailers, 1.75m gal bulk storage; 5 warehouse storage locations; rail service terminal

Trading sales: 2%

Badhoevedorp/Amsterdam, Netherlands

[*www.will-co.nl*](http://www.will-co.nl)

Managing director: Jacques van Lindonk

Products: 1,4 butanediol; methylamines; pigments; paint additives; paint resins; barrier resins for plastics; foaming agents for plastics; impact modifiers for plastics; additive masterbatches; proteins; plasticizers; sulfamic acid; long chain diacids; flame retardant systems; ferric chloride

Services: Storage management; logistics management; sales and marketing

Trading sales: Less than 10%

Kocaeli, Turkey

[*www.kalekimya.com*](http://www.kalekimya.com)

CEO: Birgen Kaleagasi

Products: Detergent additives; disinfectants and protection chemicals; emulsifiers; polymers; surfactants; pool chemicals; actives and antioxidants; paints, oils and esters; conditioners; protectives; perfume; silicones; UV filters; fatty alcohols; adhesives

Services: Storage; transport; production; blending; packaging

Assets: 5 warehouses; 4 trucks; 1 production facility; total 35,000 square metres storage; 1,000 tonnes bulk storage

Trading sales: 30%

Warsaw, Poland

[*www.chem-international.pl*](http://www.chem-international.pl)

CEO/Board member: Cezary Mielczarek; Board member: Pawel Tomaszkiewicz

Products: Anhydrides; glycols; vinyl acetate monomer (VAM); styrene monomer (SM); butyl acrylate (BA); phenol; polymers; solvents

Services: Logistics support; intermodal solutions; warehousing; storage; customised services and solutions; technical support

Palmyra, New Jersey, US

[*www.calchem.com*](http://www.calchem.com)

President: Gregory Shetler

Products: Coatings, adhesives sealants and elastomers; household, institutional and industrial chemicals; pharmaceuticals and nutraceuticals; personal care and cosmetics chemicals; food ingredients; functional fluids

Services: Bulk liquids packaging; custom blending; returnable containers, drums and totes; customised tote ***programmes***; custom labelling; remote tank monitoring; vendor managed inventory; consignment inventory; committed inventory to forecast; mixed truckload deliveries, LTL quantities, just-in-time deliveries

Assets: 2 dedicated white rooms for NF, FCC, USP and Kosher packaging; 9 warehouses; 5,000 square feet of temperature controlled (hot and cold) warehousing; 400,000 square feet of environmentally controlled warehousing; 90,000 gal bulk storage; company owned and operated fleet of 12 trucks; tank farm; 2 regional offices

Cardiff, California, US

[*www.tri-iso.com*](http://www.tri-iso.com)

President: Jason Scott

Products: Paints; coatings and ink raw materials; adhesives and sealants ingredients; plastics and composite chemicals; lubricants and metal-working additives; polyurethane chemicals

Services: Logistics; warehousing

Assets: 1 office; 3PL service providers

Cleveland, Ohio, US

[*www.chemicalsolvents.com*](http://www.chemicalsolvents.com)

CEO: Ed Pavlish

Products: Aromatics; aliphatics; amines; ketones; d-limonene; NPB; silicones; TBAC; methyl acetate

Services: Custom blending; solvent recycling

Assets: 5 warehouses; 1.5m gal tank capacity

Arleta, California, US

[*www.mileschemical.com*](http://www.mileschemical.com)

CEO: Michael Miles;

Chairman: Anthony Miles

Products: Acids; esters; lubricants; alcohols; flavours and fragrances; plasticizers; food additives; polyglycols; amines; glycol ethers; hydrogen peroxide; solvents; chelating agents; chlor-alkali; inorganics; surfactants; chlorinated solvents; thickening agents; ketones

Services: Manufacturing; blending; contract packaging; solvent reclamation; technical training; safety training; hazardous waste removal; customer product research

Assets: Total bulk storage capacity of 102,000 gal; total warehouse space of 275,000 square feet; 25 trailers; 28 railcars; 18 tankers; 4 Bobtail trucks

Croydon, Pennsylvania, US

[*www.coynechemical.com*](http://www.coynechemical.com)

President and CEO: Thomas H Coyne Sr

Products: Acids; alcohols; amines; chelating agents; chlor-alkai; chlorinated solvents; food additives; glycol ethers; hydrogen peroxide; inorganics; ketones; polymers; specialty quats; surfactants; potable and wastewater treatment chemicals

Services: Blending; technical training; contract packaging; terminal rail to truck transloading

Assets: Over 200,000 square feet of storage in 4 warehouses; 27 trucks; over 50 trailers or tankers

Trading sales: Less than 10%

Athens, Greece

[*www.afco.gr*](http://www.afco.gr)

CEO: Christos Spanos

Products: Polymers; fertilizers; pharmaceutical ingredients; food ingredients; industrial chemicals

Services: logistics; project management; technical product development

Trading sales: 10%

Barcelona, Spain

[*www.ricardomolina.com*](http://www.ricardomolina.com)

President: Gemma Molina

Products: Coatings chemicals; adhesives; building and construction chemicals; lubricants; pharmaceutical ingredients; cosmetics chemicals; personal and home care chemicals; rubber and plastics additives; water treatment chemicals; food and beverage ingredients; agrochemicals

Services: Technical sales and marketing; application development; quality control; warehousing; regulatory services; supply chain management; after sales services; repackaging

Assets: 3 laboratories; 1 warehouse

Berlin, Germany

[*www.mogoil.com*](http://www.mogoil.com)

Managing director: Miroslav Pribyl

Products: Base oils; process oils; low viscosity oils; paraffins; specialties

Services: Storage; logistics; financing; technical support

Trading sales: 25%

Singapore

[*www.mahachem.com*](http://www.mahachem.com)

CEO: Tan Seow Hoon

Products: Carbon black; construction chemicals; resins; polymers; additives; functional fillers; pigments; colourants

Services: Sales and marketing; warehouse storage; logistics; packaging

Assets: 12 warehouses; 12 trucks

Dubai, UAE

[*www.alnahdafz.com*](http://www.alnahdafz.com)

Managing director: Dr T.R. Vijayan

Products: Solvents; ethanol; IPA; acetates; acrylates; alcohols; aromatics; cellulose ethers; coating additives; glycols; pigments; polymer emulsions; thinners; LABSA

Services: Terminal storage for bulk liquid chemicals; drumming facility; 3PL warehousing; custom blending

Assets: 20,000 cubic metres of tank terminal storage with dedicated berth access (<500m away) at the Jebel Ali port; 9 warehouses; 3 production facilities (including a 15,000 tonne/year sulphonation plant); 3 laboratories

Trading sales: 70%

West Palm Beach, Florida, US

[*www.greenchemindustries.com*](http://www.greenchemindustries.com)

CEO: John S Lagae

Products: Acetates; acids; acrylates; alcohols; amines; aromatics; chlorinated solvents; ketones; glycols; glycol ethers; nonyl phenol ethoxylates; phthalates; PCBTF; DMC; THF; d-limonene

Services: Import specialist; logistics; repackaging; just-in-time inventory management; in-house customs broker; freight specialist

Assets: 20 public warehouses across North America

Itasca, Illinois, US

[*www.fitzchem.com*](http://www.fitzchem.com)

CEO: Don Deihs

Products: Personal care ingredients; coatings, adhesives, sealants, elastomers (CASE) chemicals; household industrial and institutional (HI&I) chemicals; plastics additives; inks

Services: Warehouse distribution; customer service; product availability; inventory management; technical expertise; formulation; consulting

Assets: 13 warehouse locations

Barcelona, Spain

[*www.proquibasa.com*](http://www.proquibasa.com)

CEO: Ivan Sanchez

Products: Organic and inorganic chemicals; specialty and fine chemicals; organic and inorganic pigments; detergent chemicals

Services: Technical service; blending; manufacturing; toll manufacturing; bulk loading and storage; warehousing

Assets: Full service and wholly owned facilities in Barcelona with tank farm (100 tanks) and 7,000 square metre warehouse; regional hub in Madrid with tank farm (25 tanks) and 2,000 square metre warehouse

Muskegon Heights, Mchigan, US

[*www.webbchemical.com*](http://www.webbchemical.com)

President: Charlie Stevens; CEO: Brad Hilleary

Products: Caustic soda 50%; caustic potash 45%; alcohols; ketones; sulphuric acid; phosphoric acid; propylene glycols; aromatics; ethylene glycols; surfactants; ethanolamines; glycol ethers

Services: Special deliveries; warehousing; vendor managed inventory (VMI); blending

Assets: 5 warehouses; 28 bulk tanks; 35 tankers; 15 box trucks; 20 trucks

Vadodara, Gujarat, India

[*www.pciplindia.com*](http://www.pciplindia.com)

Managing director: Manish K Shah

Products: Caustic soda flakes; TDI; caustic soda prills; benzyl alcohol; ethyl acetate; sodium sulphate anhydrous; cinnamic aldehdye; SLES; chlorinated paraffin wax; benzyl chloride; citric acid; liquid glucose; DEP; dextrose monohydrate; hydrochloric acid; white oil

Services: Blending; packaging; storage; labelling; logistics supply chain service ex-works to DDP; quality assurance; inspection; country specific compliance documents; Reach registration; FAMI-QS certification

Assets: 2 manufacturing plants; 2 warehouses; 3 subsidiaries outside India

Newtown, Pennsylvania, US

[*www.connectionchemical.com*](http://www.connectionchemical.com)

President: Frank Farish

Products: Caustic soda (liquid and dry); caustic potash (liquid and dry); industrial and institutional chemicals; compounding chemicals; ***agricultural*** products; water treatment chemicals; food and beverage ingredients; feed ingredients; pulp and paper chemicals; oil and gas chemicals; metal finishing and flux chemicals; phosphates; mineral acids

Services: Logistics; importing; inventory management; supply chain solutions; repackaging; dilutions; blending; outsourcing

Assets: 12 stocking locations in the US; ***strategic*** deep draft storage

Cairo, Egypt

[*www.cbc-egypt.com*](http://www.cbc-egypt.com)

Chairman: Francis A Shehata

Products: Coatings and construction chemicals; surfactants; oil and gas chemicals; food ingredients; pharmaceutical ingredients; dairy farm supplies; paper chemicals; resins and minerals

Services: Blending; storage; formulation assistance; local laboratory services

Assets: 8 warehouses spread all over Egypt and Africa

Trading sales: 80%

Levallois/Paris, France

[*www.lavollee.com*](http://www.lavollee.com)

President: Herve Ory Lavollee

Products: Coatings and adhesives additives; construction chemicals; lubricants; pharmaceutical ingredients; cosmetics ingredients; personal and home care chemicals; fragrances and flavours; rubber and plastics additives; electronics chemicals; water treatment chemicals; food and beverage ingredients

Services: Technical sales and marketing; application development; analytical testing and quality control; warehousing; regulatory services; supply chain management; after sales services; outsourcing; repackaging

Conshohocken, Pennsylvania, US

[*www.vanhornmetz.com*](http://www.vanhornmetz.com)

President: Barret C Fisher

Products: Additives; specialty resins; extenders; pigments; dyes; base stock; silicones; surfactants; esters; thickeners; polyalphaolefins (PAOs)

Services: Dry blending; pigment treatment

Assets: 10 warehouses; 1 new warehouse in Toronto, California

Trading sales: 15%

Auckland, New Zealand

[*www.tclhunt.co.nz*](http://www.tclhunt.co.nz)

[*www.tclhofmann.com.au*](http://www.tclhofmann.com.au)

CEO: Tim Fraser

Products: Polyolefins; engineering plastics; chemical additives; surface coating resins; packaging films; building products

Services: Technical sales and marketing

Assets: Offices in New Zealand (Auckland, Wellington) and Australia (Sydney, Melbourne); warehouses in 4 locations in New Zealand and 5 locations in Australia

Trading sales: 20%

Limassol, Cyprus

[*www.shamrockoils.com*](http://www.shamrockoils.com)

Managing director: Celine Boutier

Products: Base oils (Group I, II, III); polyalphaolefins (PAOs); naphthenic oils; re-refined base oils; additives; glycols; waxes; white oils; recycled oils; rubber process oils (RPO); petrolatum; bitumen; antifreeze

Services: Supply chain and logistics; financing and trade finance; flexitank loading; market intelligence; storage; trans-shipment

Assets: Offices in Cyprus, France and the United Arab Emirates (UAE)

Trading sales: 60%

Springfield, Massachusetts, US

[*www.astrochemicals.com*](http://www.astrochemicals.com)

President and CEO: Chris Diamond

Products: Solvents; chlor-alkali; pharmaceutical-grade chemicals; food-grade chemicals; adhesives; activated carbon; water treatment chemicals; wastewater treatment chemicals; mineral oils and petrolatums; acetates; heat transfer fluids; alcohols; citrates; phosphates; silicates

Services: Blending; packaging; storage; logistics

Assets: 2 warehouses, 11 trucks, 4 tankers, 12 storage tanks of 12,500 gal each

Tulsa, Oklahoma, US

[*www.brainerdchemical.com*](http://www.brainerdchemical.com)

CEO: Mathew A Brainerd

Products: Peracetic acid; hydrofluoric acid; sulphuric acid; nitric acid; refrigerants; aromatics; aliphatics; glycols; glycol ethers; high hazard acids; chlor-alkali; alcohols; formaldehyde; food processing sanitation chemicals, water treatment chemicals

Services: Packaging; blending; contract packaging; toll manufacturing; logistics; warehousing; transloading

Assets: 4 production locations in Oklahoma, North Carolina, and Illinois; public warehouse in Dallas, Texas; tank terminals; rail terminals; extensive company owned fleet of trucks and trailers, and bulk tankers

St Louis, Missouri, US

[*www.chemispherecorp.com*](http://www.chemispherecorp.com)

President: Matthew Schwent

Products: Beverage grade ethanol; denatured ethanol; aliphatic solvents; alcohols; aromatics; ketones; glycol ethers

Services: Toll manufacturing; custom blending; packaging; USP packaging; storage; railcar transloading

Assets: 1.4m gal tank farm storage; 14 car rail spur; 60,000 square feet warehouse space; bulk tanker fleet.

Pearland, Texas, US

[*www.solvchem.com*](http://www.solvchem.com)

President and CEO: Jean-Pierre Baizan

Products: Solvents; organic and inorganic chemicals; epoxies; silicones; silicone emulsions; hydrocarbon resins; hydroxyl ethyl cellulose; titanium dioxide; acrylates

Services: Custom packaging; custom blending; toll manufacturing; container management ***programs***; export services; technical support; green chemistry; product solutions; small container filling

Assets: 9 trucks; 24 trailers; 15 tankers; 2 railcars

St Louis, Missouri, US

[*www.walsh-assoc.com*](http://www.walsh-assoc.com)

President and CEO: Ellen M Murphy

Products: Coatings, adhesives, sealants and elastomers (CASE) materials; household, industrial and institutional chemicals; inks; personal care ingredients; oilfield chemicals; industrial chemicals; ***agricultural*** chemicals; food and beverage ingredients; pharmaceutical ingredients; plastics additives; green chemicals

Services: Manufacturing; blending; contract packaging; technical training; IFS certified warehousing

Assets: 8 warehouse locations; 30m gal liquid bulk storage

Skipton, North Yorkshire, UK

[*www.airedalechemical.com*](http://www.airedalechemical.com)

Managing director: Chris Chadwick

Products: Commodity chemicals; phosphates; phosphonates; surfactants; biocides

Services: Toll manufacturing; formulating; blending; production; reactions

Assets: 3 warehouse locations; 20 vehicles

Chennai, India

[*www.ramcharan.org*](http://www.ramcharan.org)

Chairman and managing director: Divyesh A Palicha

Products: Synthetic rubbers; fillers; activators; process aids; process oils; waxes; reclaimed rubber; resins; rubber chemicals; curing chemicals; plasticizers; release agents; dry bonding agents; MTRB; carbon black; ABS; polycarbonate; polyacetal; polyamide; HM-HDPE; LDPE; LLDPE; MLLDPE; POP; POE; PP; SEBS; antioxidants; flame retardants

Services: Packaging; blending; testing for rubber and liquid dispersant industries; trading of rubber and speciality raw materials

Assets: 139 warehouses; 2 testing labs for rubber, inks, coatings and plastics

Trading sales: 20%

Cyprus, Nicosia

[*www.interallis.com*](http://www.interallis.com)

CEO: Nikos Kazantzis

Products: Human nutrition ingredients; home care chemicals; personal care chemicals; industrial care chemicals; polymers; agrochemicals; animal nutrition ingredients; lubricants; rubber; coatings additives; construction chemicals

Services: Logistics; warehousing; sampling service; EU Reach regulation

TradingOakville, Ontario, Canada

[*www.cambrian.com*](http://www.cambrian.com)

President: Peter Jobling

Products: Organic ingredients; functional foods; clean label preservatives; flavours and flavour enhancers; non-GMO ingredients; health ingredients; oilfield additives; paper chemicals; personal care ingredients; HI&I chemicals; cleaning additives; solvents; surfactants

Services: Blending; repackaging; formulation development; custom client services; technical consulting; regulatory consulting

Midlothian, Texas, US

[*www.buckleyoil.com*](http://www.buckleyoil.com)

President: Robert Rice

Products: Aromatics; aliphatics; alcohols; glycols; glycol ethers; ketones; VOC exempt solvents; surfactants; plasticizers; thinners; automotive blends; oil and gas blends; acids; base oils; finished lubricants

Services: Custom blending; packaging; full bulk deliveries; LTL bulk deliveries; packaged deliveries

Assets: 4 facilities; 20 trucks

Atlanta, Georgia, US

[*www.mccanda.com*](http://www.mccanda.com)

President: George McCullough

Products: Specialty chemicals

Services: Engineering services

Seattle, Washington, US

[*www.trichemicals.com*](http://www.trichemicals.com)

Founder and CEO: Anthony M Ridnell

Products: Paints, coatings, adhesives and sealants materials; inks and dyes; polymer additives; composite and construction chemicals; metal-working fluids; textile chemicals; lubricants; household and industrial cleaning chemicals; water treatment chemicals; oilfield chemicals; food and beverage ingredients; feed and ***agriculture*** chemicals; pharmaceutical ingredients; cosmetics ingredients; personal care products

Services: Marketing; logistics; technical services; custom manufacturing; blending; contract packaging

Trading sales: 49%

Waterbury, Connecticut, US

[*www.hubbardhall.com*](http://www.hubbardhall.com)

President and CEO: Molly Kellogg

Products: Chlor-alkali chemicals; organic solvents; inorganic chemicals; specialty solvents; hydrogen peroxide based specialties; surface treatment chemistry; corrosion prevention chemistry; paint stripping specialty formulations; wastewater treatment specialty blends

Services: Manufacturing/formulation of chemical specialties; custom blending; warehousing; analytical and lab services

Assets: 2 manufacturing facilities; 6 warehouses; 8 trucks

Dielheim, Germany

[*www.wistema.de*](http://www.wistema.de)

Owner and manager: Winfried Friedel

Products: Catalysts; chemical intermediates; cosmetics, toiletries and personal care products; food ingredients; industrial chemicals; pharmaceutical ingredients; plastics additives; polymers; reprographic chemicals/ink chemicals; solvents/distilled solvents; water treatment chemicals; waxes

Services: Storage; waste management (waste disposal certified); salvage recovery and re-sale; Reach consultation; contract and toll manufacture

Assets: 3 warehouses

Trading sales: 60%

San Diego, California, US

President and CEO: Semyon Melamed

Products: Specialty fertilizer ingredients; acids; inorganics

Services: Dry and liquid blending; repackaging; private labelling

Sao Bernardo do Campo, Sao Paulo, Brazil

[*www.carbono.com.br*](http://www.carbono.com.br)

President: Vera Maria Miraglia Gabriel

Products: Aromatic solvents; aliphatic solvents; hydrogenated solvents; epoxy resins; alkyd resins; pigments; surfactants; antifoam agents; vegetable oils; base oils; epoxy catalysers; coalescent agents; pitch and its derivatives

Services: Bulk storage; blending; packaging; lab services

Assets: 2,500 cubic metres of bulk storage; 3 warehouses; 9 trucks

Doral, Florida, US

[*www.andeschem.com*](http://www.andeschem.com)

President and CEO: Fernando Espinosa

Products: Additives; coalescents; driers; extenders and fillers; monomers; pigment dispersions; plasticizers; preservatives; resins; rheology modifiers; solvents; empty containers

Assets: 2 warehouses

Dallas, Texas, US

[*www.dieninc.com*](http://www.dieninc.com)

President: Dien Stout

Products: Personal care ingredients; food ingredients; nutrition ingredients; industrial chemicals; oilfield chemicals

Services: Storage

Assets: 2 locations

Houston, Texas, US

[*www.skyhawkchemicals.com*](http://www.skyhawkchemicals.com)

President: Clark Knickerbocker

Products: Caustic soda; methanol; calcium chloride; sulphuric acid; anhydrous ammonia; aqua ammonia; KOH (potassium hydroxide); urea; propylene glycol; hydrochloric acid; xylene; bleach; polyphosphoric acid; benzoic acid; ethylene glycol

Services: Blending; packaging; storage

Assets: 275 gal and 330 gal totes

Lisbon, Portugal

[*www.quimitecnica.com*](http://www.quimitecnica.com)

CEO: Jose A Magalhaes

Products: Inorganic chemicals – acids, alkalis and salts; water treatment chemicals; feed additives; food additives; formulated specialties

Services: Blending; packaging; storage; logistics; training; 3rd party logistics; vendor managed inventory

Assets: 7 warehouses; 2 blending plants; 12,500 cubic metre tank farm; 1 bulk solids warehouse; 5 trucks

Houston, Texas, US

[*www.chemone.com*](http://www.chemone.com)

President and CEO: Terry Podlogar

Products: Feed additives; fertilizer ingredients; water treatment chemicals; food additives; industrial chemicals

Services: Just-in-time inventory; pallet quantities; truckloads

Assets: Houston, Texas headquarters and warehouse; independent contract facilities in Laredo, Texas and Tampa, Florida

Sao Paulo, Brazil

[*www.metachem.com.br*](http://www.metachem.com.br)

Managing director: Ricardo do Rego Freitas

Products: Food and feed ingredients; additives for paints and coatings; additives for polymers; raw materials for home and personal care products

Services: Blending; packaging; storage

Assets: 5 warehouses

Trading sales: 30%

Wiesbaden, Germany

[*www.fischer-chemie.de*](http://www.fischer-chemie.de)

General manager: Manuel Fischer-Bothof

Products: Caustic soda; solvents; hydrochloric acid; citric acid; urea; phosphoric acid; matting agent; pyrogenic silicon dioxide; precipitated silica; silicone oil; glycerine; caustic pottash; sodium bicarbonate; hydrogen peroxide; activated carbon

Services: Storage; packaging; mixing; exporting

Assets: 2 warehouses for solid and liquid products; 16 trucks

Trading sales: 10%

Singapore

[*www.mckinn.com.sg*](http://www.mckinn.com.sg)

Managing director: Chau Tak Vui

Products: Acid and anhydrides; additives and raw materials for plastics; flame retardants; oleochemicals; plasticizers; rubber additives; water-based acrylic resins; raw materials for adhesives, coatings, unsaturated polyester resins (UPR), polyurethanes (PU) and thermoplastic polyurethanes (TPU)

Services: Sourcing

Trading sales: 85%

Memphis, Tennessee, US

[*www.idealchemical.com*](http://www.idealchemical.com)

President: Sam Block Jr

Products: Acids; alcohols; amines; chelating agents; chlor-alkali; food ingredients; glycol ethers; hydrogen peroxide; inorganics; ketones; personal care ingredients; polyglycols; solvents; textile care ingredients; water treatment chemicals

Services: Wholesale custom blending and packaging (dry and liquid); DSP (Distilled Spirits Plant); in-house QC and R&D labs; LTL and truckload quantities; single- and multi-compartment tanker deliveries; local warehousing and logistics; returnable and one-way containers; remote tank monitoring

Assets: Warehouses at 4 locations with combined 170,000 square feet of space; 1m gal liquid bulk storage; distilled spirits plant; 15 tractors; 23 trailers; 6 tankers

Dublin, Ireland

[*www.ncc.ie*](http://www.ncc.ie)

CEO: Alan Looney

Products: Full range of chemicals, food ingredients and performance polymers

Services: Supply chain risk assessment; sourcing; accreditation; regulatory support; logistics

Assets: ISO 13485 cleanroom; medical compounding plant via JV Innovative Polymer Compounds (IPC)

Trading sales: 70%

Porto, Portugal

[*www.samecapq.com*](http://www.samecapq.com)

CEO: Eduardo Moura e Sa

Products: Caustic soda and other chemical commodities; coatings, resins and additives; plastics and rubber additives; surfactants; solvents; food additives; intermediates

Sevrices: Blending; repackaging of solids and liquids; storage

Assets: 3 warehouses; 6 trucks; own offices

Placentia, California, US

[*www.coastsouthwest.com*](http://www.coastsouthwest.com)

President: Joseph C Cimo

Products: Surfactants; silicones; personal care ingredients; preservatives; oleochemicals

Services: Liquid blending; liquid bulk storage; drumming; formulating

Assets: 5 locations; 6 trucks; applications laboratory

Buenos Aires, Argentina

[*www.hirschen.com.ar*](http://www.hirschen.com.ar)

President: Miguel Hirschen

Products: Glycols; surfactants; amines; biocides; solvents; inorganics; food ingredients; pharmaceutical ingredients; oil and gas specialties; colourants

Services: Storage; packaging; blending; trading; same day deliveries; financing; tailor-made solutions

Assets: Central warehouse strategically located in the Buenos Aires industrial area fit for liquids and solids, with separate area for food/pharmaceuticals.

Trading sales: 5%

Oakville, Ontario, Canada

[*www.min-chem.com*](http://www.min-chem.com)

[*www.lawrasons.com*](http://www.lawrasons.com)

[*www.ckingredients.com*](http://www.ckingredients.com)

President: David A Luciani

Products: Composite-thermosets (roving, resin and peroxides); composite-thermoplastics; rubber additives; adhesives; waxes; flame retardants; pharmaceutical ingredients; nutraceutical ingredients, food ingredients; mineral and industrial acids; water treatment chemicals; pool and spa chemicals; janitorial and sanitation chemicals; industrial specialty chemicals; winter ice melting products

Services: Manufacturing – blending and compounding; logistics

Assets: 3 warehouses in Canada

Buchholz, Germany

[*www.my-chem.de*](http://www.my-chem.de)

Owner and CEO: Ralf Meinecke

Products: Phthalic anhydride; maleic anhydride; styrene; mono-pentaerythritol; di-pentaerythritol; paraformaldehyde; purified isophthalic acid; purified terephthalic acid; tall oil products

Services: Storage

Trading sales: 20%

Schiedam, Netherlands

[*www.equilex.com*](http://www.equilex.com)

Managing director: Cees Verdel

Products: Higher olefins; alkylphenol; ethanolamines; ethylene glycol; cyclohexane; acetone; MEK; Elevance Clean 1200; alpha methyl styrene; acrylonitrile; maleic anhydride; phthalic anhydride; dicyclopentadiene; pygas; aromatics

Services: Storage; packaging; sea, rail and road transportation; custom formulation; Reach regulation

Trading sales: 20%

Dassel, Germany

[*www.jobachem.com*](http://www.jobachem.com)

Director: Dr Jens-U Kahl

Products: UV curing agents; flavours and fragrances; plasticizers; organic carbonates; catalysts

Services: Blending; packaging; storage; mixtures; melting; transport

Assets: 3 warehouses; 4 trucks; equipment making solutions

Trading sales: 95%

Messel, Germany

[*www.gb-chemie.com*](http://www.gb-chemie.com)

Managing director: Horst Ludwig

Products: Intermediates; amines; oxo-alcohols; sodium gluconate; potassium hydroxide; bromo derivates; paraformaldehyde; phosphates; nickel sulphate; zinc chloride

Services: Storage; grinding; packaging; technical support

Assets: 10 warehouses

Trading sales: 10%

Glendale, New York, US

[*www.independentchemical.com*](http://www.independentchemical.com)

President: Jonathan Spielman

Products: Surfactants; pharmaceutical excipients; food ingredients; cosmetic ingredients

Services: Blending; packaging

Assets: 1 warehouse; 6 trucks

Buffalo, New York, US

[*www.cdibuffalo.com*](http://www.cdibuffalo.com)

President: Mark T Russell

Products: acids; bases; food grade dry and liquid ingredients; reagents; solvents; equipment

Services: Contract blending and packaging; bulk and LTL shipments; storage and warehousing; laboratory testing; chemical process equipment sales

Assets: 102,000 square feet of warehousing; 11 trucks; 20 tankers/trailers; laboratory

Moscow, Russia

[*www.ucgrus.com*](http://www.ucgrus.com)

Chairman and CEO: Gennadiy Tolstobrov

Products: Polymers (ABS, ASA, SAN, HIPS, PC/ABS, PBT, PMMA, PC, POM, SBS, SEBS, SIS, POE, EVA, HDPE, PP copolymer); road construction materials (cellulose stabilizers, plasticizers, emulsions, adhesion additives); oil additives and modifiers

Services: Logistics; packaging; storage; technical support

Assets: 7 offices including in St Petersburg, Togliatti, Krasnodar, Kazan, Novosibirsk; 8 warehouses

Panama City, Panama

[*www.quelaris.com*](http://www.quelaris.com)

CEO: Paul Vanhauw

Products: Polyurethane; rubber; coatings; personal and home care chemicals; adhesives

Services: Technical sales and service; local warehousing; immediate dispatch; repackaging

Assets: 13-country distribution network – Bolivia, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Peru, Venezuela and Caribbean Islands

Trading sales: 12%

Dubai, UAE

[*www.lcp.ae*](http://www.lcp.ae)

Managing director: Malik Pervez Zaman

Products: Synthetic rubber; polyvinyl chloride (PVC); engineering plastics; plasticizers; latex; monomers; construction chemicals; animal nutrition; coatings chemicals

Services: Market expansion; technical support

Trading sales: 100%

Malmo, Sweden

[*www.vendico.se*](http://www.vendico.se)

CEO: Anders Hakansson

Products: Surfactants; chelating agents; silicates; oleochemicals; preservatives; rheology modifiers; personal care specialties; vegetable oils; detergent and home care specialties

Services: Formulation; storage

Trading sales: 25%

Somerset, New Jersey, US

[*www.gjchemical.com*](http://www.gjchemical.com)

CEO: Diana Colonna

Products: Acrylates and monomers; high purity solvents; reagent chemicals; ketones; monomers; plasticizers; acids and anhydrides; aromatic solvents; chlorinated solvents; cosmetic preservatives; esters; glycol ethers; glycols; heat transfer fluids

Services: Testing; bulk storage; repackaging; liquid bulk handling; custom blending; purifying and stabilising

Assets: 3 locations; 7 trucks; 30 tankers; 10 box trucks; full analytical laboratory

Trading sales: 10%

Rio de Janeiro, Brazil

[*www.sulatlantica.com.br*](http://www.sulatlantica.com.br)

General director: Mario Grumach

Products: Oilfield chemicals; mining chemicals; chemicals for glass; ***agricultural*** chemicals; food and feed ingredients; organic chemicals; inorganic chemicals; solvents; emulsifiers; viscosifiers

Services: Importing; exporting; packaging; blending

Assets: 4 warehouses; 20 tanks; 1 office building

San Carlos, California, US

[*www.vivioninc.com*](http://www.vivioninc.com)

President: Michael Poleselli

Products: Acidulants; sweeteners; humectants; preservatives; chelants; hydrocolloids; surfactants; vegetable oils; antifoams; tableting aids; micronutrients; vitamins; minerals

Services: Document packages; product specialist services

Assets: 2 warehouses; 3 public warehouses; 1 semi-truck

Kearny, New Jersey, US

[*www.veckridgechemical.com*](http://www.veckridgechemical.com)

President: Mark Veca

Products: Chlor-alkali; acids; inorganics; ethyl amines; ethanolamines

Services: Stocking; dilutions; small packaging; storage

Assets: 5 trucks; 2 warehouses (including 1 under construction)

Cairo, Egypt

[*www.venuskim.com*](http://www.venuskim.com)

Chairman: Ahmed Alghoul

Products: Glycerine; nonyl phenol ethoxylated; fatty alcohol ethoxylated; polysorbate ethoxylated; castor oil ethoxylated; soya lethicin; latex; defoamers; thickeners; white spirit; pine oil; maleic resin; gum rosin; hydrocarbon resin; SLES 70; fragrances; paints and coatings materials; inks; detergent chemicals; personal care ingredients; agrochemicals; food ingredients

Assets: 2 warehouses; 10 cars; 4 jumbo cars

Pelham, Alabama, US

[*www.researchsolutionsgroup.com*](http://www.researchsolutionsgroup.com)

President and CEO: Jeff Miller

Products: Acetates; alcohols; aliphatic and aromatic solvents; glycols; glycol ethers; chlor-alkali products; organic and inorganic chemicals; metalworking lubricants; oilfield chemicals; water treatment chemicals; surfactants; specialty chemicals; custom blends

Services: Laboratory services; environmental services for hazardous and non-hazardous waste disposal; environmental consulting; OSHA compliant SDS and labeling software; rail/truck transloading; bulk hazmat shipping/transportation; warehousing; private label packaging in all sizes

Assets: 4 bulk terminals (2m+ gal storage, 110,000 square feet warehouse space); 3 public warehouses; 10 tractors; 5 tank wagons; 20 tankers, 12 dry vans

Trenton, New Jersey, US

www:recarroll.com

President: Robert E Carroll III

Products: Calcium carbonate; clays; blowing agents; alumina trihydrate; zinc oxides; plasticizers; foaming agents; barium sulfate; petroleum products (aromatic oils, naphthenic oils); magnesium oxide; stearates; soybean oils; lubricants, ASTM reference oils

Services: Repackaging; storage; capacity to efficiently repackage 6,000-12,000 gal/week at several locations for aromatic, naphthenic, paraffinic base and process oils

Assets: Corporate office and warehousing in New Jersey; warehouse locations in Ohio, Georgia and Texas

Stourton, Leeds, UK

[*www.matrixchemie.com*](http://www.matrixchemie.com)

Chairman and CEO: Graham Royle

Products: Surfactants; oleochemicals; personal care ingredients; home care, industrial and institutional (I&I specialities; antiperspirant actives; essential oils; phosphates; water treatment chemicals; emulsion polymerisation adjuncts; suncare ingredients

Services: Supply chain management; import and export; warehousing

Assets: 1 facility (offices and warehouse)

Trading sales: 20%

Purmerend, Netherlands

[*www.dutch2.com*](http://www.dutch2.com)

Managing director: Steven Willekes

Products: Acetates; acids; acrylates; alcohols; amines; aromatics; chlorinated solvents; glycol ethers; glycols; hydrocarbons; ketones; monomers; vegetable oils; propylene glycol ethers; plasticizers

Services: Trading; export; drumming; warehousing; logistics; blending; packaging; storage

Trading sales: 30%

Chicago, Illinois, US

[*www.acidproducts.net*](http://www.acidproducts.net)

CEO: Jann Fisher

Products: Acids; caustics; solvents; dry chemicals; white oils; surfactants; glycols

Services: Toll blending – liquids and powders; drum and tote packaging; contract packaging – bottles of all sizes

Assets: 3 warehouses; 7 trucks; 4 liquid packaging lines; 2 powder lines

Salvador, Bahia, Brazil

[*www.moraisdecastro.com.br*](http://www.moraisdecastro.com.br)

CEO: Andre Castro

Products: Surfactants; glycols (EO/PO); white mineral oils; caustic soda; caustic soda; sulfonic acid (LAB-S); inorganic acids (H2SO4, HCL, HNO3); sodium hypochlorite; personal care additives; food additives; rheology modifiers; oxygenated solvents; chlorinated solvents; biocides; sulfates (Al, Na, Cu, NH3); silicones;

Services: Transportation; packaging (including USP grade products); bulk to packages; repackaging; storage; imports (under contract); dilutions; trading

Assets: 2 warehouses (Bahia, Pernambuco); 13 trucks; 1 bulk storage facility (Bahia); 1 refrigerated facility (Bahia)

Trading sales: 1%

Vadodara, Gujarat, India

[*www.monachem.com*](http://www.monachem.com)

Founder and managing director: Dilip Shah; CEO and executive director: Shamik Shah

Products: Plastic additives; aroma chemicals; pharmaceutical excipients; pharmaceutical intermediates; cosmetic ingredients; essential oils; feed and food ingredients; oilfield chemicals; water treatment chemicals; fine chemicals

Services: Packaging; warehousing; sourcing; indenting; technical services; contract manufacturing

Assets: 4,000 square foot office at Vadodara; 12,000 square foot office at Vadodara (rented); 2 rented warehouses in Vadodara, Gujarat of 6,000 square feet which includes 1,000 square feet of AC warehouse space; 2,500 square foot warehouse in Mumbai

Trading sales: 20%

Barcelona, Spain

[*www.lumarquimica.com*](http://www.lumarquimica.com)

CEO: Luis Ribera Locutura

Products: Antioxidants; corrosion inhibitors; metal deactivators; antiwear and EP additives for lubes; fatty acids; fatty alcohols; emulsifiers; polyalkylene glycols; esters; polyisobutene; polyalphaolefins; tackifiers; viscosity improvers; pour point depressants

Services: Storage; logistics; repackaging; analysis; technical training

Houston, Texas, US

[*www.colechem.com*](http://www.colechem.com)

President and CEO: Donna F Cole

Products: Antifreeze; BHT; enhanced hydrocarbon recovery chemicals; environmentally friendly heavy duty cleaner; ethylene glycol; fire resistant hydraulic fluids; fuel additives; glycol ether DM; MIBK; propylene glycol; sulfolane; sulphuric acid

Services: Back office support; customer service; supply chain management; packaging; warehousing; inventory management

Assets: 2 warehouses

Trading sales: 20%

Toronto, Ontario, Canada

[*www.northspec.com*](http://www.northspec.com)

Principals/Managing directors: John Maclean, Noel Shahnazarian

Products: Resins; pigments; additives; coatings materials; graphic arts materials; construction chemicals; floor care chemicals; composites materials; adhesives; plastics and rubber additives

Services: Inventory management; logistics

Assets: 6 warehouse facilities across Canada; 1 head office; 3 automobiles

Paterson, New Jersey, US

[*www.jns-smithchem.com*](http://www.jns-smithchem.com)

CEO: Darren Jachts

Products: Resins; fillers; inorganic pigments; organic pigments; additives; minerals; anti-corrosives

Services: Packaging

Trading sales: 25%

Mexico City, Mexico

[*www.treza.com.mx*](http://www.treza.com.mx)

[*www.tauchemicals.com*](http://www.tauchemicals.com)

President: Fernando J Zavala

Products: Acetic acid; formic acid; soda ash; sodium bicarbonate; calcium chloride; chlorine; sodium hypochlorite; hydrochloric acid; caustic soda liquid and flakes; sulphuric acid; sodium sulphate; sodium hydrosulfite; organic phosphonates; titanium dioxide (TiO2); antifoams

Services: Dilution of liquid hazard chemicals; transportation; storage; packaging of liquid hazard chemicals; local deliveries from 500 kilos up

Assets: 5 warehouses for liquids and solid hazardous chemicals in Mexico City, Queretaro, Puebla, Cancun and Houston, Texas, US

Orland Park, Illinois, US

[*www.radcheminc.com*](http://www.radcheminc.com)

President: William M Radostits

Products: Acetates; alcohols; aliphatic and aromatic hydrocarbons; glycol ethers; process and base oils; reuse solvents; resins; ketones; K-1 kerosene

Services: Railcar; tanker; drums; totes; blending

Assets: Dedicated owned trailer

Arvada, Colorado, US

[*www.industrialchemcorp.com*](http://www.industrialchemcorp.com)

President: Robert L Wilson II

Products: Acetates; acids; aliphatic and aromatic solvents; alcohols; biofuel chemicals; chelating agents; chlor-alkali products (caustic soda, potassium hydroxide); detergent chemicals; glycols and glycol ethers; heat transfer fluids; hydrogen peroxide; metal finishing chemicals; oilfield chemicals; organic and inorganic chemicals; pharmaceutical ingredients; surfactants; water treatment chemicals

Services: Contract blending; transloading; warehousing

Assets: 3 warehouses; 23 tankers; 12 tractors; 5 vans; 700,000 gal bulk storage; rail siding to accommodate 16 railcars

Joliet, Illinois, US

[*www.seeler.com*](http://www.seeler.com)

CEO: Steve Seeler

Products: Hydrogen peroxide; disenfectant; peracetic acid; caustic soda; hydrochloric acid; glacial acetic acid; propylene glycol; phosphoric acid; sodium chlorate liquid/dry; glycerine; manganous oxide (HP); sodium silicate; sodium gluconate; monethanolamine

Services: Tank storage and warehousing; overhead rail unloading; rail siding; blending and toll manufacturing; liquid and dry bulk transfers; bagging; trucking; laboratory services

Assets: 275,000+ square feet of warehousing; 5 trucks; 10 liquid and box trailers; 27 above ground storage tanks; 7 rail spurs of 2.5 miles of track for transloading; overhead rail trestle

Barueri, Sao Paulo, Brazil

[*www.cosmoquimica.com.br*](http://www.cosmoquimica.com.br)

President and founder: Jayme Marmelsztjen

Products: Oxygenated solvents; vitamins; glycerine; phosphoric acid; metamizole sodium; paracetamol; acetic acid; phenol; benzyl alcohol; camphor; hydrogen peroxide; antioxidants; mineral oil; polyols; colourants; fatty acids

Services: Repackaging; tolling; blending; storage; chemical analysis

Assets: Warehouse for pharmaceutical products (1,100 square metres); warehouse for flammable products (1,000 square metres; warehouse for technical products (3,400 square metres); laboratory; tank farm with over 2,000 cubic metres

Perth, UK

[*www.taninternational.com*](http://www.taninternational.com)

Managing director: Chris Irvine

Products: General chemicals; oilfield chemicals; food chemical products; solvents; ***agricultural*** products including fertilizers; industrial chemicals; water treatment chemicals; fine chemicals; pharmaceutical products

Services: Chemical sales; custom and third-party blending; storage; handling; packaging sales and turnkey management of chemical supply projects

Assets: Owned and operated 10-acre site with 10,000 tonnes of liquid storage along with 5,000 tonnes of dry/packed storage; owned and operated specialist vehicles including hydrochloric acid/methanol and general purpose liquid tankers; blending plants capable of 1 tonne, 5 tonne, 15 tonne, 50 tonne and 100 tonne blends; fertilizer blending plant with 45,000 tonnes PA capacity; 2 additional third-party owned but Tan operated satellite sites

Barcelona, Spain

[*www.brugues.com*](http://www.brugues.com)

CEO: Raimon Brugues Sintes

Products: acetone; butyl glycol; cyclohexanone; diacetone alcohol; dipropylene glycol; ethyl acetate; formic acid; isopropyl alcohol; methyl ethyl ketone; methyl isobutyl ketone; methoxypropyl acetate; monoethanolamine; n-propanol; propylene glycol USP; triethanolamine

Services: Packaging; mixtures, solutions and dilutions; storage; hazardous goods transportation

Assets: Warehouses in Viladecans (Barcelona), with 8,000 square metres, Alcaser (Valencia) with 6,000 square metres; logistics warehouse in Igorre (Bizkaia); trucks

Trading sales: 20%

Plymouth, Minnesota, US

[*www.seacole.com*](http://www.seacole.com)

CEO: Gregg Elliott

Products: Electronic processing (printed circuit and integrated circuit) chemicals; surface finishing/plating chemicals; industrial cleaning chemicals; odour control chemicals; transportation cleaning and maintenance chemicals; laboratory reagents

Services: Custom and contract blending and packaging; private label blending and packaging

Assets: 100,000 square foot warehouse, manufacturing site, headquarters; delivery truck

Abbeville, Louisiana, US

[*www.gulfcoastchemical.com*](http://www.gulfcoastchemical.com)

Managing member: Jim Fusilier

Products: Glycols; methanol; ethanolamines; coolants; lubricants; antifreeze; heat transfer fluids; production chemicals; solvents; wireline lubes; specialty completion and stimulation products

Services: Blending; laboratory services; chemical treatment ***programmes***; operator training

Assets: 7 locations; 120,000 square foot warehouse storage; 500,000+ gal bulk storage; laboratory; 21 delivery trucks; 2 tankers; 6 service trucks.

Trading sales: Less than 10%

Elyria, Ohio, US

[*www.schibley.com*](http://www.schibley.com)

President: Reed Schibley

Products: Organic peroxide initiators; surfactants; chelates; stearic acid; stearates; oleic acid; gum rosin; unsaturated polyester resin; fibreglass reinforcements; solvents; FRP processing equipment and parts; specialty chemicals

Services: Blending; specialty packaging; warehousing and storage; trucking; chemical refrigerated and heated transport; bulk unloading; product training and support services

Assets: 4 temperature-controlled warehouses; 3 tractors; 5 trailers

Trading sales: 8%

Sheerness, Kent, UK

[*www.monarchchemicals.co.uk*](http://www.monarchchemicals.co.uk)

Chairman: Phillip Copeland

Products: Glycerine; glycols; citric acid; amines; sodium sulphide; caustic soda; hydrochloric acid; sodium hypochlorite; propionic acid; ***agricultural*** silage and performance additives; fertilisers and feed products

Services: Warehousing; liquid and powder blending; toll manufacturing; packed and bulk UK distribution; inventory management; supplier reduction; just-in-time delivery; global sourcing

Assets: 2 UK distribution locations with bulk and packed storage; warehouses; bulk blending facility; offices; 4 purpose built trucks.

Trading sales: Less than 10%

Fussgoenheim, Germany

[*www.klausfmeyer.de*](http://www.klausfmeyer.de)

Managing directors: Martina Magnie, Frank Meyer

Products: Hydroxylamine sulfate, hydroxylamine hydrochloride; triflic acid; MEKO; nitromethane; isocyanuric acid; BHT; p-toluenesulfonic acid; n-isopropylhydroxylamine; TMEDA; agrochemicals; pharmachemicals; specialty chemicals; catalysts; anthranilic acid

Services: Door-to-door service; refilling of triflic acid; dangerous goods handling; ISO tanks; stockholding

Assets: 5 warehouses in Europe; rented laboratory; office in Shanghai, China

Worcestershire, UK

[*www.lakecm.co.uk*](http://www.lakecm.co.uk)

CEO: Dr Steven Cartlidge

Products: Coatings and adhesives additives; corrosion removal and inhibition chemicals; construction chemicals; lubricants; pharmaceutical ingredients; cosmetics ingredients; personal and home care chemicals; rubber and plastics additives; electronics chemicals; water treatment chemicals; food ingredients; nutrition and beverage ingredients

Services: Technical sales and marketing; application development; quality control; warehousing; regulatory services; supply chain management; blending and packaging; contract research and manufacturing

Assets: R&D laboratories for food and personal care; BRC accredited warehouse

Newcastle under Lyme, Staffordshire, UK

[*www.whitchem.co.uk*](http://www.whitchem.co.uk)

CEOs: Charles Hawley (Operations), Paul Nicholson (Sales)

Products: Resins/polymers; pigments; extenders; functional fillers; adhesives and coatings materials; construction chemicals; ink materials; plastics and rubber additives; textiles chemicals; filtration chemicals for liquid/solid separation

Services: Storage for chemicals and minerals for customers in the UK and Ireland; technical support; formulation advice

Assets: Sales office and warehouse in the UK

St Louis, Missouri, US

President: Daniel Croghan

Products: Ethyl alcohol 190/200 proof; process oils; glycol ethers; glycols; alcohols; esters

Services: Blending; storage; DSP, organic, USP and clean packaging; Kosher certified; rail transport capabilities

Assets: Warehouse; rail site; OTR tractors (2); private fleet of 10 stainless steel tankers; 2 box trailers with cold storage; indoor bulk tanks

London, UK

[*www.biachem.com*](http://www.biachem.com)

Managing director: Bob Beaumont

Products: Caustic soda; chlorine; sodium sulphate; sodium chloride; EDTA; NTA; GLDA; surfactants; sodium percarbonate; magnesium chloride; potassium chloride; sodium hydrosulphite

Services: Repackaging; blending; dilution

Assets: 5 contract warehouses in UK and Ireland

Bergamo, Italy

[*www.tecnosintesi.com*](http://www.tecnosintesi.com)

Sales and marketing manager:

Michele Angius

Products: Adipic acid; ammonium polyphosphate (APP); acetyl tributyl citrate (ATBC); tutanediol (BDO); cyclohexane-dimethanol (CHDM); diallyl phthalate (DAP); hexanediol (HDO); isophthalic acid (PIA); monobutyltin oxide (MBTO); polyethylene wax; p-tert butyl phenol (PTBP); tartaric acid; titanium dioxide (TiO2); trimethylolpropane (TMP); zinc oxide (gold, green and active)

Services: Trading; sourcing; storage; blending and repackaging; full service from sourcing to DDP delivery

Trading sales: 80%

Vilvoorde, Belgium

[*www.kematbelgium.com*](http://www.kematbelgium.com)

Managing director: Simon Mason

Products: Polybutene (low, medium and high molecular weight); tackified oligomers; polyalphaolefins (PAOs); castor, linseed and flaxseed oils; molybdenum disulphide; 12-hydroxystearic acid; bentonite; carbon black

Services: Sourcing; transport; storage; packaging and handling; financing support; documentation; logistics; supply chain security; outsourcing

Assets: 15 trucks (including ISO tanks); 3 warehouses

Terrebonne, Quebec, Canada

CEO: Jean-Baptiste Moranta

Products: Specialty chemicals for paints and coatings – resins, additives, pigments

Assets: 2 offices

Paramus, New Jersey, US

[*www.royalepigments-chem.com*](http://www.royalepigments-chem.com)

CEO: John Logue

Products: Alkali fluoroborates; fluorides; metal fluoroborates; nitrates/nitrites; borates; specialty chemicals; organic/inorganic fluorines; pearlscents; fluorescents; iron oxides

Services: Stocking; supply chain management; consulting; blending; grinding

Assets: 5 warehouses; 2 converting locations

San Juan, Puerto Rico

[*www.unichemtech.com*](http://www.unichemtech.com)

President: Carlos M Acevedo

Products: Solvents; intermediates; excipients; ethyl alcohol; acrylic polymers; polyethylene resins

Services: Storage; logistics; inventory ***planning***

Assets: 1 leased warehouse

New Paltz, New York, US

[*www.KICgroup.com*](http://www.KICgroup.com)

President: Edward Kort

Products: Glycerine; propylene glycol; fatty acids; fatty alcohols; vitamins; acidulants; vegetable oils; preservatives, essential oils

Services: Blending; packaging; storage; sampling

Assets: 2 warehouses

Trading sales: 10%

Alexandria, Egypt

[*www.audiche.com*](http://www.audiche.com)

President: Alain Audiche

Products: Titanium dioxide; polyvinyl alcohol; methyl ethyl ketoxime; hydrocarbon resin; micaceous iron oxide; glass flakes; iron oxides; acrylics; antimony trioxide; sodium ammonium and potassium persulfates; glass beads

Services: Agency sales; stocking

Assets: 1 office; 2 warehouses

Trading sales: 70%

Pacoima, California

[*www.classicdistrib.com*](http://www.classicdistrib.com)

President: Larry H Helscher

Products: Surfactants; preservatives; quaternaries; waxes; vitamins; esters

Services: Blending; repackaging

Hitchcock, Texas, US

[*www.cchemicals.com*](http://www.cchemicals.com)

President: Margaret Roff

Products: Solvents; aromatics; ketones; ethanols; alcohols; caustics; glycols; inorganics; oil and gas chemicals

Services: Blending; packaging; warehousing; import/export; containerisations; trans-loading; neutralisations; laboratory services

Assets: 1 warehouse

Bishops Stortford, UK

[*www.stortchemicals.co.uk*](http://www.stortchemicals.co.uk)

Managing director: Richard Gilkes

Products: Resins/polymers; additives; colourants; pigments; fluorosurfactants; natural and synthetic raw materials for flavours and fragrances

Trading sales: 5%

Mumbai, India

[*www.saiper.com*](http://www.saiper.com)

Managing director: IBV Raghavan

Products: additives (amine neutralizer, adipates, propionates, saturated block polyethers); amines (ethanolamines, ethyleneamines, isopropanolamines; C4 chemicals (BDO, NMP, THF, MPDiol Glycol); coalescing aids; glycol ethers (E-Series and P-Series); propylene glycols; coalescing agents for high solid coatings; 1-2 diaminocyclohexane; 2-ethylhexyl acetate; di-n-butyl ether; dimethyl succinate; isoamyl alcohol; vinyl-2-ethylhexanoate

Services: Registered with the FSSAI (for supply of chemicals to the food and beverage industries); registered with the FDA (for supply of chemicals and intermediates to the pharmaceutical industry); custom blending and repackaging; drumming; market research; technical support; trend analysis; warehousing; legal compliance

Assets: 2 offices; 2 warehouses (1 owned); blending/formulation unit

Trading sales: 2-3%

Chippewa Falls, Wisconsin, US

[*www.chemceed.com*](http://www.chemceed.com)

President: Marimel Enderes

Products: Plasticizers; corrosion inhibitors; additives; solvents; fatty acids; alcohols; specialty chemicals; industrial chemicals; food additives

Services: Blending; packaging; labelling; storage; consignment; just-in-time delivery

Assets: 4 warehouses

Trading sales: 10%

Sao Paulo, Brazil

[*www.clariquimica.com*](http://www.clariquimica.com)

CEO: Valne Lucas Vieira

Products: Pigments and additives; pigment dispersions; paper and textile chemicals; iron oxide; dyes for paper and textile; caustic soda; carbon black

Services: Blending; packaging

Assets: Warehouse; 1 truck.

Trading sales: 73%

Austin, Texas, US

[*www.americanchemie.com*](http://www.americanchemie.com)

President and CEO: Paula Kamdar

Products: Personal care ingredients; sunscreen actives; preservatives; lecithins; nutraceuticals; castor oil derivatives; organo-titanates; titanium chelates; synthetic sulfonates; chloroacetic acids; flame retardants

Services: Logistics; imports; warehousing; just-in-time inventory; door delivery; repackaging; sourcing

Assets: 5 warehouse locations

Toronto, Ontario, Canada

[*www.aspaterson.com*](http://www.aspaterson.com)

CEO: Rod Paterson

Products: Micronised waxes; wax emulsions; wax dispersions; pigment dispersions; dyes; organic pigments; foam control agents; acrylic emulsions; polyurethane dispersions; nitrocellulose; concrete admixture; corrosion control products; fragrances; shellac

Cincinnati, Ohio, US

[*www.smacollaboratives.com*](http://www.smacollaboratives.com)

President: Saad Ashoor

Products: Bio-placenta; fermented oils; cosmetic pigments; natural preservatives; thickeners; clinically supported actives; natural replacements for petrolatum and silicone; natural extracts; DHA tanning agent; natural pentylene glycol

Assets: 3 warehouses in the US; applications lab; office; extraction laboratory

Biggleswade, Bedfordshire, UK

[*www.dakram.com*](http://www.dakram.com)

Managing director: Kate Mingay

Products: Water treatment chemicals; metal treatment chemicals; catalysts; glass; ceramics

San Rafael, Costa Rica

[*www.ketsincr.com*](http://www.ketsincr.com)

CEO: Cesar Marin

Products: Masterbaches; solvents; electronic chemicals; food industry coatings

Services: Storage; packaging; blending

Assets: 1 warehouse; 3 trucks

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special report

top 100 Chemical DISTRIBUTORS

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CURRENCY CONVERSION RATES

31 December 2017

$1 =

Euro () 0.83343

British pound (£) 0.74058

Canadian dollar (C$) 1.25732

Brazilian real (R) 3.31241

Indian rupee (Rs) 63.84991

Swiss franc (Swfr) 0.97473

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ICIS Chemical Business

April 13, 2018

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**Section:** NEWS IN BRIEF

**Length:** 19191 words

**Byline:** X x

**Body**

Americas

Dow to cease US glycol ether exports to China

Dow is ***planning*** to stop exports of glycol ethers from US to China after being saddled with the highest tax rate by the Chinese authorities after an increase in antidumping duties (ADD) on the material, according to a company source. Growing tensions between China and the US led to the following ADDs on butyl glycol (BG) and butyl di-glycol (BDG) originating from the US and the EU being increased. Dow confirmed they have received a tax rate of 75.5% on glycol ether exports from the US to China.

Motiva considers ethyl-ene, aromatics projects

Motiva Enterprises signed $8-10bn worth of memoranda of understanding (MoUs) covering process technologies for possible ethylene and aromatics units in the US, the subsidiary of Saudi Aramco said. Motiva could make a final investment decision in 2019, the company said. One of the memoranda will evaluate using TechnipFMC’s mixed-feed ethylene production technologies in the US, Motiva said. Another will evaluate using Honeywell UOP’s aromatics extraction and production technologies for benzene and paraxylene (PX), which Motiva may use to develop a possible complex on the US Gulf Coast.

Evonik to expand capacity in alabama

Evonik ***plans*** to expand the capacity of its VISIOMER methacrylate crosslinkers by investing at its Mobile, Alabama, plant. Evonik said the investment is in the low single digits in terms of euros. It did not disclose capacity figures. Start-up should be in Q3 2018. The expansion will allow Evonik to provide methacrylate crosslinkers from its plants in the US, Germany and China, said Hans-Peter Hauck, head of the methacrylates business line in the performance materials segment.

Calumet buys firm Biosynthetic Technologies

US-based refiner Calumet Specialty Products has acquired Biosynthetic Technologies, a start-up company that is developing processes to convert plant oils into synthetic base oils. Calumet ***plans*** to develop and commercialise these renewable esters at its existing plant in Missouri. Calumet made the acquisition in partnership with The Heritage Group.

LatAm GDP to grow by 2.6% in 2018 – Fitch

The Latin American economy should grow by 2.6% in 2018 excluding Venezuela, Fitch Ratings said, up from 1.7% in 2017. Fitch attributed the faster growth to the recovery in commodity prices and better demand. However, structural problems could prevent growth from reaching the highs from previous expansions, Fitch said. Many countries in Latin America are not making enough progress in getting their finances in order or increasing their potential for further GDP growth. The government debt burden is still increasing in several countries in Latin America, Fitch said.

LyondellBasell declares force majeure on US PP

LyondellBasell declared force majeure on US polypropylene (PP) because of a mechanical failure at its Lake Charles, Louisiana, plant, the company said in a customer letter. The letter, dated 6 April, attributed the failure to breakage of an extruder on 4 April and noted LyondellBasell is still evaluating the impact of the event on production capability. The company declared force majeure effective 6 April. The Lake Charles plant has three PP units totalling 638,000 tonnes/year, according to ICIS.

Q2 close expected for Bayer-Monsanto deal

A second-quarter close is still expected for Bayer’s purchase of US agrochemicals peer Monsanto, the Germany-headquartered firm said, following a report that the deal has received approval from US regulators. The news comes several weeks after the deal was given the green light by the European Commission following conclusion of an investigation into the likely impact of a merger on EU farmers. Bayer declined to comment on the reports, stating that it expected to complete the deal by the end of June.

LyondellBasell to discontinue pricing

LyondellBasell will no longer offer a distributor discount or delivered pricing (freight prepaid) on several US products effective 1 May, according to a customer letter. The 19 US products include ethylene glycol ethers (EGE), propylene glycol ethers (PGE), ethanolamines, propylene carbonate and isopropyl alcohol (IPA). The products will be offered FOB the seller’s plant or terminal location. The new prices will be communicated to customers in mid-April.

Moody’s changes outlooks to stable

Moody’s Investors Service changed its outlooks for Brazilian polyolefins ***producer*** Braskem and conglomerate Ultrapar to stable from negative. The changes follow an earlier move that changed Brazil’s outlook to stable from negative and affirmed its government bond rating at Ba2. The ratings for Braskem and Ultrapar were each affirmed at Ba1. Moody’s also upgraded the earnings of state-energy ***producer*** Petrobras to Ba2 from Ba3 and kept its outlook at stable.

Stepan names Luis Rojo as CFO, vice president

US-based specialty and intermediate chemicals ***producer*** Stepan has appointed Luis Rojo to serve as vice president and chief financial officer (CFO) when he joins the company on 30 April. Rojo will join Stepan after 21 years at Procter & Gamble, where he most recently served as global hair care financial director. He will succeed interim CFO Matthew Eaken, who will continue to serve as vice president and corporate controller.

low VOC coalescing agent to be commercial

US-based Ascend Performance Materials expects its Hextranol brand of coalescing agent to be fully commercial in the next three-to-six months, it said at the 2018 American Coatings Show in Indianapolis, Indiana. Hextranol E is a coalescing aid for architectural and industrial finishes. Hextranol E offers a low volatile organic compound (VOC) footprint as well as little odour, said Jamie Haseltine, product manager for specialty chemicals at Ascend.

EIA projects 14% rise in summer gasoline prices

The Energy Information Administration (EIA) said that it expects US regular gasoline prices to average $2.74/gal this summer, an increase of 14% from $2.41/gal last year. In its short-term energy and summer fuels outlook, the agency said the higher forecast gasoline prices are primarily the result of higher forecast crude oil prices. For all of 2018, EIA expects US regular gasoline retail prices to average $2.64/gal and gasoline retail prices for all grades to average $2.76/gal.

europe

Sika opens concrete admixture plant

Switzerland-based Sika has opened its concrete admixture plant in Senegal. The new plant is the first of its kind in the country and “will be further expanded with the addition of a mortar production facility in due course”, the company said in a statement. Capacity details of the plant were not disclosed.

CEPSA to expand LAB capacity by 25% at Cadiz

Spain-based Cepsa is to invest 100m to expand its capacity to ***produce*** linear alkylbenzene (LAB) at its San Roque, Cadiz, site. The facility will increase its LAB production capacity from 200,000 tonnes/year to 250,000 tonnes/year once the overhaul is complete. The expansion is expected to come online in mid-2020.

Givaudan Q1 sales grow 5.4% year on year on F&F

Givaudan’s first-quarter sales increased 5.4% year on year to Swfr1.31bn ($1.4bn), backed by improved performance from its fragrance and flavours (F&F) businesses, the Swiss ***producer*** said. “Givaudan started the year with good business momentum and with the project pipeline and win rates being sustained at a high level,” the company said. Its fragrance division had a 4.9% year-on-year increase in sales to Swfr604m, while its flavours segment posted a 5.8% sales growth at Swfr704m.

Q2 close expected for Bayer-Monsanto deal

A Q2 close is still expected for Germany-based Bayer’s purchase of US agrochemicals peer Monsanto, following a report that the deal has received approval from US regulators. Bayer’s share price rose nearly 5% on word that officials at the US Department of Justice (DOJ) has decided to allow the $60bn megadeal to go through, according to the Wall Street Journal. Shares in Monsanto closed up more than 6%.

BASF Q1 sales volumes likely above expectations

BASF’s sales volumes of chemicals are set to be stronger than expected, although delays to the close of the Bayer-Monsanto merger is likely to result in a weaker-than-forecast full-year ***agricultural*** solutions contribution for the company, research firm Bernstein said. Chemicals sales for BASF are likely to be above earlier expectations for the quarter, driven by volumes and decent progress in passing on price increases for products in the performance products and functional materials solutions divisions, Bernstein said.

Germany chems warn on EU model proposals

Proposals for the introduction of an EU-wide framework for group legal proceedings need to be improved to avoid the danger of allowing a “litigation industry” to flourish, Germany’s chemicals trade group VCI said. Commission officials are currently reviewing the conclusions of a two-year consultation on introducing a system for class action-style litigation in the EU, prompted by recent Europe-wide scandals such as the Volkswagen emissions-fixing case.

Spain chems sales up 7% on stronger economy

Spanish chemicals sales totalled 63.1bn in 2017, up 6.9% year on year on the back of a strong domestic economic recovery and increasing selling prices, chemical trade group FEIQUE said. The trade group said 56% of sales had been to foreign markets, after exports rose 8.7% during 2017 year on year, totalling 35.3bn. Domestic demand also rose 4.6%

German biodiesel indus-try demands protections

The German biodiesel industry is calling for protective measures and registration of imports to protect the European sector from lower cost international material, the Association of German Biofuels Industry (VDB) said. Imported biodiesel from Argentina and Indonesia is resulting in production cuts and shutdowns for German ***producers***, according to Elmar Baumann, managing director of VDB. Protection for domestic ***producers*** is required in order to protect the industry, according to Baumann.

asia

BASF starts up new thermoplastics line

Germany-based BASF has started up a new production line at its facility in Yeosu, South Korea, to expand its capacity for high-temperature resistant thermoplastic polyarylsulfone by 6,000 tonnes/year. With the new line, the facility’s annual capacity for polyarylsulfone, which BASF markets with the branded name Ultrason, will be 24,000 tonnes.

Ningbo Zhenyang operates plant at 100%

China’s Ningbo Zhenyang is operating its 15,000 tonne/year methyl isobutyl ketone (MIBK) plant at Ningbo in Zhejiang province at 100%, a source from the company said. A majority of Chinese MIBK ***producers*** have been keeping operating rates between 90-100% since the imposition of the antidumping duties (ADD) from November last year, which has reduced import appetite.

Mar oleochemical exports hit 10-year high

Malaysia’s export of oleochemicals in March was up 14.4% month on month, hitting a record 10-year high, according to the Malaysian Palm Oil Board (MPOB). Exports of oleochemicals increased to 273,870 tonnes in March, the highest over the last 10 years and up 14.4% from 239,378 tonnes in February. The previous highest mark was 262,344 tonnes in August 2017.

India vehicle sales grow 18.2%; production up 18.6%

India’s total vehicle sales in March increased by 18.2% year on year on to 2.22m units, with sales of passenger vehicles up 6.4% at 300,722 units, industry data showed. Total vehicle production last month grew 18.6% to 2.67m units, with output of passenger vehicles up 1.5% at 366,078 units, according to the Society of Indian Automobile Manufacturers (SIAM). Passenger vehicles include passenger cars, utility vehicles and vans.

China to reduce auto import tariffs

China ***plans*** to reduce import tariffs on automobiles and other products this year, in line with the country’s aim to further open up its economy, the country’s President Xi Jinping said. “This year, we will considerably reduce auto import tariffs, and at the same time reduce import tariffs on some other products,” Xi said in a keynote speech at the Boao Forum for Asia Annual Conference 2018 in south China. The automotive industry is a major global consumer of petrochemicals, which account for more than a third of the raw material costs of an average vehicle.

SM inventory increases by 5.06% week on week

Styrene monomer (SM) inventory in east China on 11 April rose by 5.06% over last week’s level, ICIS data showed. The total stock was 99,600 tonnes, an increase of 4,800 tonnes week on week. The arrivals were at 32,700 tonnes, while consumption stood at 27,900 tonnes.

Lotte Chemical Titan awards toluene tender

Malaysia’s Lotte Chemical Titan has awarded a sell-tender for May loading toluene at a floating price basis, several market sources said. The tender, which was issued on 9 April and closed on 10 April, was awarded at a single-digit discount on a FOB southeast Asia basis to FOB Korea quotes to a regional trader, they said.

Hanwha Total secures spot naphtha for H2 May

South Korea’s Hanwha Total Petrochemical has purchased spot naphtha for second-half May delivery, according to a source with knowledge of the matter. The two cargoes of around 25,000 tonnes each were secured at a premium near $15/tonne to spot CFR Japan quotes for delivery to Daesan.

middle east & africa

Iran base oils to see limited impact from US

Iran’s base oils market could be negatively affected by any US move to re-impose sanctions on the country but market sources told ICIS they expected the impact to be limited due to their familiarity of conducting business even with sanctions in place. US President Donald Trump is required to regularly waive a series of sanctions on Iran that a 2015 nuclear agreement lifted. Failing that, the sanctions would be re-imposed.

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Latin America GDP to expand

JOURNAL : Farmers Weekly

Staffordshire-based potato ***producer*** WB Daw & Son hadn’t chitted its seed for more than a decade but, after developing its own time-saving, easy-to-use system, chitting is now firmly back on the farm’s winter agenda.

Chitting potato seed is the process where tubers are stored in trays and encouraged with light and controlled temperature to break dormancy and ***produce*** sprouts ahead of planting.

The advantages are numerous – faster emergence, higher early yield, potentially earlier senescence and bulking, and quicker skin set.

The latter two are particularly useful when growing late-maturing varieties, helping avoid tricky harvest conditions at the back end of the season.

See also: Video: Cultivating potato tramlines cuts water and soil losses

So, if chitting is so useful, why has the practice declined?

Sam Daw, who ***produces*** about 223ha of processing potatoes near Rugeley, Staffordshire, with his father, James, says there were several reasons it was scrapped on their farm.

At the time, the business was expanding its potato enterprise and introducing varieties that did not benefit from chitting for different markets such as crisping.

Intensive process

It was also a very labour-, energy- and time-intensive process, with up to six people busy filling and stacking trays during the winter time with an output of 10t a day.

“It was an all-hands-on-deck job for two days, as well as sorting halogen tubes for lighting and gas burners for heat in a big shed. Then, at planting time, all the trays had to be emptied into the planter individually and restacked,” says Mr Daw.

With the farm’s potato area expanding, the drive for greater efficiency won out and there was a shift to just-in-time delivery of seed in bulk bags ahead of the spring planting period and handling seed in 1t, 6ft x 4ft potato boxes.

However, a switch to growing a proportion of their crop for McCain’s production of McDonald’s French fries saw chitting come back on to the radar.

The farm was also working closely with McCain’s agronomist Matt Smallwood, who proved in many trials – including some on the Daw’s own land – that there was a significant boost to marketable yield from chitting the variety Pentland Dell, offering more tubers in the valuable greater-than-90mm size fraction than unchitted seed.

In 2015, James made the call to start chitting again, though Sam was less keen, remembering the laborious task from years before when using traditional small chitting trays, hand-stacked on pallets.

He looked for alternatives, but nothing caught his eye. Alongside the traditional 75cm x 45cm x 15cm trays, he found a larger tray roughly the size of a pallet that can be lifted and moved by a telehandler.

However, there was still the problem of having to handle and empty each tray individually.

Steel crate

The only other ready-made option was a steel mesh potato crate, which uses a steel frame roughly the size of a potato box that is divided into compartments by steel mesh.

About 500kg of seed is poured into the compartments and stacked in the chitting shed, with the mesh construction allowing light and air around the seed to encourage the chit. A box tipper can then empty the crate directly into the planter.

“The concern I had with this system is that emptying the seed against the mesh could knock the chits off.

“Being gentle is crucial to any system and you don’t want to lose any of the chits, as all the benefit will be gone and it could also open up a spot for disease to get in.”

With an idea of what he wanted, Mr Daw went about designing his own system. The objective was to ***produce*** something that handled large quantities of seed in one unit, could be moved around with current kit, allowed uniform light around the tubers in store and was easy to empty.

Registered design

The farm’s seed store was designed to fit 6ft x 4ft potato boxes that are moved with the forklift’s pallet tines or box tipper – the quickest and easiest way of handling and emptying them – so it made sense to integrate the new tray system into the current layout.

After making templates and a prototype, a load of pre-cut steel and timber was ordered and the farm’s sprayer operator and talented welder, John Bibb, spent the winter in the workshop, welding and bolting it all together.

Now a registered design with the “Mega-Chit” trademark, Mr Daw’s invention comprises four large wooden-slatted and galvanised steel-framed trays, which make up a potato-box-sized stack.

All the trays interlock to ensure they are strong and stable and can all be emptied together. Each tray carries about 100-125kg of seed depending on seed size, with each stack holding 400-500kg and piled in store four high.

The bottom trays are slightly taller and have pallet tine channels with locking bars to keep the stack steady on rough ground and there is an option to build in LED lights into the underside of each tray to help with light dispersal during the chitting process.

These are simply plugged into a central electric distribution board connected to the mains and the LED lights ***produce*** no heat, helping to maintain the desired temperature within the chitting store.

Inside the trays is quadrant beading in all corners to help the seed run out when tipping in to the planter, which is achieved by removing the end slat of each tray before engaging the box tipper above the hopper.

Time saver

Mr Daw says the beauty of the system is that the seed arrives in bulk bags in December and it takes five men and a loader just half a day to tray up 30t of Pentland Dell seed.

The rest of the chitting procedure can then co-ordinated by one man and a loader, with the seed put into cold store until February, when it is moved into a chitting store.

It is then loaded on to flat trailers and taken out to the planter, emptied and brought back to the yard ready for the following season.

“The stacks are only taken apart once a year when we fill the trays and that’s it. With our system, it is clear to see the benefits, as you are saving on labour and time and minimising damage to the seed, while handling larger quantities of seed with ease.”

Mr Daw says he has already had a lot of interest from other growers and they are now ***planning*** to start ***producing*** the Mega-Chit system commercially.

“We even had calls to put in orders, but haven’t been in the position to turn out the numbers.

“We are in final talks with a leading potato equipment supplier about manufacturing the system for us and hopefully we will be able to start taking orders for planting 2019 later this year.”

JOURNAL : Farmers Weekly

There are many different establishment systems on farms across the UK, but Keith Challen had to look much further afield – to Eastern Europe – to find the drill and cultivator that met his requirements.

Selecting a new drill and cultivator often involves going round various machinery shows until you see one you like the look of, then going back home to work out how it will fit within your system.

Mr Challen, who manages 1,200ha of heavy clay soils in the Vale of Belvoir, turned the process on its head. He started with a blank piece of paper and listed the features he wanted.

See also: Video: Cultivating potato tramlines cuts water and soil losses

Only then did he start looking at the drill and cultivator systems on offer.

***Strategic*** review

The change in establishment system was the result of a ***strategic*** review at the Belvoir Farming Company after the 2015/16 cropping season, as it became clear that the existing system was unsustainable.

“We had blackgrass, too many men and too much kit. It didn’t look like it would fit the post-Brexit world,” Mr Challen says.

Part of the problem was the establishment system, based on two 7.2m Simba Freeflow drills pulled by two Quadtracs. Cultivations consisted of one pass with the Simba Solo, followed by one to two passes of a Simba Cultipress.

“We were moving lots of soil and burning too much fuel,” Mr Challen tells Farmers Weekly.

In addition, operating on the clay soils the Freeflows were severely limited by the weather. For example, once it had rained in October he could no longer drill that autumn.

“We had one of the heaviest drills on the market at that time,” he recalls.

This setup did not fit with the need to drill wheat later to tackle the growing blackgrass problem.

“What we needed was a system that was much more flexible, allowing you to drill rapidly and when you wanted to.”

Drill choice

For the drill, Mr Challen wanted something that was wide (to fit the 12m controlled traffic farming system), reasonably light and with very low soil disturbance.

It also needed to place both seed and fertiliser and to have a big hopper so that frequent filling did not hinder progress.

Then he went to the market and found three disc drills that were wide, light and caused minimal soil disturbance. However, only one of these placed nutrition – and that was the Amazone Citan 1200, built for Eastern Europe.

“We approached Amazone and bought a 12m machine, largely based on a brochure and a Youtube video,” he says.

“We did see the coulters at the UK Amazone factory and they also had a 6m version, but with different coulters and hopper.”

Mr Challen saw enough to know it was the drill that he wanted – and it has proved itself in the season since its arrival in spring 2017.

One feature he particularly likes is the angled tines on the rear. Many drills have points that go down and move soil, which stimulates blackgrass germination.

“We didn’t want this so the tines have angled points that move the soil sideways, thus avoiding blackgrass germination. It means you can go late and cover seed without causing a blackgrass flush.”

Then Mr Challen wanted technology. “Our fields have been soil-mapped for conductivity and I wanted to vary seed rates accordingly.”

However, being built for the prairies of eastern Ukraine, the drill did not have this feature. Therefore, he approached Trimble and the company retrofitted a system that can reliably vary the rate.

The result is the Citan drill can drill much later. “I can do 200 acres in an afternoon. This is the same area that two Freeflows would struggle to do in a whole day.”

This greater work rate means that if it does not look like a good drilling day, he is happy to leave it, without the worry of getting on with the drilling.

“The right thing to do today may be nothing. Just wait for more suitable conditions,” he says.

Cultivator

He admits he has cultivated too deep in the past. “About seven years ago, we were running a min-till system, but working to a similar depth as a plough.”

He likes the idea of direct-drilling, but is not convinced it can work on his land. Not incorporating residue would lead to his clay soils going anaerobic, causing problems.

He believes regular light cultivations are the answer to incorporating residue, as well as helping control blackgrass and slugs.

The cultivator needed to be 12m wide, again to fit the controlled traffic farming system, and Mr Challen wanted to move soil.

However, he knew from experience that smearing can be an issue, so it would need to have narrow points. He also wanted some sort of consolidation at the rear.

Initially, he struggled to find anything that met his requirements.

“I went on the internet and spent weeks looking, and eventually saw one on Youtube in the Czech Republic and discovered there was a UK dealer.

The Farmet Phantom has more than 100 narrow-tipped points and high-strength breakout springs on top, with depth control managed by lots of depth wheels and a packer.

Mr Challen tried a 12m demonstrator Farmet Phantom on three occasions in 2016. “It performed well and I was able to manage the depth to exactly 50mm.”

He runs it straight after the combine. Some fields may receive up to three passes in the autumn, depending on blackgrass and moisture.

“We can now do 300 acres in a day with a Quadtrac. Before we had two Quadtracs with Simba Solos, each doing 100 acres in the same time.

One key benefit has been the fuel savings. “Diesel costs have fallen by £50,000 and we managed to sell one of the tractors, thereby reducing fixed costs.”

Straw management

The final part of his establishment system overhaul was the Canadian-made Redekop straw chopper on the Case Axial-Flow combine.

“We are seeing more crop residue with high-yielding crops and the greening effect of fungicides.”

However, the previous chopper was proving to be not up to the job of evenly spreading residue across 12m.

If you look at a piece of straw, it turns black from the two cut ends as it breaks down, he says.

But if it is lacerated lengthways, the bacteria and fungi can enter the piece along its length and break it down much more quickly.

Trials with the new chopper showed that straw broke down more rapidly, with residue gone in nine weeks, compared with 16 weeks using the previous chopper.

“We are now also avoiding the bands of straw we used to see which acted as the ideal slug habitat.”

The benefits for the following crop are fewer slugs and less nitrogen lock-up. “Slug pellet use has halved since making the changes,” he says.

Cultivation system at a glance

There are three key elements to Keith Challen’s establishment system:

Drill: 12m Amazone Citan drill with Trimble variable seed system

Cultivator: 12m Farmet Phantom

Straw chopper: Redekop combine-fitted straw chopper

Benefits

Halved slug pellet use

Diesel costs slashed by £50,000

More timely cultivations

Increased work rates

Lower labour requirements

JOURNAL : Farmers Weekly

Mitsubishi has unveiled a garish special edition of its L200 pickup that will be ***produced*** by its Special Vehicle Projects (SVP) division.

Only 250 of the special edition Barbarian SVP II will be ***produced***, and they are designed to stand out from the crowd with love-it-or-loathe-it orange details.

Most of the mechanicals are the same as the standard version, including the all-aluminium 2.4-litre turbodiesel engine and Super Select 4WD system that allows drivers to seamlessly switch between two- and four-wheel drive at speeds up to 62mph.

Gearbox options extend to a manual six-speeder or a five-speed automatic with steering-wheel paddle shifters.

On top of the L200 Barbarian Double Cab’s standard spec, the new special edition adds 17in bespoke black and orange alloy wheels with BF Goodrich all-terrain tyres, aggressive wheel arch extensions, a new SVP grille and roof rails finished in black and orange. Other additions include load bed illumination and a spring-assisted tailgate with soft-opening damper.

See also: Pickup test: 6 farm trucks compared

The interior has a similar colour scheme and standard kit includes rain and dusk sensors, keyless operation, Bluetooth, bi-xenon headlights with integrated LED daytime running lights, cruise control and a reversing camera.

The Mitsubishi L200 Barbarian SVP II is available to order now, with the first deliveries beginning in May, and is priced from £29,830 (ex VAT) for both grey and black versions.

JOURNAL : Farmers Weekly

To take his nematicide application to another level of precision and safety, one Lancashire spud grower has modified his planting system to ensure every granule is placed exactly where it needs to be.

Farming just south of Ormskirk, Lancashire, Andrew Webster is in the middle of an intensive root crop and brassica vegetable growing area, which brings several pest problems across his 182ha of owned and rented land.

Free living nematodes and wireworm can be an issue in some years and on some sites, but the major threat to his 73ha crisping potato enterprise is potato cyst nematode (PCN).

See also: 2017 Farm Inventions competition: Complex category

To combat the issue, Mr Webster is extending cropping intervals by sourcing cleaner rented or swapped land to supplement his own.

There has also been a focus on improving field hygiene, with more vigilant control of volunteer potatoes and weed hosts throughout the rotation, minimising the risk of PCN being propagated in other crops.

With PCN populations now reducing – most of his recent samples show just 0.5–1 egg per gram of soil – the name of the game is preventing population explosions, which are more severe when the pest is at low levels.

Farm Facts – AW & MA Webster

182ha owned and rented land

Soil types – mixed (sands, peat and clay loams)

Cropping – potatoes, winter and spring wheat, oats, fodder beet and grass

Potato enterprise – crisping varieties ***produced*** for grower group Mercian

Staff – Andrew, wife Margaret, sons Chris and Matthew plus seasonal workers when required

Inaccurate method

As part of his integrated approach, Mr Webster is using granular nematicide Nemathorin (fosthiazate) to stop multiplication but, in the past, his application hasn’t always been as accurate as it could be.

“We were putting it on with our Pearson Megastar stone separator, as it fitted into our system at the time, but it didn’t always mix the product through the soil properly.

“It can also allow soil to ride over the stars without breaking up in certain conditions, so if you aren’t careful the product can be chucked out the side by the cross conveyor,” says Mr Webster.

So, when the farm was asked to host the North-West Potato Day in 2014, Mr Webster chose nematicide application as one of the discussion topics and trials were conducted using various incorporation methods alongside his own to uncover any differences.

The farm’s standard application method using the destoner wasn’t the worst method of applying the nematicide in the trial (see chart), but was significantly less effective at preventing multiplication than incorporating nematicide with a bed tiller after the destoner and pre-planting to a depth of 15cm.

Mr Webster says the results “kicked him up the backside” and made him realise he had to improve his method of applciation.

“We are spending a lot of money on chemicals, so we need to make sure we are getting the best out of them by following label and stewardship guidelines,” he adds.

Minimising dilution

If nematicides such as Nemathorin are applied too shallow, the root zone isn’t protected from nematode attack and, conversely, if too deep, the excess soil dilutes the product and reduces its efficacy.

The Nemathorin product label recommends a broadcast overall application incorporated to 10-15cm for the best results, so Mr Webster went about finding a way of using the bed tiller method and achieving the 15cm depth as consistently and accurately as possible.

He soon uncovered that no manufacturer offered an auto-depth control system on bed tillers, with most using a depth wheel that runs in the wheeling.

However, wheelings can vary significantly in depth after a pass with the destoner, depending on the amount of stone and clod in the soil, and would result in uneven application of the nematicide.

After some head scratching, Mr Webster found inspiration for automatic depth control on his self-propelled Agrifac beet harvester, which uses a potentiometer linked to the lifting shares to automatically keep the front at the desired depth.

[*https://infogram.com/trial-shows-nematicide-application-with-a-bed-tiller-keeps-pcn-egg-counts-low-at-harvest-1h0n25xolzoz4pe*](https://infogram.com/trial-shows-nematicide-application-with-a-bed-tiller-keeps-pcn-egg-counts-low-at-harvest-1h0n25xolzoz4pe)

Trailed Implement Control

He approached Massey Ferguson to see if a potentiometer could be positioned on a bed tiller and operated by the Trailed Implement Control (TIC) system on the Massey Ferguson 6616 Dyna-6 tractor used on his potato planter.

The TIC system essentially works like the draft control on a three-point linkage to keep trailed cultivation implements at a set depth via the tractor’s remote hydraulics.

Although the company had no experience in doing so, its engineers thought it was possible and it provided him with the cabling and control box to give it a go.

Using his existing Grimme bed tiller on the link arms, he placed a potentiometer on the veg hood, which follows the contours of the bed, and piggybacked his trailed Grimme GL 32T planter behind.

In theory, the TIC should have controlled the depth of the bed tiller using the hydraulic ram and wheel assembly on the veg hood.

However, Mr Webster says once the TIC was engaged, it locked the link arms off, so while the rear of the tiller was adjusting itself to the desired depth, it couldn’t keep itself parallel to the ground and manual adjustment of the link arms was required to keep everything in sync.

“The concept was there, we just needed to work out how we were going to get it to work automatically and the answer was to go fully trailed,” he adds.

Cut and shut

To do so, Mr Webster asked if Grimme could build a bed tiller into his trailed planter, but was quoted nearly £11,000 – more than value of the bed tiller and planter combined.

Instead, he acquired a Dowdeswell Rotaspike 130 from Shropshire and essentially cut the drawbar off the planter, sat the bed tiller in its desired position up front and built a carrying frame around it.

The drawbar – complete with its original hydraulic steering mechanism – was connected to the bed tiller via a parallel linkage and a depth-control potentiometer sits at the front of the bed tiller.

This was then connected to a skid that rides on the top of the destoned bed and is wired into the TIC system, which in turn adjusts the depth of the bed tiller via a spool valve connected to a vertical lift ram on top of the machine.

While building the bed tiller into the planting train, Mr Webster also decided to remove the furrow openers from the planter and instead attach them to the Rotaspike.

This ensures both are working at an identical depth, preventing excess soil being disturbed in the bed and diluting the nematicide and, at the same time, ensuring seed is in the heart of the treated zone.

“It was all built bit by bit and the main issues were getting the drawbar geometry correct and enough room for the pto shaft and gearbox at the front.

“If you want to adjust the depth, you can do so just by turning the link arm control on the armrest of the tractor – everything is in sync.”

Safe working

Nematicides are under threat of further regulation or withdrawal due to their inherent toxicity, so demonstrating they can be used responsibly and safely is essential to protect the environment, operator and consumer and ensure their approval is maintained.

These messages are being communicated to growers via The Nematicide Stewardship ***Programme*** and Mr Webster believes his planter modification ticks many of the NSP boxes.

It not only uses technology to ensure his nematicide is applied accurately, but guards around the two Horstine nematicide applicators’ outside fish-tail outlets prevent wind blowing the product off target.

Also, a platform built above the bed tiller – made from steel mesh flooring and reached via a ladder – allows the operator easy, knee-level access to the hoppers mounted on the carrying frame, cutting the need for lifting product containers at height.

“It’s essential we use these products wisely, as we can’t afford to lose them,” says Mr Webster.

JOURNAL : Farmers Weekly

The most expensive farmland in the EU is in the Netherlands, according to official statistics.

Eurostat, the EU’s statistics agency, has released figures which show the national average price of arable land in the Netherlands in 2016 was close to 63,000/ha (£54,800/ha).

Other countries with farmland more expensive than the UK include Italy and Luxembourg.

See also: Buying farmland abroad: Prices, benefits and risks

The UK comes in fourth position on the league table with the average price of arable land in 2016 estimated at 25,742/ha (£22,405/ha), with the highest regional price paid in the south east of England at 28,837/ha (£25,100/ha).

Within some member states there were regions with farmland selling for even higher prices than in the Netherlands – but for the country as whole the average price was lower.

For example, the most expensive region in the whole of the EU was Liguria in Italy with an average price of 108,000/ha (£94,000/ha).

Similarly, the price of arable land in the holiday hotspot of the Canary Islands, part of Spain, was also over 94,000/ha (£81,800/ha).

Cheapest land

Arable land was cheapest in Romania, with a hectare of arable land costing an average of 1,958/ha (£1,704/ha).

Data was not available for Germany, Belgium, Cyprus, Malta, Austria and Portugal.

[*https://infogram.com/eu-farmland-prices-1hnq41xnpvrp23z*](https://infogram.com/eu-farmland-prices-1hnq41xnpvrp23z)

From the data available, the strongest growth in land prices of arable land between 2011 and 2016 was seen in the Czech Republic where prices tripled from 1,856/ha to 5,463/ha (£4,755/ha).

Over the same period the price of arable farmland in Lithuania, Estonia, Latvia and Hungary also doubled.

Rental values

Mirroring the variation in arable land prices, annual rental prices of one hectare of ***agricultural*** land (arable or permanent grassland) also vary widely between member states and regions within member states.

Annual rents were most expensive in the Netherlands at an average of 791/ha (£688/ha), but the highest regional average in Flevoland, Holland, was almost twice the national average at 1,536 (£1,337/ha) for the year.

Renting ***agricultural*** land was cheapest on average in Latvia 46/ha (£40/ha), although the cheapest regions in the EU for renting were Mellersta Norrland and -vre Norrland in Sweden which were both 28/ha (£24/ha).

JOURNAL : Farmers Weekly

Officials in Northern Ireland have agreed to ask the European Commission if it will give farmers a derogation from the three-crop rule this year because of problems caused by the weather.

The Ulster Farmers Union has been pushing for such a move, arguing that the relentless wet weather makes meeting the crop diversification rule under the Basic Payment Scheme (BPS) “near impossible” this year.

Field conditions

The union has pointed out that many farmers were unable to plant winter crops due to poor field conditions and delayed planting of spring crops now leaves them with very few options.

See also: Cold, wet spring conspires against farmers

UFU president Barclay Bell said: “In many areas, ploughing hasn’t even started and it could be mid-April before any drilling is carried out.

“This issue needs to be addressed urgently to allow farmers to make suitable arrangements.

"We are calling on Daera to look at the possibility of seeking a derogation for this year.”

Flexibility for farmers

A spokesman from the Department of ***Agriculture***, Environmental and Rural Affairs (Daera) confirmed on Tuesday (10 April) that it was prepared to seek flexibility for farmers who were struggling to meet the rule.

“The department will write to the commission to request a derogation from the three-crop requirement in Northern Ireland in 2018 due to the adverse weather conditions, the consequences of which have meant that sowing of arable crops has been significantly hampered,” said a statement.

The three-crop rule first came into force in 2015 and applies to farms with more than 30ha of arable land.

Farmers have to sow three crops on the farm and meet greening rules if they are claiming a BPS payment.

JOURNAL : Farmers Weekly

With less than a year to go until the UK officially leaves the EU, the British beef industry appears to be in a great place to take full advantage of this monumental shift from normality.

The UK is currently only 80% self-sufficient in beef – so this, combined with the new ability to make our own trade deals with countries around the world, gives the UK beef sector huge potential to significantly grow its markets both at home and abroad.

Our standards of animal welfare, traceability and environmental protection are unbeatable across the globe, so this will no doubt help us to develop a credible customer base globally.

See also: Read more of Josh Dowbiggin’s columns

However, can we guarantee the same high standards for eating quality as we can for production methods?

We already know that we have great standards behind our product, but how can we expect to be a strong player in the beef market globally if the actual product itself does not always have the consistent eating quality that we like to claim?

The UK currently uses the same and arguably old-school classification system that it has for the past 40 years and although there is no doubt that the Europ grid system was once fit for purpose, it now appears to be hindering us rather than helping us.

Grading tweaks

Domestic beef consumption is currently falling at around 4% annually and, although there are several reasons for this, I believe the biggest factor is inconsistency of product.

If you watch consumers make their way down the meat aisle of a supermarket, it takes them considerably longer to choose a steak than it does to choose a pack of chicken breasts, and this is because of the variability in the steaks on the shelf.

There is also an inconsistency in consumers' understanding of what makes a great-tasting, tender and juicy steak. For example, some actively look for a well-marbled steak, while others actively avoid marbling in an attempt to avoid fat.

Apparently it takes up to three months for a consumer to purchase beef again after a bad eating experience.

To maintain its reputation as the best protein on the market, the beef industry must ensure that every pack of beef on the supermarket shelf or butcher's counter gives a quality eating experience every single time (or at least an indication of expected eating quality on the packet).

To achieve this, I believe it is time for our grading system to have a quality grade element, similar to the systems used in the US, Canada and Australia.

By adding measurements known to be signs of eating quality to our grading system, such as marbling, we can incentivise the beef industry to ***produce*** animals that are guaranteed to have better tasting meat.

Great steak

If we could create a quality grade element that a consumer would recognise, similar to the system used in the US, we can both regain the trust of the consumer and teach them about what makes a great tasting steak.

There is no doubt that the grading system must retain a yield grade element to it in order to keep the industry efficient, and if the grading system still works on a pence per kilo basis this will still be the case.

But it's time to recognise that premium cuts make up a large part of the carcass value of a beef animal and as a result, it's now more important than ever to guarantee consistent eating quality for the consumer.

Yes, maturation and cooking technique can also help to make a great eating experience with beef, but you can’t make good beef from a bad animal, so changing the current system is a vital next step.

Lancashire lad Josh Dowbiggin, 21, is in his final year of studying ***agriculture*** at Harper Adams University. He runs a small flock of Easy Care ewes alongside his Ghyll Beck Hereford Stud business, importing and marketing Hereford semen and embryos from around the world.

JOURNAL : Farmers Weekly

The phasing out of some pesticides is resulting in a resurgence of the break crops grown on UK farms.

They can be a good fit within a reseeding ***programme***, but a downside is that they take fields out of grass production.

However, with many farms not achieving their yield potential, grazing lost to catch crops can be balanced if steps are taken to improve overall yield per hectare, says independent grassland and forage specialist Charlie Morgan.

See also: Forage crops helps add value to Scots beef and sheep farm

Many farms are only yielding 5t DM/ha but have the potential for 10-12t DM/ha, he warns.

“This means there is the potential to double the yield, which means more land is available to grow these crops.”

But with multiple catch crop varieties on the market, which ones should sheep farmers opt for?

“The three main questions farmers have to ask themselves is when do I want to graze it, what do I want it to feed and when will the field become available for sowing,’’ advises Mr Morgan.

Here we examine the different options.

Note that growing costs will vary according to whether the seed is drilled or broadcast.

See a table comparing forage rape, hybrid rape/kale, stubble turnips and fodder beet (PDF)

Top tips for grazing catch crops

It is essential that sheep graze both the leaf and stem of forage crops or the value of protein in the leaf will be lost. The leaf is where the protein is, but the stem holds the energy so protein will go straight through the animal if it doesn’t graze the stalk to capture it.

Aim to graze each stem to 12cm (4 inches); this also provides the opportunity for re-growth if back-fenced. Back-fencing can be used if water and fibre sources are accessible.

Give sheep-grazing forage crops a trace element bolus or drench, because what they provide in feed value they lack in trace elements.

Strip grazing catch crops is key to achieving a good utilisation rate – limiting access initially allows sheep to be introduced gradually to their new diet.

Grazing smaller blocks reduces trampling and wastage but, on very wet days, allow sheep access to larger areas to reduce stocking density at the feed face and lower the risk of soil damage and run-off.

If the crop is planted on sloping ground, graze the field from the top down to minimise risk of soil run-off; multiple access points will reduce poaching at runback sites.

Fields used for growing catch crops should be those with lighter soils, good drainage and not be located near watercourses.

On heavier soils, it can be advisable to direct drill the seed into previously sprayed off grass. The decaying sward creates a base to the crop. The roots, although dead, will help as an anchor to the soil, and the firmer surface will reduce the poaching impact.

Combining different varieties as an insurance

An insurance policy against a crop under-performing is to grow a combination together – for instance, forage rape can be sown with stubble turnips and hybrid kale.

“The conditions in the year of growing might not be favourable for rape but favourable for turnips, so blending these together provides a safety net against one of the crops failing or underperforming,” explains Mr Morgan.

One option is sowing Italian ryegrass with rape. This can be sown between April and September and will, therefore, be fit to graze in as little as 60 days.

If sown early enough, it can be grazed from July in the year of planting through to winter and the following spring.

“It is a versatile crop that provides grazing for finishing lambs and winter grass for ewes and lambs and will also provide a crop of silage,” he adds.

JOURNAL : Farmers Weekly

A Perthshire gamekeeper has developed a new run-through stoat trap that conforms to the Agreement on International Humane Trapping Standards (AIHTS) that are due to come into play from 1 January 2019.

That means Darryl Elliot’s device can be used to replace current stoat traps that do not meet the standards laid out by a branch of Defra – the Animal and Plant Health Agency – and it will be included in the Spring Traps Approval Order that is due to be announced later this year.

The Tully Trap will be legal to use once it has been included in the order, while many systems currently used for trapping stoats will be banned once the AIHTS is implemented.

See also: A guide to kit for controlling rats, mice and squirrels

The galvanised trap is designed to be the same width and height as common small vermin traps, which means it can easily be swapped into existing locations and will fit into most Fenn mark 4 trap tunnels.

The central baffle means the stoat has to put its feet on the base plate and is always in the strike zone of the arms for the highest possible catch rate.

JOURNAL : Farmers Weekly

Farmers and rural drivers are being urged to take care on country roads peppered with potholes caused by bad weather and lack of maintenance.

Rural insurer NFU Mutual has raised concerns about suggestions that some rural roads are in such a bad state they could be closed altogether due to lack of funding.

Motorists are facing “huge problems” because of poorly maintained roads, a higher risk of accidents and a lack of gritting during the winter months, said NFU Mutual motor insurance specialist Ian Flower.

See also: A guide to fixing pothole-ridden farm tracks

“The deteriorating state of rural roads has been exacerbated by the recent, prolonged freezes,” he warned. “Further flooding also poses an additional hazard as many deep potholes are disguised.”

Figures from NFU Mutual suggest a 48% increase in the number of pothole claims from 2015-17, with the total value of claims almost doubling over the same period.

Costly weather

More motorists are thought to be seeking recompense directly from local authorities, while others might shoulder the costs themselves rather than claim on their car insurance.

Many rural councils are under increased pressure to deal with road maintenance.

Earlier this year the Local Government Association called on the government to tackle the disparity in funding between national and local roads.

The Association said £1m would be spent per mile on ***strategic*** road networks such as motorways from 2015-20 – compared to just £21,000/mile for local roads.

There are also concerns that deteriorating rural roads will make access for the emergency services harder and response times longer – potentially putting lives at risk.

Predominantly rural areas have a fire and rescue service incident response times of 10 minutes 37 seconds compared to seven minutes 43 seconds in urban areas.

‘Arteries of the countryside’

Jeremy Atkins, an NFU Mutual senior agent in Devon, said rural roads were the “arteries of the countryside” and it would have serious implications if they became unusable.

“Other rural road users such as cyclists and horse riders are also at risk,” he said.

“They may need to take sudden avoiding action when they encounter a pothole or may ride, unsuspecting, into deep potholes which are filled with rainwater.”

The government announced last month that it was giving a further £100m to councils to help repair potholes and protect local roads from severe weather.

Transport secretary Chris Grayling said the money would help repair almost 2m potholes as well as help protect the roads from any future severe weather.

Government funding

This was on top of £75m in government funding already given to councils from the Pothole Action Fund this year, as well as an extra £46m or highways authorities announced before Christmas.

Mr Grayling said: “We have seen an unusually prolonged spell of freezing weather, which has caused damage to our local roads.

“We are giving councils even more funding to help repair their roads so all road users can enjoy their journeys without having to dodge potholes.”

JOURNAL : Farmers Weekly

More than 1,000 farmers took part in this year’s Big Farmland Bird Count, recording 121 species across almost 1m acres.

The participation level is a record, according to the Game & Wildlife Conservation Trust (GWCT) which organised the fifth annual count between 9-18 February.

Farmers from every county in England took part and there were also responses from Northern Ireland, Scotland and Wales.

See also: Wild bird project – a blueprint for future farm support

Overall, almost 200,000 birds were counted, including 25 red-listed species – three more than the count in 2017.

Top five most counted

Starling 34,129

Wood pigeon 30,740

Fieldfare 17,019

Rook 9,744

Chaffinch 8,080

These red-list birds are categorised by the RSPB as the highest conservation priority, needing urgent action.

Five of the red-list species – starlings, house sparrows, fieldfares, song thrushes and yellowhammers – were seen in such significant numbers they were in the top 25 most-commonly seen species recorded.

And two red-list birds, the starling (about 34,000 sightings) and fieldfare (more than 16,000 sightings), were in the top three most-counted species.

The top five most abundant species were starlings, wood pigeons, fieldfares, rooks and chaffinches, the same top five as last year.

A total of 99,712 of these species were found, making up nearly 50% of the overall number of birds recorded – a pattern similar in previous counts, according to the GWCT.

Top 10 most commonly seen (% of farms)

Blackbird 88%

Wood pigeon 80%

Robin 77%

Blue tit 74%

Pheasant 72%

Carrion crow 68%

Chaffinch 68%

Buzzard 63%

Great tit 55%

Magpie 55%

Environment

The GWCT also asked participating farmers about their involvement in environmental projects and what they did to encourage farmland bird species to thrive.

“From the data collated we can see that 50% of farmers have been helping farmland birds in the recent cold snap,” said bird count organiser Jim Egan

“This is critical in getting farmland birds, particularly those on the red list, through the winter so they are fit and healthy to breed in the spring,” Mr Egan said.

He also praised farmers for providing insect-rich habitat to help provide food for breeding birds through the spring and summer months.

Passion

The main sponsor for the initiative was agrochemical company BASF.

The company’s environmental and stewardship manager Mike Green said: “The 2018 count has shown the interest, skill and passion of farmers to record the bird biodiversity they support on their farmland, with some in their fifth year of taking part.

“This year’s data confirms, again, that a wide variety of bird species, including some red-listers, are using the full range of habitats available on farm.”

He added no significant changes in bird numbers had been seen over the past two counts.

Why count farmland birds?

The Big Farmland Bird Count was launched in 2014 to highlight the positive work done by farmers and gamekeepers in helping to reverse the decline in farmland bird numbers.

The count offers a simple means of recording the effect of any conservation work being instigated by farmers and gamekeepers on their land.

Who took part?

The average farm size was 405ha (1,003 acres)

Farms included:

69% arable cropping

52% beef or sheep

12% field vegetables

Dairy farms, horticulture units, poultry ***producers*** and pig ***producers*** also took submitted counts.

53% were in agri-environment schemes

41% provided extra feed for birds

JOURNAL : Farmers Weekly

Security camera specialist Reolink has unveiled a new wire-free surveillance kit designed for use on farms.

The Go-branded rig includes a 1,080p rechargeable HD camera with a 130deg viewing angle that transmits footage though a 3G or 4G LTE mobile network.

That makes it handy for monitoring remote locations, particularly in areas with limited or no wi-fi connection, and footage can be viewed through any connected smartphone.

It is weatherproof and powered by a long-life battery that can manage months of use on one charge, according to the manufacturer, and can be coupled to a trickle charge from a separately sold solar panel.

See also: On test: Combine reversing cameras – which is best?

It can stream and record up to 1,080p HD quality day and night, and captures night vision videos with a range of up to 10m. There is also a built-on movement sensor, which sends alerts when motion is detected to a phone or email address.

Motions are also recorded to a micro SD card and two-way audio allows users to listen and talk back through the speaker and microphone, or use a pre-recorded message to deter intruders.

Prices are expected to be about US$149.99 (£106) when it goes on sale online. The solar panel is an extra $29.99 (£21).

JOURNAL : Farmers Weekly

A Welsh organic livestock farm has increased suckler cow numbers by 50% by splitting fields into paddocks and rotationally grazing the herd.

Gwyn and Delyth Parry converted their system to organic in 2008 and, in addition to 500 Welsh ewes, they keep a herd of spring-calving black Limousin suckler cows.

They aim to finish the offspring off grass by 18 months.

See also: Beef farmer adopts dairy mindset to overhaul grazing

There had been a set-stocking grazing system in place for many years but, since 2015, the Parrys have experimented with rotational grazing.

Last year, to measure the full potential of the system, 17 paddocks of equal size were created in three fields covering 5.28ha during a Farming Connect trial.

Farm facts

283ha farmed, 223ha owned and 61ha rented on long-term tenancy agreement

All land part of Glastir Organic scheme

500 Welsh ewes

90 suckler cows

By adopting this system, increased grass growth and utilisation has given the couple the confidence to increase cow numbers from 60 to 90, without acquiring more land.

Benefits and production

Mr Parry, who farms at Orsedd Fawr, a Farming Connect Demonstration Farm near Pwllheli, says the system also allows more control over input costs.

“By measuring grass and getting the animals to graze the paddocks more efficiently, we are growing better quality grass and more of it,” he says.

The Parrys’ eldest son, Eifion, who is studying ***agriculture*** at Glynllifon College, measures the grass weekly with a plate meter.

[*https://infogram.com/orsedd-fawr-1h1749dod8oq6zj*](https://infogram.com/orsedd-fawr-1h1749dod8oq6zj)

Paddocks are stocked according to the time of year, peaking at 2,500kg liveweight/ha by mid-June. Cattle are moved to fresh grazing every two days.

Over the 2017 growing season, the farm ***produced*** 694kg of liveweight per hectare despite a high level of rainfall from September onwards.

Changing breeds

There has also been a change in breeding policy. The Stabiliser, a breed recognised as a good converter of grass into meat, was introduced into the herd three years ago and the first heifers are calving this spring.

Turnout in 2017 was done in stages to match grass growth, with stocking rate ranging from 4.5 cattle per hectare to 5.6 over the grazing season.

The aim is to finish all cattle off grass by 18 months but, in 2017, a fluke burden resulted in only a small number achieving that target.

Fluke burden impact on weight gain

Despite excellent grass covers, performance in the latter part of the grazing season was disappointing.

FEC analysis is regularly carried out and this detected rumen fluke and lungworm early in the grazing season.

Despite treatment, traces of immature fluke were detected in animals when they were slaughtered towards the end of the summer, which could be a reason why some didn’t perform as well as expected.

The average weight gained over the 180-day grazing period was 158kg, with some achieving 190kg, but others gaining only 114kg. Last year, cattle were housed on October 27.

From weaning at around 180 days, the cattle are weighed monthly and the Parrys noticed that, in November and December, the daily liveweight gain (DLWG) of this year’s calves was 200g below that of the previous year.

“We did faecal egg counts and those were positive for fluke. We treated them accordingly and, sure enough, the daily live weight gain increased to what we would expect,” says Mr Parry.

Nutrition at housing

To get the youngstock off to a good start, concentrate inputs were doubled at housing this winter. This was fed alongside homegrown grass and red clover silages.

With the farm’s organic concentrates costing £380/t and 9t fed to 78 cattle, it is a significant cost at £43.85 a head, but Mr and Mrs Parry say this is an investment worth making to capture higher returns for selling the cattle at finishing weights instead of as stores.

“There is a short window to get the cattle finished on grass so there is no margin for error,” says Mr Parry.

“If we didn’t give the cattle more concentrates at that stage, we would not get the growth rates they are capable of.”

Poor weather this spring delayed turnout until March 19, more than a week later than in previous years.

“We have always turned out early because the land is quite free-draining in parts, but what has changed is that we can keep more cattle because we are growing more grass with rotational grazing,” says Mr Parry.

JOURNAL : Farmers Weekly

Rural businesses are being put at a competitive disadvantage by broadband speeds that are three times slower than that of nearby cities, analysis of Ofcom data has shown.

The analysis was carried out by business accountants Grant Thornton for the County Councils Network (CCN), which represents the 37 local authorities in England.

See also: CLA slams mobile phone sector for abandoning rural areas

It revealed that more than two-thirds (72%) of England’s counties fell below the national average download speed of 45Mbps while 27% had average speeds below Ofcom’s definition of superfast 30Mbps.

In total, 169 areas in England have broadband speeds below the national average and more than 80% of those are in rural areas, CCN said.

Of the 79 areas in England, which fail to reach Ofcom’s definition of superfast, all but four are based in rural counties.

Discrepancies

Regional and local breakdowns showed huge discrepancies in average speeds. The highest speed in England was 102.9Mbps in York, while the lowest average speed is 21.8Mbps in rural West Devon.

Further research showed that some rural areas had average download speeds more than three times slower than a city just a few miles away.

For example, while York averaged 102Mbps, rural Ryedale, which shares a boundary with the city, averages just 25.8Mbps.

And in the Derbyshire countryside, average speeds were 31.6Mbps – not much more than half those seen in Derby city at 59.3Mbps.

Gifting cities

The results prompted county council leaders to warn the government that it was gifting city businesses with an advantage over their rural counterparts and competitors.

CCN said: “These latest figures show that a lack of investment in digital infrastructure in counties and a continuing focus towards cities in the government’s Industrial Strategy and post-Brexit policy could leave counties continually lagging behind urban areas.

“There is a real risk [rural areas] will not be able to attract the businesses of the future as England moves towards a greater prominence of financial, tech, and communications sectors.”

It argued that counties should have similar powers to drive forward local economic growth as city region metro-mayors, working as "***strategic*** authorities" alongside Local Enterprise Partnerships, and should get a fairer share of infrastructure investment, which is currently skewed towards urban areas.

Steps forward

Philip Atkins, County Councils Network vice-chairman, and leader of Staffordshire County Council said: “The government’s commitment to provide superfast broadband to as many areas in England as possible has resulted in some significant steps forward in rural connectivity in the past few years.

“But these figures show that businesses in shire counties and rural areas are being left at a competitive disadvantage.

“It cannot be right that in some areas, businesses and residents in a city less than 10 miles down the road from a rural county benefit from average download speeds more than three times faster.

“While the government has announced investment in this area, we remain concerned that digital infrastructure in counties isn’t getting the attention it desperately needs.”

JOURNAL : Farmers Weekly

US regulators have ruled crops altered using gene-editing techniques do not need to come under the same restrictions as genetically modified organisms (GMOs).

Although there has not yet been a decision taken on the issue in Europe, scientists in the UK have greeted the US department of ***agriculture***’s (USDA) move with relief.

Ahead of the ruling, UK researchers here had been concerned the USDA would place gene editing within the same lengthy regulatory process as GMOs.

And they feared such a move would sway the EU Commission towards adopting a similar stance.

See also: GM crops ‘not the answer’ to UK food security

Now though there is renewed optimism, especially after the European Court of Justice suggested in January that the simpler gene-editing technology was different to full modification.

Huw Dylan Jones of Aberystwyth University said GMO research had been frustrated for years by regulatory constraints and dogged by a negative association with the public.

“The USDA decision sends a clear and positive message to the EU that gene editing should be treated differently,” Professor Dylan Jones said.

He explained that gene editing involved making only small changes or cuts in a plant’s genes.

“Gene editing makes use of traits that are already present within the same plant species so it is more like conventional breeding,” he explained.

The advantage is this form of breeding could speed up the selection and development of a desirable trait.

This could lead to savings in seed production costs which could be passed on to the farmer, he suggested.

Possible benefits

Among the farmers who could benefit are upland livestock ***producers*** who use tough ryegrass swards.

Gene editing work on these species has already focused on early seed shatter – an issue that causes heavy losses during production and adds to costs.

“With cereal crops, we have bred out early seed shatter over thousands of years. But in ryegrass production growers either have to harvest seeds before they mature or use expensive recovery methods,” Prof Dylan Jones said.

“Now we have located the gene responsible in ryegrasses for early seed shatter, we can alter it simply to hold on to the seed longer,” he added.

Other traits which could be bred more quickly are pest resistance, heat and drought tolerance and nutritional benefits.

For example, in oats the genes could be altered relatively simply to boost beta-glucan production - a soluble fibre known to reduce cholesterol levels.

How does gene editing differ from genetic modification?

In simple terms, genetic modifications are created by introducing DNA sequences from other species.

But gene-editing only changes a plant’s existing genome by locating it and making a small alterations through cutting and splicing the DNA sequence.

Gene-editing is simpler and less expensive.

Continuing opposition

Despite the call to see gene editing as a conventional or non-GMO technique, organic promotion body The Soil Association has said it will continue to oppose its introduction.

Policy officer Honor Eldridge said gene editing was “exactly the same as with other GM crop breeding” and was banned from organic ***agriculture***.

In a statement released by the organisation, Ms Eldridge said: “The position of the organic movement, which is represented by International Federation of Organic ***Agriculture*** Movements is clear. All new genetic engineering techniques should be, without question, considered as techniques of genetic modification and all resulting products should be considered to be GMOs.”

She added the UK government should continue to exclude GMs beyond Brexit.

“No trade deal should be agreed that could allow GM to enter into UK ***agriculture*** or allow GM food into the UK market

“As a result, all products ***produced*** using gene-editing techniques have to remain traceable, labelled, subject to a risk assessment and to the precautionary principle,” Ms Eldridge said.

JOURNAL : Farmers Weekly

The delayed spring will cost the farming industry in Scotland an estimated £5m/week in additional straw costs, according to a straw and forage availability report ***produced*** for the Scottish government.

The report, prepared by SAC Consulting, highlights the significant financial impact the combination of high prices and poor weather has had on the livestock sector, with many ***producers*** now struggling to find affordable fodder for their stock.

It also acknowledges that many arable farmers have lost significant income if they were unable to bale their straw last summer.

See also: Sit tight and wait for better weather, urge advisors

Spot market straw prices in Scotland have risen about £50/t since harvest 2017 due to weather-related impacts on supply and demand, says the study.

Current prices are about £130/t delivered in the Central belt with more remote areas in the West and North paying another £15-£20/t and the islands more again.

However, researchers point out that the average straw price paid by many livestock ***producers*** over the season would be lower than the spot market suggests due to significant purchases on long-term agreements.

Gross margin

Overall, it estimates that a 110-cow upland suckler herd may have incurred additional costs of about £8,000 this year due to higher straw use – because of the extended housing period – and higher straw prices.

This leads to a potential reduction of 19% in beef enterprise gross margin.

[*https://infogram.com/copy-copy-nfu-broadband-and-mobile-member-survey-findings-1h1749do31ll6zj*](https://infogram.com/copy-copy-nfu-broadband-and-mobile-member-survey-findings-1h1749do31ll6zj)

The report estimates that every additional week added to the length of the winter housing period could require an additional 36,000t of straw, which at an assumed price of £140/t, would lead to additional costs of £5m/week.

The research team puts forward options for farmers to consider to reduce their reliance on straw in future years.

Future options

Increased use of alternatives to cereal straw such as sand, woodchip, rapeseed straw and energy crops is one possibility.

But the report also urges farmers to look at other options such as greater use of slatted housing, more outwintering of stock aided by shelterbelt establishment and increasing growth rates to finish stock earlier.

NFU Scotland president Andrew McCornick said: “This report from SRUC is a significant part of the puzzle in terms of how we look to adapt to poor weather and will certainly be something we will look to in the future to advise members.

“Unfortunately, it is very little solace to members right now, who are battling through tough conditions and are having to spend more and more money just to keep livestock alive and well.”

JOURNAL : Farmers Weekly

J&R Millington of Whitchurch, Shropshire, has been appointed as a dealer for Czech-made Tatra Trucks and hopes to sell the four- and six-wheelers into the ***agricultural*** market.

Tatra has a strong heritage in trucks and specialises in off-roaders for ***agriculture***, forestry and mining, which are mostly powered by Paccar MX11 or MX13 engines that range from 360hp to 510hp.

Gearbox options include a manual ZF, or the choice of two automatics – a ZF AS-Tronic or an Allison-sourced set-up.

See also: Forager makers aim to raise milk yields with long-chop maize

All sorts of ag-related implements can be fitted on the back, the most common of which are rear discharge muckspreaders, lime spreaders, tippers and tankers.

They can also be used as tractor units for pulling different trailers.

The price for a 4x4 chassis cab starts at roughly £86,750 and for a 6x6 chassis that climbs to £97,500.

JOURNAL : Farmers Weekly

Like the rest of the country, we’ve been in cold storage for the last month and little has been done out on the land. March in the Moray Firth area was wetter than average, although nothing like as wet as down the east coast of Scotland, where up to 150mm of rain fell in March, and April has continued to be wet.

Soil temperatures are also well below the March average of 5.5C by about 2C. The only places enjoying the weather are the ski resorts, which are having a great time.

See also: Video: Spud planting races to catch up after late start to season

There’s been little action drilling spring cereals, let alone any planting of potatoes. A couple of growers have made attempts to get ware planted and there’s been a limited amount of deep ridging and destoning of land for salad crops, but progress has been slow.

Some potash fertiliser has been applied to ploughed land.

Currently the most pressing issue is movement of seed. With everything on hold in England and stores full of seed down there, seed growers in the north are also having to hold stock and stop dressing new orders.

This means that there’s going to be a severe bottleneck later in April trying to get haulage to go south. Also, the effect of storing seed in 1.25t bags over extended periods won’t do the 2018 crop any favours.

Decanting bags into boxes is the ideal solution, but that’s difficult when space and time are limited. Priority is best given to the varieties with the highest blackleg risk and to try to make sure they are kept in the best available storage with temperature controlled and good air movement if possible.

JOURNAL : Farmers Weekly

“Try farming without women and see how far you get.” Exmoor hill farmer Charmain Dascombe makes short work of anyone who believes women should stay behind the scenes in ***agriculture***.

She wants more women to be formally recognised for the essential work they do on farms right across the country.

A fifth-generation Somerset beef and sheep farmer, Charmain lives with her husband and children on the east side of Exmoor and has fields on Dunkery Beacon, the highest point of the National Park at 520m above sea level.

See also: Survey shows changing role of women on farms

On top of raising three children and teaching at a local college, she runs the farm accounts, knuckles down with lambing, calving and TB testing and, perhaps most crucially, keeping everyone well fed.

Growing up on a large sheep farm, Charmain had a lot of experience with ovine challenges, such as lambing, while her husband David had only farmed a beef suckler herd and finished cattle.

When they decided to introduce sheep into their farm business about five years ago, it was Charmain who took the lead and helped her husband adjust to being a sheep farmer. They have since increased their flock to 600 Exmoor mule ewes, an achievement she is especially proud of.

Recognition

She says the election of the ‘NFU’s first-ever female president, Minette Batters, earlier this year was an exciting moment for the farming industry.

“I think this is really encouraging for women in the future. Women and the contribution they make are really starting to be taken seriously in ***agriculture***.

“Most family farms wouldn’t be able to function without women as they can’t afford to employ help to do the jobs they do.

“Unfortunately, often women still aren’t recognised in the family business in a professional role. If they’re not recognised as a partner or director, they can’t be involved in business or legal decisions, which is frustrating when you are contributing a lot to the running of the farm.”

Charmain has met plenty of like-minded women after becoming part of the Exmoor Hill Farming Network’s Women in Farming group.

Members meet up at monthly gatherings, usually visits or talks, to share ideas and information. Today, the group has 175 members all rooted in ***agriculture***, although many also have other jobs, ranging from nurses to accountants, teachers and artists.

“I have seen members blossom through the group by gaining confidence and learning new skills,” says Charmain.

“We are fortunate to have a brilliant network officer, Katherine Williams, and chairman, Dave Knight, working tirelessly.”

See also: Young ***agricultural*** engineer calls time on gender stereotyping

Charmain has completed bookkeeping and first aid courses through the network, which, as well as helping with her work on the farm, has given her extra confidence to try other courses and gain additional qualifications for her job.

Uniting women

The social element of the group is also a big draw for its members, providing a small break away from the farm, children and partners for a while.

Williams says bringing people together is the group’s major strength.

“Before the group was set up, women were tending to shy away, stay at home and not be seen. Many of these women are the backbone of the farming enterprise at home.

“They’re often helping make the decisions while juggling children and working elsewhere to support their farming businesses. The group gave them an opportunity to come out, meet people, share ideas and ask questions.”

The network is funded by the Exmoor National Park Authority and its chief executive, Sarah Bryan, says one of the biggest achievements is its inclusivity.

“It has encouraged people who don’t always come forward, like women, to get involved. Women have always played a vital role in the management of farms, but their voice has not always been heard – now that is starting to change.”

JOURNAL : Farmers Weekly

New tractor registrations in March fell by almost 7% compared with the same month a year ago, according to the ***Agricultural*** Engineers Association.

The organisation said that March traditionally saw the highest sales of the year.

See also: Video: What next after Brexit boom for farm machinery sales?

While 2018 looked to be no exception, the sale of 1,650 units over 50hp was 6.8% below last year’s level.

The drop makes March the second month in a row that sales have been down year-on-year, with February’s 584 registrations 6% below the equivalent 2017 figure.

The total figure for the year so far, at 2,932 tractors registered, is also down by 3% compared to January-March 2017.

However, Stephen Howarth, ***agricultural*** economist at the AEA said the slowdown had been expected because a change in legislation introduced on 1 January 2018 meant many buyers opted to register tractors before the deadline.

At the end of last year, Mr Howarth had predicted that the new rules would then lead to some suppression of the number of registrations in the early months of 2018.

JOURNAL : Farmers Weekly

The Ulster Farmers Union is to challenge a recent change to the process under which farmers can appeal any reductions or penalties applied to the money they receive under various CAP support schemes.

The move follows the introduction of a new appeals system by the department of ***agriculture***, environment and rural affairs (Daera) on 1 April.

This effectively did away with the old two-stage appeals process, involving an independent panel of experts, replacing it with a single-stage process, involving a specialist team of officials within the single payments branch of Daera.

See also: The land market in your area - Northern Ireland

The guidance booklet outlining the new procedures makes clear that this team will be separate to the officials who made the original decision to recover money, which they believe was incorrectly paid out, or to challenge the eligibility of land entered into a scheme.

“Farmers will not incur any costs associated with a review of decision procedure, whether successful or not,” said a statement.

Slap in the face

But this has not satisfied the UFU, which is seeking a judicial review to challenge Daera’s decision to move to a single-stage review process.

“We don’t have any faith in a single stage-review,” said UFU president Barclay Bell. “Scrapping the right to independent appeal is a slap in the face for fair play and public accountability.

“The abolition of the right to an independent appeal essentially gives Daera absolute control.”

The UFU notes that nine organisations responded to Daera’s consultation on this issue last year – and all opposed the move to a single-stage process.

According to Mr Bell, the fact this was ignored shows that “without a minister to keep officials in check, Daera has become a law unto its own”.

“I can’t remember the last time I heard of a farmer winning a first-stage appeal,” he added. “It’s an approach that stacks the deck in favour of Daera.”

The UFU believes that, in some cases, the sums of money involved will be substantial and could be make or break for farming families.

What sort of schemes does the review process cover?

Basic Payment Scheme (BPS)

Greening payment

Young farmers’ payment

Agri-environment schemes

Less Favoured Areas Compensatory Allowance Scheme (LFACA)

Areas of Natural Constraint Scheme (ANC)

What sort of decisions may be subject to reviews?

Penalties applied that result in a reduction or non-payment

Ineligibility of land or other works found during an inspection

Cross compliance breaches identified at inspection

How should a review be initiated?

Contact the Review of Decisions team on 0300 200 7848 or [*reviewofdecisions@daera-ni.gov.uk*](mailto:reviewofdecisions@daera-ni.gov.uk) and ask for an application form. Return the form within 60 days of the date on Daera’s original decision letter.

JOURNAL : Farmers Weekly

A farmer’s son from Buckinghamshire is documenting 12 months in farming, showcasing what life is really like on one of Britain’s small family farms.

Since the start of the year, Rufus Denne has been sharing one short film each month, following his mum Sarah’s daily life on the farm.

Based in a village sandwiched between Oxford and Milton Keynes, Sarah has been farming since she was 14 and today runs a 60ha farm with 150 sheep, 75 cattle, chickens and geese.

 See also: How a Dorset dairy farmer won the Cheltenham Gold Cup

“She's brilliant, hilarious and the hardest worker I know,” says 28-year-old Rufus, who left the family farm to study marketing at Plymouth University and is now living in London running his own digital marketing start-up.

“One of the real joys of doing these videos has been finding a hidden talent in mum – she’s so good on camera.”

So far three episodes of the miniseries have been released on YouTube, with the most recent edition following Sarah as she works tirelessly through the lambing season.

Watch the third episode below.

The beautifully shot episodes are intended to be as entertaining as they are informative, particularly for those who have little or no knowledge of what farming is about.

Playing a supporting role to his mum, Rufus asks the occasional simple question for the benefit of less clued up viewers – things like: “Why do you dock lambs' tails?” and "Why do you carry them by their legs?”

While there’s an abundance of vegan activist-fuelled anti-farming videos online, there’s no direct agenda to push back on this tirade.

Instead, Rufus and co-creator Josh are keen to showcase what life is actually like, month by month, on a small family farm.

“It’s an amazing profession, but most people have no idea. I don’t want to be pushy at all, I want to leave people to make up their own minds,” he explains.

“Farmers don't get enough recognition for the work that they do. Vegan movements are portraying farmers in a bad way, but they work really hard to make sure that their animals are healthy and safe.

“We’re not ignorant to factory-farming, but it’s not a world most of us grow up in or really understand.”

Daily grind

One of the most heart-warming aspects of these episodes is the emphasis it puts on Sarah’s captivating character and the devotion she shows to her livestock.

“I honestly didn’t know how this would all go. But being around mum and seeing her passion – it’s contagious.”

January’s episode follows Sarah in her daily grind to feed and bed up her livestock in miserable weather, and she also introduces a soulmate to her beloved African goose.

Lambing starts extra early in February’s update, as Sarah deals with the repercussions of her rams making a fleeting visit to the ewes in September.

To watch all episodes in this British Farming mini-series and to find out more about the project, go to Rufus’ website.

JOURNAL : Farmers Weekly

Sugar beet drilling is racing ahead between the rain showers on light land with one Suffolk Brecklands estate looking to catch up from its latest start in more than a decade after heavy spring rainfall.

The beet drill was gobbling up the hectares on the large Euston Estate over the past few days sowing beet seed into blowaway sandland with a hoped-for finish date by the end of this week.

Many beet growers are desperate to start drilling after the cold wet spring, especially as last year the crop nationally ***produced*** record average yields of more than 80t/ha of beet.

See also: Grower shares his sugar beet establishment tips

Farm manager Matthew Hawthorne said the drilling team was starting one month late this year, but he was not panicking as the seed was going into warm and moist soil for his sugar beet crop worth £400,000.

“These are ideal conditions but not an ideal date, and we would hope to be finished by the weekend,” he told Farmers Weekly.

Watch the video report below:

The estate has 245ha of sugar beet to drill and Mr Hawthorne is juggling his fields to keep the drilling team busy even with the occasional rain shower.

Late start to drilling

Sugar beet drilling normally starts in the first week of March on the estate, and when the drill finally started on 5 April it was the latest start since Mr Hawthorne came to the estate in 2006.

“In calendar days we have lost a month, but in real term it is probably two weeks as we are drilling into very good conditions,” he said.

Sugar beet seed will germinate at a soil temperature of 3C, but Mr Hawthorne threshold’s is 6C and drilling last week the soil temperature was up to 9C, which hopefully will get the crop off to the best possible start.

On the very lightest 80ha of sandy land destined for beet, winter barley seed is drilled at the start of March as a cover crops to stop soil blowing away at drilling and losing both the beet seed and top soil.

Barley emerged

This season, the barley is strongly emerged rather than typically just poking through the soil at beet drilling, so he is having to adapt his policy for nitrogen and pre-emergence herbicide applications.

Normal practice is to apply a pre-emergence herbicide mixed with liquid nitrogen in a spray, but he feels the nitrogen may scorch the well-grown barley this year, so he will split the applications and apply the nitrogen separately through dribble bars.

This barley is later killed off in mid-May with a graminicide when the sugar beet is at the four-to-six true leaf stage and as the barley starts to compete with the sugar beet for valuable moisture.

He hopes the crop will grow quickly and not delay harvest as he is always keen to get winter wheat drilled after beet on the 4,200ha Euston Estate, some three miles south of Thetford.

Good soil conditions

Nick Morris, crop expert at British Sugar, said good establishment in good soil conditions is more important than drilling date.

“I am not too concerned about the delay in drilling date as I am more concerned about the crop going into the ground in good conditions,” he said.

Mr Morris added that some very early drilling had started the weekend before Easter, but was halted over the bank holiday weekend and only got going again in the first week of April.

The aim is to get to leaf area index of three as quickly as possible – that is 3sq m of leaf on 1sq m of ground to give good light interception as soon as possible, he said.

Mr Hawthorne’s aim is to see the sugar beet plants joining in the rows at the start of the June, and across the rows by the third week of June.

Last season, the sugar beet crop yielded on average 77t/ha and was close the the estate’s record, and this year he hopes to meet the  budget targeted yield of 70t/ha.

The sugar beet team – including drill man Ian Denny and Pete Matsell on cultivations – was rapidly drilling to try and finish by the end of this week.

Record yields

Sugar beet yields reached a new record high nationwide last year of more than 80t/ha helped by favourable weather with plenty of rain through the summer and autumn.

As the British Sugar lifting campaign closed just before Easter, the final average yields from the nation’s 3,500 growers was put at 83.4t/ha beating 2014’s previous record of 79.8t/ha.

Some 8.9m tonnes of beet were processed by British Sugar’s four factories from more than 105,000ha of sugar beet, ***producing*** 1.38m tonnes of sugar. The record crop was in 2014, when the group ***produced***  1.45m tonnes of sugar from 116,000ha.

The four plants – Cantley and Wissington in Norfolk, Bury St Edmunds in Suffolk and Newark in Nottinghamshire – have now stopped received any more beet.

British Sugar’s Mr Morris said yields had increase 25% over the past 10 years and year-on-year rises were likely to continue due to better genetic and improve growing techniques.

JOURNAL : Farmers Weekly

An advertising watchdog has rejected a complaint by animal rights activists against a campaign to promote British pork.

Vegan group Viva! and two members of the public challenged the AHDB Love Pork claim that pork medallions are “low in fat”.

The claim was made last autumn as part of a Love Pork marketing campaign.

See also: How pig farmer lowered production costs by 3.8p/kg

The Love Pork website promoted “pork medallion midweek meals” stating “pork medallions are quick and easy to cook”.

The website added: “High in protein and low in fat, they make a deliciously healthy midweek meal that the whole family will love.”

Independent tests

AHDB provided documentary evidence – including independent test results – to show the claim “low in fat” met advertising rules and was therefore permissible.

It provided independent results showing that pork medallions contained on average just 0.17g of saturated fat – well below the maximum limit of 3g of fat per 100g to be considered low in fat.

The Advertising Standards Authority (ASA) considered the evidence, which included 27 pork medallions trimmed of fat sent to an independent UKAS accredited body for testing.

Rejecting the Viva! complaint, the ASA said the tests were “sufficiently robust” and AHDB had not breached any UK advertising codes.

The announcement was welcomed by AHDB Pork strategy director Angela Christison, who described the ruling as “fantastic” news for the industry.

“We are very pleased with the ruling made by the ASA today,” she added.

Robust findings

“We are delighted that the results from our research have been upheld and consumers can make healthy choices knowing the findings are robust.”

Ms Christison said AHDB had worked closely with Trading Standards before the campaign to ensure its claims around health and nutrition were accurate.

“Shoppers can be confident that industry is working in the best interest of consumers,” she said.

The advertising campaign was launched in September last year, following research which showed consumer perception of pork was that of a fatty, old-fashioned meat.

An initial evaluation showed an 8% increase in volume sales over the autumn campaign period compared with the same time the previous year.

The third pork medallion midweek meal advertising campaign will hit TV screens this September.

JOURNAL : Farmers Weekly

The NFU has urged farmers to scrutinise water bills, after it emerged some companies had failed to include key ***agricultural*** discounts on invoices.

Paul Hammett, the union’s water resources national specialist, said some farmers had received far higher water bills than they should have.

See also: The new water rules for farmers in England explained

The issue surrounds charges for wastewater entering sewerage connections, Mr Hammett explained.

“Invoices have separate charges for water consumed from the mains and the ensuing waste water that then leaves the property via the sewers.

“But, unlike urban properties, farms use water for commercial purposes like washing down parlours, supplying animal troughs or irrigating crops, so less ends up in the sewer,” he said.

Waste water rebate

Where businesses have demonstrated this is the case, most sewerage companies allow customers to apply for a rebate of waste water charges, known as a non-return to sewer (NRTS) allowance.

However, an increasing number of farms have reported this discount has been missed off and their bills have been at the full rate.

Water supply market

Mr Hammett explained the problems had arisen since the water supply market was opened up from the regional water suppliers to retail companies in April 2017.

“Since that date commercial farms have been able to choose the company that provided their water retail services.

“But some of the data transfer in this new competitive water market has not been as accurate as it should have been,” Mr Hammett said.

The NFU has been working closely with the Consumer Council for Water and has identified that some information about NRTS allowances did not migrate from water companies to retailers, he said.

“This has led to some farms getting waste water charges which were higher than expected or which shouldn’t have applied at all,” Mr Hammett added.

The two organisations are now trying to resolve these issues and have urged farmers to scrutinise water bills and contact their water retailer if errors are found.

JOURNAL : Farmers Weekly

Farmers looking to change their establishment system are attracted by the promises of improved weed control and cheaper cultivations; however, getting it wrong can prove to be a costly mistake.

In the UK, cultivations are divided into two broad categories – inversion and non-inversion tillage– with the latter group encompassing a range of techniques, from deep sub-cast drilling to min-till, strip till and direct drilling.

For Hutchinsons technical manager, Dick Neale, it’s important to understand what you are trying to achieve before you change your cultivations policy, as it can be expensive and will have implications for farm workloads, budgets and horsepower requirements.

See also: How a US arable farmer doubled his soil organic matter

“The two reasons most frequently given for looking at an alternative approach are weed control and cost control,” he says.

“But it’s fair to say that soil health is also becoming more important.”

A good starting point is for growers to recognise that all cultivations, whatever their depth, may damage the soil and could have a detrimental effect on its structure, he says.

“That doesn’t mean you shouldn’t cultivate,” he says. “But it does mean that you should go lightly and think about any effects on the soil. Good soil aggregation is caused by nature, not metal.”

He also says that it is not always a good idea to lock yourself into doing things in one way.

“We know that grassweeds can adapt to whatever system is in place. Cultivations can be used to disrupt their life cycle, in the same way that spring cropping can.”

Cultivations – key messages

Get the basics right first, for example, drainage

Don’t be afraid to change but do your research

Carefully cost out the options – time, fuel, depreciation, etc

Consider residue management

Understand horsepower requirement

Know if current soil conditions limit your options

Be patient – wait for the right conditions

Aim to improve soil structure and health

Ploughing

If you have to plough, aim to use as little disturbance as possible, he suggests. “Ask yourself what’s the minimal depth you can get away with. If you only need to go eight inches deep, stick to that.

“Shallow ploughing without a huge horsepower machine forcing it through is better, as high horsepower has the potential to do damage.”

Ploughing can be required for rotational reasons or as a reset button, he adds, but most growers are reducing their ploughing commitment or phasing it out altogether.

“Some soils have to be moved, so do what you need to control weeds and make a good seed-bed. As ploughing usually involves a sequence of operations to ***produce*** a seed-bed, the cost is higher, as is the labour and machinery requirement.”

Min-till

Mr Neale’s preference for most situations is for surface tillage – where any cultivations are limited to the top 5cm of soil.

Having worked with Cousins to develop the Surface Pro cultivator, he points out that blackgrass seeds only germinate in the top 5cm of soil, so the machine stimulates weed seed germination before the crop is sown, but doesn’t pull up seed from lower down the soil profile or destroy soil structure.

“It’s a very versatile system,” he says. “Although it was designed with the blackgrass problem in mind, it also conserves moisture and manages crop residues. If needed, the tines can be raised, so that it works as a press.”

Other min-till systems operate at a range of depths, with the majority cultivating to 10-20cm, incorporating straw residue into the soil as well as retaining some of it on the soil surface.

“Min-till comes in a number of different guises. It is flexible and it allows you to make use of cultural controls, but it does require better management.”

Strip tillage

Strip tillage – where strips are created in the autumn or spring for drilling – often allows field operations to be completed in one pass.

It breaks up the soil where the roots go, causing mineralisation to occur and helping with soil drainage. Crop residue remains on the surface, where it has a role in retaining moisture, reducing erosion and helping to build organic matter.

Despite leaving some of the field undisturbed, it does move soil in the zone around the seed.

“Strip-till drills are good for soil structure, but they aren’t the answer where there’s a blackgrass problem,” says Mr Neale. “The soil disturbance needed for drilling causes them to germinate.”

Direct drilling

Enthusiasts claim that you can’t improve soil structure and health without moving to a no-till approach, which involves following the principles of conservation ***agriculture***.

Those principles are minimal soil disturbance, residue cover and crop rotation, which when used together are claimed to bring blackgrass under control, improve yields and help with soil water management.

For many farmers, it takes between three to five years to move to a no-till or direct drilling regime, as soils adapt and change from a man-made soil structure to a natural one. In this time, there is often a yield dip.

However, there isn’t the drainage or nutrient release advantage and it does put growers more at the mercy of the weather.

“Direct drilling only works the soil to the depth that the seed is being placed,” says Mr Neale.

Pros and cons of the four different types of establishment systems

System

Advantages

Disadvantages

Ploughing

Suited to poorly drained soils

Good incorporation

Disease and weed control

Allows good seed-beds

Clean start

“Free” slug control

Loss of soil structure

Risk of soil erosion

High soil moisture loss

Time consuming

Highest fuel and labour costs

Beware compaction layer

Skill requirement

Min-till

Reduces number of passes

Incorporates crop residue

Maintains soil moisture

Quicker than inversion tillage

Flexible

Allows stale seed-beds

May work soils too deep

More kit required

Loss of organic matter

Better management needed

Strip-till

Helps with soil drainage

Works well with oilseed rape

Disturbs soil zone only

Soil moisture retention

One to two pass technique

Entry for direct drilling

More management required

Grassweed control

Timing more critical

No-till

Minimal soil disturbance

Reduces fuel and labour

Quicker

Less machinery needed

Increases soil organic matter/biology

Reduces pesticide and N use

No mineralisation occurs

More weather dependent

Yield dip likely in first years

Slug numbers may escalate

Fewer working windows

More management required

No soil loosening

JOURNAL : Farmers Weekly

This time What’s in your Shed sees Devon farmer Richard Cross pick out the best and worst of his machinery fleet.

Oliver Mark asks the questions about favourite kit, oldest machines, what's on the wish list, and more.

See also: Take a trip around the UK with our What's in Your Shed? map

Farm Facts: Huntsham Barton, Huntsham, Tiverton, Devon

Farmed area: 345ha

Cropping: 270ha grass, 36ha oats, 36ha barley

Livestock: 120 suckler cows, 70 ewes

Staff: Richard full-time, son Robbie part-time

How did you get started?

My father took on the 121ha dairy farm in 1967. Once I finished college I bought some machinery and started contracting and we gradually grew the home farm to the 345ha it is today. We’re unlikely to get much bigger, though – we’ve got enough to do already.

How brand-loyal are you?

I don’t really stick to any particular brand – it’s more important that I don’t have to travel too far for spare parts.

We ran Fords in the early years, swung to Deeres during the 40- and 50-series phase, and have also dabbled with Masseys more recently.

I had a Claas Arion on demo last year, but ended up buying the Massey 6470 instead – I quite like the MF tractors because they’ve got a smaller door and rear quarter windows that open to save fogging up during the winter.

Favourite dealer?

All the main tractor dealers are helpful and, more importantly, within half-an-hour’s drive from the farm.

For the combine spares I use Rodney Cowle who is west of here, Coles Combines at Shaftesbury or Combine Fabrications in Newark for reconditioned sieves.

In the shed

Tractors: MF 6470 with Chilton loader, 6465 and 35, Ford 8340, 7740, 7600 and 4600

Combines: MF 31 XP, New Holland 8050

Sprayers and spreaders: GEM trailed with 21m booms, Blaney 3m weed wiper, Lely Superbowl fertiliser spreader

Grassland: Lely 280MC mower conditioner, Lely 6-star tedder, Lely Rotund, Claas Variant 365 baler, Major 8ft topper

Drills: Amazone RPA-D 3m combi, home-made 3m drill

Cultivation equipment: -verum 4F Plough, Opico Varidisc, Eddlington 6m rolls

Digger: JCB 8050

Favourite piece of kit?

I’ll happily work with most machines, provided they’re reliable. I always used to enjoy foraging with our Mengele SH25, but the Deere 3050 we ran in front of it was too powerful.

We’d tweaked it up to 125hp (originally closer to 90hp), which meant we had the power, but the header and feed rollers would block up at the first sign of a lump.

Least favourite?

It has to be the plough – it’s slow, tedious and the finished product is a bumpy field. I’ve always thought it’s such a laborious way to get a crop sown.

We haven’t ploughed regularly since the 1990s when we invested in a set of Opico Vari-Discs. Almost immediately the ground was much firmer for getting on the fields to spray herbicides in the autumn and fertiliser in the spring, and smoother to collect bales at harvest.

We’ve still got a four-furrow -verum, but it only gets a run out once a season – usually after muckspreading.

Oldest working machine?

We rely on a few old-timers, including an old Massey 35X that runs the log splitter. My father bought it new when he was working at a Somerset farm back in 1966 and, when that farm came to sell it 12 years ago, we bought it for £1,000. It still runs, but could do with a proper refurbishment.

We’ve also got an old 8ft MF chisel plough from the 1970s, which is out every spring to rip up the stubbles.

How long do you keep them?

It depends on how reliable they are. The only thing I consistently change is the mower because it gets a lot of use.

I’m pretty relaxed about the tractors and some of them I probably keep longer than I should. The main tractor clocks up 800 hours/year and needs to be reasonably new as I rely on it for feeding.

What’s next on your wish list?

A gravel trailer for backfilling after drainage work. At the minute, I use a 5t JCB digger, but filling the trough is a slow old job.

New models cost about £8,000, but I might go halves on a second-hander with my neighbour. I’ve also thought about making one out of an old feeder wagon, as it’s already got the conveyor and hopper, and would be a lot cheaper than buying a ready-made one.

Most embarrassing mistake?

My father sent me off to pick up a 6t T&F silage trailer that he’d just bought (it was quite big at the time). As I was flogging it up the hill to the farm I caught a low tree and bent the back-end out of shape.

I managed to straighten it out and weld it up while my father went for a drive to cool down, but it was never quite the same.

My son Robbie has had his fair share of prangs too, including throwing a fencing stake through the tractor window and smashing the combine windscreen a couple of years ago.

Most expensive repair bill?

One of our old Ford 8340s had a major problem with its Synchro Shift gearbox. The clutch packs failed big time and it also broke some of the gears.

We sent it off to the local New Holland dealer who fixed it. I paid the £3,500 bill, drove it home and put it on a set of discs, but no more than 10 hours later it lost drive.

The same thing had happened again and, because I’d told the dealer to use a couple of second-hand parts to keep the cost down, there was no warranty or protection.

In the end, we had to flog it in non-working condition to a buyer in South Africa for £6,000 when it was worth at least £10,000.

I don’t learn, though – every 8340 I’ve had has suffered gearbox gremlins, but I still quite like them.

Best invention?

I’ve knocked up a few machines that have saved me a load of time, including a cow catcher with hydraulic gates that fits to the loader tractor.

But I’d say my best invention is the one-pass, strip-till drill I built last winter, which is based on an old 3m-wide Taskers Tillage Train with an Accord seeding unit mounted on top.

I’d had a Claydon drill on demo, but we found it blocked up a lot in fairly trash-free fields and came to the conclusion that it’s better off running in fields with chopped straw. So I went about making my own version, with similarly wide points to disturb strips of soil and a metering system run off a fold-down land wheel.

It was far cheaper than buying anything off-the-shelf – the old drill and tillage rig cost £1,000 and the rest of the bits were another £2,500. At some point I need to add an auger to feed the hopper so that it’s easier to fill – it’s a bit high for the tractor loader at the minute.

Best workshop tool?

Like most people, I’d come to a halt pretty quickly without cutting and welding equipment. Next on the list is a decent pillar drill or a mag drill.

Favourite/least favourite job?

I enjoy all the jobs I do, except ploughing.

Everyday transport?

It depends how far I’m travelling. I’ve got a 2001 VW Passat for nipping around locally, but it leaks a lot of oil. We also have two 51-plate Ford Rangers for farm use – one is road-worthy and the other is kitted up for carrying around fencing materials.

Best tractor?

John Deere’s 3050 – it just never went wrong. We first had a 3040 in 1985 and replaced it with the 50-series, which we kept until 1997 when it was traded in for a Ford 8340.

It had no real stand-out features, but was reliable, comfortable and quiet. I wish I’d kept it and would quite like to buy it back if it’s still in good nick.

Worst tractor?

The Ford 6610 was a gutless machine, especially without the turbo. I ran one from 1990 to 1995 and it was all right to drive, but simply couldn’t hack hard work.

Biggest machinery bargain?

Probably my 12m Allman sprayer. I bought it for £500 from a contractor in 1992 and only relegated it to back-up a couple of years ago when I picked up a 21m trailed Gem off ebay.

The other bargain has to be our 8t Richard Western silage trailer. I paid £3,500 for it new in 1995 and it’s still worth the same now.

Least favourite machine?

I just can’t get along with Amazone fertiliser spreaders. We got a brand new model in the 1990s, as the local dealer was doing a good deal on them, but all the farmers around here that bought one disliked it.

In the end, I replaced it with a more upmarket second-hand version, which was also a nightmare. The crops were stripy and I found changing the discs for border spreading a faff.

Since then we’ve had Lely Superbowls – they’ve always dished out an even spread and just tilt for border control spreading.

Any classics?

Most of the old Fords are pretty desirable now. The 7600 is quite rare these days – I paid £4,000 for it, but it’s probably worth £5,500 now.

JOURNAL : Farmers Weekly

Strip tillage offers farmers the best of both worlds – a tilled strip offering a good tilth moist, friable, well-draining seed-bed along with some of the benefits of zero tillage. Louise Impey catches up with a farmer contractor seeing the benefits.

Strip tillage plays an important role in the cultivations policy on a Bedfordshire farm and contracting business, where it is used across a significant amount of the 1,500ha of cropping.

Now in his fifth season with a Mzuri Pro-Til 4 drill, grower Philip Woods uses it to establish oilseed rape, winter beans and linseed, as well as for most of his spring drilling. Winter wheat crops going in behind linseed and beans also work well.

The low-disturbance, targeted tillage practice, which only cultivates a narrow band of soil and retains crop residues, has been successful in most situations.

It helps contribute to better soil health, lower establishment costs and the expansion of the contracting side of his business.

See also: 6 options for 6m mounted tine drills

As well as moving less soil, Mr Woods has been taking other steps to improve soil structure and raise soil organic matter levels.

The farm’s rotation has been stretched, while the use of compost after harvest and the fitting of low-ground-pressure tyres and rubber tracks to the farm’s machinery are also helping.

Looking ahead, bringing sheep into the arable rotation at DH Woods & Son is being considered, with Mr Wood's son, David, looking into the soil fertility benefits and practical requirements.

Resilient soils

“There’s no doubt that our soils have become resilient and are more load-bearing now,” says Mr Woods.

“Leaving them alone and letting them recover is working. We never see puddles anymore, earthworm numbers are high and infiltration rates have really improved, even on our heaviest land.”

Having a one-man, one-operation drilling and cultivating system has simplified management and increased output across the five farms he is involved with, also allowing accurate placement of the seed and helping with pest and weed control.

“We’re still learning, but the drill suits the way that we farm here and only cultivates a narrow strip of soil, leaving the remainder undisturbed," he says.

"We change coulters for different crops – our oilseed rape is drilled in very narrow one-inch bands but, with wheat, we use the wider 4.5-inch coulter."

He also uses a straw rake after the combine and in front of the drill, to make sure that the residue is spread evenly and doesn’t affect the following crop establishment.

"Chaff is just too light to spread across 12m, and where it forms lines, it can encourage slugs and lock up nitrogen.”

Flexible system

Farming 344ha from his family farm base at Lynchfield Corner Farm in Kensworth, as well as a further 1,150ha on four other adjoining farms as PR Farming, Mr Woods points out that maintaining some flexibility in the system is important, as conditions are key to its success and his customers may have particular requirements.

“Using one drill for all of the crops, across all of the farms with a range of soil types, isn’t possible. What works on one farm might not suit another, especially if it is very wet or there is a grassweed challenge.

“Doing things in the same way every year isn’t always a good idea either. Having a cultivations rotation, as well as a crop rotation, seems like a sensible precaution. The pesticide options available to us are shrinking.”

Stale seed-beds

For this reason, he will use preparatory passes if necessary and make good use of stale seed-beds, especially after oilseed rape, to deal with volunteers and blackgrass.

“Wheat crops can struggle after rape if we only do one scratch in July, so we ***plan*** to take out two flushes of weeds before drilling and ***produce*** a very firm seed-bed, so that slug damage is limited. In the same way, we have to lightly cultivate after hybrid barley, or else it germinates in the following rape crop.”

With wheat after beans or linseed, however, it’s a very different approach. “In that situation, as soon as the beans or linseed are off, we turn round and do a shallow scratch, before strip drilling straight into that.”

Oilseed rape

Oilseed rape establishment with the Mzuri drill is straightforward and crops get off to a flying start, helped by some di-ammonium phosphate fertiliser, which is placed under the seed.

With over 280ha of oilseed rape to get in the ground, it takes around 12 days to complete the operation, which starts in the first week of August.

“It’s warmer then, so we can see cotyledons within 24 to 48 hours,” says Mr Woods. “We get slug pellets down the same day, so that it grows away unchecked.”

Broad-leaved weed numbers in the rapeseed are lower, as most of the soil is not being disturbed, so a pre-emergence herbicide is not necessary.

Slug pellet use has also been reduced, while companion crops are being investigated, with some berseem clover being drilled in one area of the rape.

“We do get [cabbage stem] flea beetle, so rapid establishment is essential. There’s a range of drilling dates across the farms, which adds to the challenge.”

Spring crops

Spring crops are drilled a bit later than they would be with a conventional drilling system, so that the soil has time to dry out and warm up, he reveals.

“You have to be patient in the spring and be prepared to go later. Moving the soil dries it out, so if that’s not taking place you have to react accordingly.”

The upside is that spring crop establishment doesn’t suffer in a dry year. “You never need a good rainfall event with a Mzuri. The residue conserves soil moisture, and also protects it from erosion and supplying organic matter.”

A whole-farm approach to improving operations is in place, with efforts to raise yields and improve efficiencies working alongside soil and environment protection.

As such, ploughing was abandoned back in 2000, when Mr Woods moved to non-inversion tillage and a cultivator drill, before progressing on to strip tillage in 2011/12.

“As our soils continue to improve and re-structure naturally, there may be scope to use an even lower disturbance disc drill for our rape establishment,” says Mr Woods.

“Soils have to be in the right condition for it to work, so we will monitor our progress and look for ways to keep moving forwards,” he says.

Establishment system at a glance

Mzuri Pro-Til 4 drill with coulters for different crops

Straw rake to evenly spread residue

For situations that don’t lend themselves to strip tilling, a Simba Solo cultivator and Cultipress is used for wheat (mainly after oilseed rape for volunteer and grassweed control) and he also has two 6m Horsch Sprinter drills.

Benefits of strip-till:

Better soil health

Reduced establishment costs

Soils become more resilient

Simplified establishment

Eliminated need for pre-emergence herbicides in oilseed rape

Spring cropping not suffer in a dry year

Challenges:

Straw management

Spring drilling – need to go later

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West Briton

January 18, 2018 Thursday

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**Section:** NEWS:OTHER; Pg. 48-49

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**Body**

Methodist Church

At the Wesley Guild Meeting Jacqui Liddicoat gave a presentation on Northern Ireland; Peter Keast presided.

Members of Shortlanesend Methodist Church were present on Sunday for the annual covenant service, which was led by the Reverend Mark Liddicoat, who preached on the text "Jesus said: I am the vine, you are the branches" (John 15 v5). The lessons were read by Maria Grylls and Jackie Jewell.

The next Wesley Guild Meeting is at 7.30pm tomorrow, Friday, when Marathons will be the subject of a talk by the Reverend Mark Dunn-Wilson.

The service at 11am on Sunday will be led by the Worship team.

Baldhu Chapel

Bob McFarland was the speaker at the Prayer League on Friday, which started with the hymn Who Can Cheer The Heart Like Jesus.

Bob read from Psalm 119 v1-16, and spoke on the need for all to study and read the Bible and encourage others to.

The Sunday morning Youth Worship saw Arthur lead a rousing version of Our God Is A Great Big God. The lesson was read from Psalm 139, with the emphasis on how we are "fearfully and wonderfully made". All were asked to make snowflakes to show their individuality. The service ended in prayers.

The afternoon service was taken by Roy, who also read from Psalm 139. Roy spoke on three subjects: light, explaining about the search light of God, searching us and knowing us; strength, when our strength comes from the Lord; and treasure, so we make up our treasure in heaven. The service finished with the hymn He Lifted Me.

The Young Adults treasure hunt went well on Wednesday.

There will be CafÃ© Church on Sunday at 11.15am. The service at 2.30pm will be led by Adrian Mitchell.

Thursday's prayer meeting will be at 2.30pm.

Breage and District Silver Band

The annual Marazion civic service, parade and mayoral reception took place on Sunday.

The Breage and District Silver Band were proud to support the event, as they have done for many years, by providing the music for most of the hymns in the church service, which culminated in the playing and singing of the National Anthem and the Cornish Anthem, Trelawney. The band then led the parade from the church to the Marazion Community Hall, playing a number of rousing marches before joining members of Marazion Town Council, led by the mayor, Councillor Penney Hosking, and other prominent people from the Marazion community at the mayor's reception.

The mayor's chaplain, the Reverend Kirsten Norfolk, conducted the service held in All Saints' Church, and gave the sermon. The Marazion Apollo Choir sang a song on their own and were then joined by the Marazion School Choir for another lovely song. The mayor gave the Bible reading and the Reverend Paul Benney led the prayers. The organist was Marion Foy.

There was some concern from Breage Band prior to this event that they might not be able to fulfil this annual commitment because of absences due to holidays, work commitments and a some going down with the flu. However, a number of Helston Town Band members volunteered to assist on this important engagement.

Breage and District Silver Band wishes to thank those members of Helston Town Band who assisted in making this occasion such a success.

The band welcomes new and experienced players. Practice is on Fridays from 7.30pm until 9.30pm, and the learner practice is on Wednesdays from 6pm until 8pm. If you would like to join us, contact band secretary, Ian King on 01872 862856 or email: i.h.king@ btinternet.com

Bridge Chapel

The service last Sunday was led by Lorna Bell, who spoke about 'Being Called by God' and gave examples of how people are helped not only here in Cornwall but other countries.

Next Sunday members will visit Bethel Church in Redruth. The following Sunday we will be at Redruth Methodist for Messy Church and Songs of Praise.

LADIES' CHOIR

The choir is having an open evening for anyone who can sing and would like to join a choir, when interested parties can come and sit in on one of our practices and listen to the music we sing, which is a mixtures of songs from the shows to secular and sacred music.

We meet on Thursdays from 7.30pm to 9pm at Camborne Wesley. Our first open evening will be Thursday, February 8, and again on Thursday, March 8. Come and listen to us; I'm sure you will find us a friendly bunch of ladies.

We are making preparations for 2019 when we shall be celebrating 50 years of music-making with many successes. You could be part of those celebrations. For more information contact Pauline Gregory on 01209 831497 or email [*whealbush@btinternet.com*](mailto:whealbush@btinternet.com)

Camborne- Rosewarne Garden Society

On November 27, Tim Ellis from Ellis Nurseries gave a talk entitled 'Compost-making'.

Tim began by explaining his background and that he was now a landscape gardener. He described the best method for making your own compost and, with suggestions from the group, listed materials suitable to construct compost heaps.

He brought in a model of a compost heap with a clear plastic viewing area to show us what the layers of compost in a heap should look like. It was a very interesting and informative talk.

On December 11, we had our Christmas meeting. Bill Herring provided a slide show about Christmas plants and we had a quiz. Members contributed to a buffet supper and there was a raffle.

The next meeting will be on Monday; the talk, which is entitled 'Cornish Bees', is by Rodger Dewhurst. This will be followed by refreshments, raffle and flower competition.

The society meets on the fourth Monday of every month (including bank holidays) at Duchy College Rosewarne. Plant sales begin at 7pm, followed by the speaker at 7.30pm; visitors are welcome.

For further information please call Bill Herring on 01209 722125 or email bill.herring@ duchy.ac.uk

Camera Club

The Camborne-Redruth Camera Club held its second meeting of the new year at the Camborne Community centre.

We are members of the WCPF (Western Counties Photographic Federation) and they hold a print competition each year. More than 100 top prints from the exhibition are made into a portfolio and affiliated clubs can book the portfolio for their members to see.

We saw an interesting selection of images, and many members were enthused to enter this year's competition.

Wendy Allard, club chairman and winner of last week's memorial competition, introduced the evening.

Vice-chairman Bob Morgan handled the prints and also gave us information on the club trip to the WCPF DPIC competition in Exeter next month.

Full details of the winter ***programme*** (and the new location in Camborne) can be found on the club's website [*www.camborne-redruth-cameraclub*](http://www.camborne-redruth-cameraclub). co.uk and additional information about membership and the club can be obtained from Wendy Allard on 01209 719241.

Parish Church

On Wednesday, the midweek Holy Communion service at 10am was led by Associate Priest the Reverend Neil Potter, with an attendance of 16.

On Sunday, the early celebration of the Holy Communion at 8am was led by Canon Stevens with Celia Lessiter acting as duty server.

The main Sunday morning worship at 10.30am took the form of a family Holy Communion, which was jointly led by worship leader Celia and the Reverend Neil Potter.

Ken Jones acted as pianist while David Thomas was server, and Holy Communion was administered by Janet Geach and Molly Chislett. Bible readings from 1 Samuel 3, Revelation 5 and John 1 were given by Molly, David and Neil.

The Reverend Potter preached on all three readings and hearing the call of God speaking in a variety of ways, while the children of the Sunday School told the adult congregation about the call of Samuel, with God speaking to him.

This Sunday the services will be Holy Communion at 8am and Morning Prayer at 10.30am, but please note that we shall be joining in the United Service at Camborne Wesley at 6pm, with no Sung Evensong in the parish church.

Saint John the Baptist Church

Today, Thursday, at 7pm there is a traditional Latin rite mass, and also next Thursday at the same time.

Tomorrow, Friday, at 11am a Requiem Mass will be celebrated for the soul of Gaspare Contarini. On Saturday at 10am, holy mass is dedicated to the Blessed Virgin Mary.

This Sunday at 9.30am Holy Liturgy will be led by Father Bede Price, an American Benedictine.

For more information regarding the Parish of All Nations visit [*www.camborne-redruth-*](http://www.camborne-redruth-) parish.org or call the parish office during office hours, 9am to 5pm, on 01209 713143.

Song For Cornwall

On Friday, the Lowenac Hotel in Camborne is hosting Kan rag Kernow, A Song for Cornwall, from 8pm to 11pm.

This event is to choose a song to enter into the Pan Celtic Song Competition. All songs are performed in Cornish.

Kernow Pan Celtic aims to promote Cornish language and culture, principally through participation in the Pan Celtic Festival held annually in Ireland. There are five bands in competition, plus a set from the award-winning Macquarrie and Toms. Tickets are £6 in advance and £7 on the door, and can be booked via [*www.eventbrite.co.uk*](http://www.eventbrite.co.uk)

Marie Curie Quiz

The Camborne Marie Curie fundraising group is holding a quiz on Friday, January 26, at Camborne Rugby Club.

Doors open at 7.15pm for a 7.30pm start.

Entry is £2, there will be a raffle and the bar will be open. For more information, call 01209711356.

Senior Citizens

The chairman, Marion Jory, called for a minute's silence for Gillian Dustan, who died suddenly at home; she will be greatly missed at the club.

Members came back from the break to enjoy some lively entertainment from Tracy Beavil on voice and guitar, and everyone joined in with the singing. Marion gave thanks.

Church of The Cross

Our service on Sunday began with a time of worship in hymns and choruses, led by Marilyn Richards, with Mabel Thomas on piano.

Pastor Graham led prayers and a sharing time. Graham took his reading from John 5 starting at verse 18, when Jesus confirms that He has been given all judgement from his father, God. Graham went on to explain how eternal life can only be received through Jesus and that means to accept Him in our lives.

The service closed with a hymn and the Blessing.

We welcome all to our 5pm services on Sundays, in St Piran's Church.

Village Hall

A new year and a new soup and pudding. Two delicious soups to choose from, one vegetarian, accompanied by your choice of roll. Two luscious puddings to choose from, nice portions, washed down with a mug of tea or coffee served to you at your table by our stunning waitresses. All for £5, available at Carleen village hall on the third Friday of the month.

The next lunch is tomorrow, from noon until 2pm.

Independent Church

Sunday School: on Sunday we learnt about Simeon and Anna and how they met baby Jesus when Mary and Joseph took Him to the Temple, according to 'The Law'.

We found it interesting to learn the symbolic meaning of the Magi's gifts and to hear about other countries' Christmas traditions.

Mr Alan Rose led the evening Gospel Service and the Lord's Table, which Philip served.

Scripture was read from St Luke's Gospel 22, 1 to 20, celebrating the ritual of Passover and Jesus' solemn words.

We were encouraged that, in a world of great change, the word of God has remained unchanged.

Cury Chapel

There was no service at Cury Chapel on Sunday morning.

This Sunday, at 11am, the appointed preacher is Mrs I Sampson. On Tuesday at 7.30pm, Bible study resumes; all welcome.

Week of Prayer for Christian Unity

On Sunday, the Churches Together Service for the week of Christian Unity took place at Cury Village Hall.

The service was led by the Reverend Fran Lane, with Father Shane Griffiths and the Reverend Peter Sharpe, assisted by members of their congregations. Refreshments at the end were provided by St Corentyn's members.

St Corentyn's Church

At the ploughing service the plough, once again belonging to Jeffery and Alan Richards of Milliwarne, was blessed by Father Shane Griffiths at the start of the Sunday morning service.

Pilgrim Prayers will resume again on Tuesday at 3.30pm; all are welcome.

Cury Village Hall

This Saturday at 7.30pm, the Village Hall Committee is holding a quiz, which starts at 7.30pm, and will include a raffle and refreshments. Teams of up to four; £4 per team. To book, please ring Mike Aston on 01326 240045.

Coffee morning

A coffee morning is being held in the parish centre (behind the church) from 10.30am to noon on Saturday, in aid of the ongoing Church Restoration Appeal. There will be a bring-and-buy stall and a raffle: a warm welcome awaits you.

Devoran Gardening Club

On Wednesday, January 24, Devoran Gardening Club will meet at 7.45pm at Devoran Village Hall. For this meeting we hope most, if not all of you, will enjoy the subject: roses. Most of us have more than one rose in our gardens, but not all of them look good throughout the year.

It has been said Cornwall is not an ideal county for roses but others believe it is, or at least can be, with a little tender care and a good place to plant them.

Hopefully all of us will learn a bit more about one of the country's favourite flowers when the Cornwall Rose Company gives a presentation.

It is expected a variety of roses suitable for our gardens will also be available.

Please do not be put off by the dark winter nights; I am sure anyone having difficulty in attending or getting home will find a willing helper among us. Contact Steve on 01872 864701 or Ian on 01872 870170 for more information.

CAMERA CLUB

This week we welcomed Mal Stone, of the photography department at Falmouth University, who gave us a presentation entitled 'Empowering the Photographer'.

He explained the facts, laws and ethics that affect photographers in the modern world.

He covered adequately insuring camera equipment and copyright laws, including examples of photographers who had encountered theft of their images and fought their cases with varying degrees of success, and went on to cover social media.

Later, Mal talked us through street photography, urging us to be respectful and prepared to explain ourselves. Not everyone likes being photographed and may challenge a photographer in public places.

He cautioned us about photographing private property, even from a public place, and explained the difference between using images of buildings and individuals for editorial or commercial purposes.

He went through photographers' rights and the need to take care of obstructing thoroughfares with tripods and kit bags.

We enjoyed a very engaging, informative evening.

All home sessions are held at the Athenaeum Club on Kimberley Place on Thursdays from 7.30pm. Visit our website for more information: www.falmo uthcameraclub.co.uk

Fish and chips

Harbour Lights is holding a fish and chip supper this Saturday from 7pm, which will be raising funds for the RNLI.

The award-winning chippy is offering a fish supper, a pudding and a drink for £19.95, with £5 from every meal being donated to the RNLI. The evening will also feature a quiz and a raffle. Book a table by calling 01326 316934.

THE WEST CORNWALL LADIES' LUNCHEON CLUB

"It all started 33 years ago, at an ***agricultural*** show in Brittany, where I helped my mother make Cornish pasties," said Anne Mullen, at the West Cornwall Ladies' Luncheon Club's meeting which was held on January 11 at the Royal Duchy Hotel in Falmouth.

On arriving home, they started their own outlets for Cornish pasties, and then Anne went out on her own.

She was much acclaimed by Rick Stein and Rodney Bewes. Once, she entertained some famous people from Hollywood, making sure her house was immaculate.

On leaving, one said: "I am so pleased to see you are kind to spiders!" On looking up at the beams, there they were.

Anne has been all over the world making her pasties, which must include swedes.

In 1999, she saw a report in the New York Times in which a journalist had likened pasties to doorstops. Anne was asked for her comments.

She replied that if she had an American flag, she would burn it! Anne said it was a big thing here to curse a pasty, as it was an emblem to us. However, she later apologised.

For further information, contact Denise on 01326 377322.

FEOCK HOME AND GARDEN SOCIETY

At our meeting on November 30, Fleur Davis demonstrated the art of making your own Christmas wreath from willow, with cuttings from branches, hedgerows etc.

It was a really interesting and enjoyable evening, with many members participating in bending the willow and adding foliage, and creating great results, all aided by mince pies and mulled wine.

Our next meeting is on Thursday, January 25, and will be our AGM and quiz night. Doors open at 7pm and the quiz starts at 7.30pm. Refreshments supplied include a pasty.

Members free; non-members £4. All are welcome.

NANKERSEY MALE CHOIR

Another year and new music to learn. This is a very good time to drop in on your local male choir and be involved in the process of learning new pieces.

Arrangements can always be made for a choir member to bring you along.

New members are not expected to read music; all you need is enthusiasm and commitment.

The choir practises in St Peter's Church Hall, Flushing, on most Mondays from 7.30pm to 9.30pm.

Probationers do not have to pay, and even when you become a member it works out at less than £1 per week.

The supporters' group helps to organise regular social events, and these are regularly updated on our Facebook page. If you would like further details, please contact the secretary, Fred Bidgood, on 01326 373984. More information at [*www.nankerseychoir.org*](http://www.nankerseychoir.org)

ST PETER's CHURCH

The Holy Communion Service held on Sunday, the second Sunday of Epiphany, was celebrated by The Reverend Canon Andrew Stevenson, priest-in-charge.

In his sermon, he said that the story of Nathanael in our Gospel reading, taken from John 1, v 43 to 51, gives us a glimpse of an all-too-human situation, the little rivalries that exist between communities; yet, at the same time, it also shows the uniqueness of Jesus - the Son of God, King of Israel - as Nathanael proclaims him.

The contrast between Jesus and the rules and values of God's kingdom are a wonderful counterpoint to the actions and values of worldly leaders, which we see and hear about daily.

During Epiphany, we focus on the values, message and mission of Jesus and follow his journey to Easter and the Cross.

The Old Testament lesson, from 1 Samuel 3, v 1 to 20, was read by Irene Gardiner, and the New Testament lesson, from Revelations 5, v 1 to 10, was read by Guy Dodd.

Jean Morris wrote and read the intercessions and the organist was Morwenna Bennett.

Vintage fair

This Sunday, the Grampound Antique and Vintage Fair takes place in the village hall (TR2 4SB) between 10am and 4pm. Entry is 50p. Disabled access is available, adjacent to the coffee shop.

There will be up to 30 tables of quality ceramics, metalware, glass, silver, jewellery, vintage fashion and much, much more. Call 01726 883780 for more information.

Parish council January meeting

Following complaints regarding the persistent flooding of Moors Lane (PROW 209/32/1), a site meeting was undertaken by councillors, local residents and Cormac's countryside officer Hamish Gordon.

The meeting followed a period of heavy rain, and consequently several areas of standing water were evident around and over the footpath, making it easy to appreciate the scope of the problem.

Mr Gordon was able to identify suitable areas for the construction of simple drainage channels, plus necessary ducting work. A firm commitment was made to complete the drainage work by mid-June.

An anonymous donation of £500 was received for the provision of a public bench just off the path near the entrance to the Preacher's Pit on Tregonning Hill. The clerk reported he had contacted Mrs Noyes (the landlord), who had given her permission for a bench to be sited on the hill. Councillors were very pleased to agree that a bench, of a design proposed by the clerk, be purchased and installed at the earliest convenient opportunity.

Over the winter the council employed Bob Sanders to repair and renovate our nine public benches. Councillors noted that the work was excellent and the operation had been carried out efficiently. The clerk was asked to thank Bob and his team for their efforts.

The next parish council meeting will on Thursday, February 1, at Germoe Church Hall, starting at 7pm.

Gardening Group

Today, Thursday, the meeting starts at 1.30pm in the School Room, where Mike Mann will be talking about the National Dahlia Collection.

Membership is £10 per annum or visitors can attend at £3 a session; all welcome. Contact Alison on 01736 761337 or email treasurer@godolphin- cross.community

WOW Lunch Bunch

The lunch on Wednesday, January 24, is now fully booked.

Coffee Morning

The popular coffee mornings are every Thursday in the School Room, from 10.30am until noon.

There is a good selection of books on the 'swap or buy' bookshelf, from good fiction to factual books. The 'new to you' clothes rail has good-quality clothing for sale at reasonable prices. Why not come along and see for yourself? This is the ideal time to catch up with old friends and make new friends.

Contact Ann 01736 762725 or send an email to wow@godol phincross.community

Post Office Facility

The post office is in the Vestry at the Old Chapel on Mondays from 10am to 11am (excluding bank holidays), and Thursdays 10am to noon.

The post office will also bring papers and groceries if ordered advance.

To order, contact Breage Central Stores on 01326 573444.

CORNISH SEAL SANCTUARY

The Seal Sanctuary is seeking volunteer gardeners to help at this unique and beautiful setting of 42 acres of grass, meadow and woodland.

There are lots of exciting projects to get involved in, including planting, pruning and pollinating, and you can see the seals and other animals. For more information, call Alex on 01326 221361; alternatively, visit the website [*www.visitsea*](http://www.visitsea) life.com/gweek

CHRISTMAS LIGHTS

Well done to the Christmas lights team for a most decorative and bright display, and for sorting out ongoing problems to keep everything illuminated. Many thanks to the public for supporting the Gweek lights, especially those who subscribed through the 'Friends of the Lights' chits and those who contributed at the switch-on and in the collecting boxes in the shop and the Black Swan. We continue fundraising throughout the year.

WHIST DRIVE

The first whist drive of the new year was held recently, with £70 raised for local charities.

MC Fred Pascoe welcomed everyone and thanked all for their support.

Winners were: ladies, Lesley Hollow, Barbara Pascoe, Mary Alway, Avril Woolcock and Estelle Hart; gents: Heather Rogers, Gordon Cook, Mylene Wright, Fred Pascoe and John Bibbings. There is another one in aid of Gwinear Church on Monday, and the regular charity drive on Monday, February 5, both at 7.30pm in the Hall for Gwinear.

PARISH CHURCH

The Plough Sunday Service last week was well attended, and the farming community and Praze and District Young Farmers were represented.

The service was led by the Reverend Patricia and Brian preached. Thanks to Mark at Herland Farm for providing the plough for a blessing.

It was a special day for one of our church members; Nancy celebrated her 90th birthday and was surrounded by family and friends with a cake and celebratory drink.

This Sunday there is 11am Holy Communion and 3.30pm Evensong.

Sausage and mash

You are welcome to a sausage and mash event on Saturday, January 27, from 11.30am to 2pm at Margaret's, 51 Churchtown Gwinear.

The cost is £8, to include a pudding and a drink. There will also be a raffle.

Flower Club

Hayle Flower Club's next meeting, Wednesday, January, 24, is at Hayle Methodist church hall at 7.30pm.

Demonstrators for the evening are Lynne and Marion, whose subject will be January Sparkle, with a workshop. Please bring containers, flowers and greenery. All are welcome.

Jump with Jo

Jump with Jo's Fun and Play sessions at Hayle Rugby Club are Thursdays, 10am to noon.

This is a fun play session for children aged six months to four years. There is a bouncy castle, a soft play area with ball pool, and ride-ons and walkers. Sessions cost £3.50 per child and £2.50 for siblings. Contact Jo on 07817 262291.

METHODIST CHURCH

The annual covenant service on Sunday was led by Pastor Brian Thornton. It includes communion and is a chance to reaffirm the covenant between ourselves and Jesus, who promises us new life. Readings were from Jeremiah 31, Romans 12 and John 15 and were read by members of the congregation. Pastor Brian asked: "How much of you is Jesus going to influence in the next 12 months?"

On Saturday there will be a stall selling books and toys at the Rainbow Coffeehouse, to raise funds for a heart monitor for Bodriggy clinic. Come along between 10am and noon.

This Sunday the preacher at 10.30am will be Sandra Jenkin, and in the evening a Churches Together service for the Week o Prayer for Christian Unity will take place at Hayle at 6pm. Everyone is very welcome.

St Joseph's Catholic Church

Father Philip Dyson celebrated Mass at 6.30pm on Saturday, with readings from Samuel, Corinthians and the Gospel by John 1, 35 to 42. There will be no Mass on Friday in Hayle.

The parish Christmas dinner will be held at the Carbis Bay Hotel on Friday, January 26; gather at 6.30pm for 7pm. The cost is £22.95; please fill in booking form at the back.

The Week of Prayer for Christian Unity runs from January 18 to 25. Hayle Churches Together has a Unity Service at Hayle Methodist Church on Sunday at 6pm.

Pilgrimages for 2018 include Walsingham, Cascia (Rome), Lourdes and the Holy Land; see posters in church for details.

The Pope's intention for January: religious minorities in Asia, that Christians and other groups may be able to practise their faith in full freedom.

Please remember in your prayers the parishioners of St Joseph's and the people of Hayle.

Film Club

On Thursday, January 25, Hayle Film Club is showing Loving Vincent.

Hand-painted in oils in the style of Van Gogh, with scenes and characters based on his best-known paintings, this is a glimpse of his life and last days. Voices are provided by Chris O'Dowd, Saoirse Ronan, Douglas Booth, Helen McCrory, John Sessions and Aidan Turner. Rated 12.

The film is showing at the Passmore Edwards Institute, lights down at 7.30pm.

Tickets are £5/£4 for members; reserve with Val on 01736 600736.

St Elwyn's

On Sunday, the Parish Eucharist will be celebrated by the Reverend Sharon Clifton at 9.30am.

On Wednesday, Said Eucharist will be celebrated by the Reverend Sharon Chalcraft at 10am. Tea, coffee and biscuits are served after every service.

CENTRAL METHODIST CHURCH

Members of the Church Property Committee were responsible for the service on Sunday, and the music group played with the singers, and David Wingham also at the organ for two of the hymns.

During the service the children demonstrated building with sand and water and stones, and when the 'rain' came down, it was all washed away. They built again on a rock and this time the pile stayed up, to show that God is the strong foundation of our faith.

There was a very funny sketch about praise and worship, and several Bible readings. The sermon was also about worship. Afterwards, members of the congregation enjoyed a 'pasty and pud' lunch.

In the evening, the praise and worship service was led by Mr Neil Didlick, standing in for the Reverend B Turner.

This Sunday, Mr Didlick is leading a 'contemporary' service in the morning. In the afternoon the Week of Prayer for Christian Unity united service is at St Mary's at 4pm. In the evening, Mr C Combellack is in the witness box with the Reverend Danny Reed.

Jump with Jo

Jump with Jo's Fun and Play sessions at the Old Cattle Market are on Tuesdays from 10am to noon, and Fridays from 1pm to 2.30pm.

This is an active, fun play session for children aged six months to four years. There is a bouncy castle, soft play matted area with ball pool and ride-ons and walkers to play with. Sessions are £3.50 per child/£2.50 per additional sibling.

Jump with Jo's after-school Dance Club for children aged seven to 11 is at the Old Cattle Market, Helston, on Thursdays from 4.30pm to 5.30pm

This is a confidence-boosting session for this age group to learn dances from chart music. Sessions also include fun and games as well; £3 per child.

For more info please contact Jo via [*jo@jumpwithjo.co.uk*](mailto:jo@jumpwithjo.co.uk)

Church news

On Sunday morning, services at both churches were led by the Reverend Bob Humphries. Reader Tess Dean preached the sermon using the theme of the Bible readings, the call to follow Jesus. Evening prayer was led by Worship Leader John Dean.

The Welcome Wednesday Gardening Fellowship group met at Kenwyn during the week, broadening their remit and siting an owl box within the churchyard.

METHODIST CHURCH

The preacher at 11am on Sunday will be the Reverend Danny Reed.

New friends joined in the fun at Youth Club on Sunday, and are already looking forward to the disco in February. Those at the craft table started a display of a road to introduce the Bible story of Abraham and his journey of faith next Sunday.

The beetle drive on Saturday was enjoyed by everyone who attended and £67.50 was raised for chapel funds. Another is ***planned*** for February 10.

Zumba

Classes at Leedstown Village Hall are on Mondays, 5.45pm to 6.45pm. Sessions cost £3.50 per adult. For more information call 07817 262291.

Wine-Tasting with Cheese Evening

Tomorrow, Friday, the Village Hall is hosting a wine-tasting evening with cheese, sponsored by Scarlet Wines.

Tickets are now available from Scarlet Wines or from the Badger Inn, at £10 per head. The ticket price includes a range of wines to sample, accompanied by an extensive and delicious range of cheeses with biscuits/bread. An expert from Scarlet Wines will guide you through the various wines.

This will be a great event to relax with friends and fellow villagers after your busy festive season.

Parish Church

The Eucharist service at St Mawgan-in-Meneage church on Sunday was celebrated by the Reverend Terry Axe.

His sermon discussed the ways in which God communicates, emphasising that He speaks plainly in a gentle and quiet way but we often don't hear.

Examples were to Samuel and Nathanael from today's readings, and to Elijah, the "still small voice". God speaks in more ways than one, sometimes through angels or messengers; his ways are not ours but he never asks for more than we can deliver, and we should always be ready to respond in spiritual humility. The lessons were read by Mary Wood and the Reverend Terry and Wendy Bailey led the prayers.

The service at Mawgan this Sunday will be Morning Prayer at 11.15am, taken by the Reverend Dorothy Noakes.

There will be no service at Mawgan, or at any of the parish churches in the Meneage, on Sunday, January 28, as we will be joining the Methodist covenant service at 11am at the Meneage Methodist Church, Manaccan.

Methodist Church

The afternoon service at Mount Hawke Methodist Church was conducted by Mr Mick Roberts from Cubert.

The lesson from the Old Testament book of Samuel was read by Wendy Carter; the organist was Paula Crook. Afternoon tea was served afterwards.

Old Cornwall Society

The first meeting of 2018 began with a short time of reflection on the life and work for Mullion of Geoff Chaney, who had died.

Chairman Colin Roberts then introduced the speaker, Richard Bacon, a guide at Levant Mine. Tracing the history of the mine from its beginnings in the 18th century, Richard described the mine's heyday through the depression of the mid-1850s when many miners emigrated to other parts of the world, to recovery at the end of the 19th century and its closure in the 20th century.

Richard described how mining methods developed, especially the progress under the sea, and the tragic accident in 1919, when 31 miners were killed.

Now the area can be visited, a particular attraction being the original steam engine, which is worked for visitors by Mullion Old Cornwall member Tom Symons. Richard was thanked by former miner Tom Cullen.

The next meeting on February 12 is entitled "The Cornish Emigration: the women left behind" and takes place at 7.30pm in the WI Hall.

Parish Church

The Eucharist was celebrated on Sunday by the Rector, Canon Olive Stevens, who also preached. Lyn Cocup was the organist.

Our next fundraising event is on Friday, January 26, when David Thomas, president of Camborne Old Cornwall Society, will give a talk entitled New Year and Times Past, in the church at 7.30pm.

Entrance will be £3.50. There will be a raffle and light refreshments will be available.

Parish churches

Perranzabuloe parish churches wish to thank everyone who supported the events in our parish over the Christmas period, especially the Christmas bazaar and the fifth Christmas Tree Festival at St Piran's Church, which turned out to be our most spectacular to date.

This year, for the first time, we ran a Christmas draw, which ***produced*** a profit of £48 for parish finances. The winning tickets were: first, £100, ticket 0905, Frances Greenland; second, £50, ticket 0599, Frances White; third, £25, ticket 0840, Steve Jose; fourth, 20lb frozen turkey donated by The Black Chicken Company, ticket 0596, P Vernon. All prizes have been distributed. Perranzabuloe PCC thanks all who contributed to this draw.

Porthleven Old Cornwall Society

Porthleven OCS presents Mrs Phyllis Whiting, who will be sharing with us her great- great-great-grandfather Kitchen's journal of Porthleven life in 1800s, at Porthleven public hall on Tuesday at 2.30pm.

Everyone is welcome to join us for a cuppa and a traditional Cornish 'croust' as we "gather up the fragments lest they be lost". "Cuntelleugh an brewyon us gesys na vo kellys travyth"; true to the motto of the Federation of Old Cornwall Societies.

For more information, contact Beatrice on 01209 860410.

Methodist Church.

The preacher for Sunday Morning Worship was Mr David Balme. The sermon, entitled The River Jordan, explored the role played by that river in three important Biblical episodes: the crossing by the Israelites into the promised land; the cleansing of Naaman's leprosy, and, notably, the baptism of Our Lord Jesus by John.

All these stories emphasise humility and commitment, something much needed by Christians today. David Philp was the organist.

Evening Worship in the choir vestry was led by Mrs Margaret Flinders, from Helston, who took the theme Sing A New Song, and reflected upon the changes and modifications needed to worship today in order to meet the needs of potential new Christians. John Gilbert was the pianist.

PORTSCATHO UNITED CHURCH

Sunday's morning service took the form of informal worship as we had no appointed leader.

The theme was The Calling of Samuel, from the OT Lectionary reading. Members of the church shared readings and prayers and discussion.

This Sunday there is no morning service but at 3pm we are pleased to be hosting the Roseland Churches United Service, as part of the Week of Prayer for Christian Unity.

Everyone of all denominations or none is welcome to this service, which has been prepared by the Churches of the Caribbean.

Card-playing

Are you an old hand at playing cards or fancy giving it a go?

Then come and join our small and friendly group and learn to play Tichu. It's a game less complex than bridge, more ***strategic*** than poker and, above all, great fun. We meet once a month on Friday or Saturday evenings in Praa/Rosudgeon area. Would suit 35- to 50-year-olds.

For more info please contact [*sarah.mulholland@gmx.de*](mailto:sarah.mulholland@gmx.de)

GARDENING CLUB

At the January meeting, due to the illness of the speaker, members enjoyed a social afternoon with a multiple-choice quiz, followed by free tea and biscuits, then a quiz about Gardeners' Question Time, a grand raffle and, finally, a quiz on common names for plants.

During the afternoon a list for proposed outings for 2018 was circulated: Saturday, April 7, Boconnoc Spring Flower Show; April - Trebah, May - Trelissick; June 18 - Moyclare; July outing to Homestead at Crelly, Wendron; July - Lost Gardens of Heligan.

At the meeting on Monday, February 5, Peter Auger will talk about his experience as a head gardener at Blenheim Palace. Meetings are held at Praa Sands Community Centre on the first Monday of the month (except bank holidays) at 2pm. Visitors and new members welcome.

LIVE ENTERTAINMENT

The Neil Maya Quartet, with the Brubeck Project, gave a brilliant performance.

The next live show at the Community Centre will be in March, when Gwellhellin will be on stage. Watch this space for further details.

CROWAN CHURCH

The service was taken by members of the congregation, the music was played by Christine and the morning's readings by Juliet Stoneman and Nick Hillyard. Amanda read the Prayers of Intercession and Avril Pryor the Gospel readings.

Gill Keeble welcomed everyone into church and the lovely flowers in church were arranged by Tess.

This Saturday there will be a coffee morning at 10am in the Crowan Parish Room. There will be bric-a-brac to browse and a raffle. Everyone is very welcome and proceeds go to church funds.

Carnkie Village

Carnkie Village community group is to hold a meeting in the village hall on Saturday at 2.30pm. All are welcome to attend to share their concerns and hopes for the progress of the village and surrounding area.

Carnkie is an international Heritage Site, so its future and past are important.

Topics to be discussed range from speeding traffic to heritage issues, and the long-term future of the community.

The village also runs a film night on the last Saturday of the month at 7pm for a 7.30pm start, and a breakfast morning on the second Saturday of the month, from 9.30am to 11.30am.

The Church of the Assumption

This Sunday at 11am, the Holy Liturgy will be led by Father Bede Price, an American Benedictine.

On Tuesday, holy mass is at 10am and on Friday at 7pm.

For more information about the Parish of All Nations visit [*www.camborne-redruth-parish.org*](http://www.camborne-redruth-parish.org) or call the parish office on 01209 713143, between 9am and 5pm.

Ladies' Tuesday Club

Diane Wallis welcomed the ladies back for the first meeting of 2018.

The evening began with the treasurer's report, given by Flo Bailey, then commenced with a picture quiz, which was won by Yvonne Hedge, and a short quiz, won by Anne Williams.

The ladies enjoyed a buffet afterwards.

Methodist Church

The morning service was led by the Reverend Brian Mavers.

The Bible readings were by Mike Semmens and Dawn Williams, and the choir sang the anthem You Raise Me Up.

In his sermon the Reverend Mavers spoke of the call of Samuel, by God, back in Old Testament times, the call by Jesus of several of His disciples, and of his own training for the ministry, and subsequent early days in circuit work, and the importance of prayer.

There was no evening service this week.

Parish Mid-Week Club

The club had its first meeting of 2018 at the home of Mrs Pat Gribble.

Jo Mulliner, team vicar for missions, was the speaker, telling a bit about her life experience and of how she came to where she is now.

Jo was thanked by Lynette Corkell and also Pat for her kind hospitality.

The meeting finished with tea and cakes.

Redruth Old Cornwall Society

A large number of members gathered on Friday for a talk on Carwynnen Quoit, by Mr Adrian Rodda.

His presentation included photographs and diagrams tracing the origins of these ancient monuments, concluding with the reconstruction of Carwynnen Quoit. His enthusiasm for the subject created a good response from those attending.

St Euny Feast Celebrations

This will take place on Friday, February 2, at 2pm and includes a cream tea refreshment. Further information on 01209 211469 or 01872 573632.

METHODIST CHURCH

The service on Sunday was led by David Parslow, of Plymouth. David read the familiar Psalm 23 and then from the gospel of Mark 1, on which he based his talk on the baptism of Jesus.

Prayers were said for those in need, either through sickness or the loss of a loved one. Margaret Delbridge was the organist; she also chose the hymns from the Methodist hymn book, and Wilson Delbridge was the offertory steward.

The service this Sunday at 11am will be taken by the Reverend Ken Francis.

On Saturday, January 27, from 10.30am, there will be a coffee morning with a bring-and-buy stall, a cake stall and a raffle in aid of cancer and the Heart Foundation. All are welcome.

METHODIST CHURCH

On Sunday the congregation joined with Allet Chapel for the annual covenant service led by minister the Reverend Mark Liddicoat. The theme of his sermon was I Am the Vine.

This evening the Thursday activity group for youngsters meets from 6pm to 7.30pm.

On Sunday the 11am service will be led by Daphne Webber. Everyone is most welcome.

Methodist Church

Some members of the congregation attended a Falmouth and Gwennap Circuit covenant service at Frogpool Methodist Church on Sunday morning.

Maria Haycock led evening worship at Stithians.

Anton and Rita Barkhuysen gave Bible readings, and the organist was Adrian Richards.

Methodist Church

Worship on Sunday was led by our steward, Russell.

Two birthdays were acknowledged, one of which was Thelma Gay's, who has just celebrated her 90th birthday.

One of the hymns chosen was Worthy Is The Lamb, after which Thelma recited from memory the poem The Lamb by William Blake.

The reading group meets today, Thursday, at 2.30pm in the coffee bar. New members are always welcome.

The church is open for a coffee morning every Saturday from 10am to 11.15am. Home-made jams, marmalade and chutney are usually on sale.

This Sunday we will be joining with members of All Saints' Church, Highertown, at 9.55am for a joint covenant service. All are welcome.

'Pizza &' will resume on Friday, January 26, from 4.30pm. Children are welcome but please bring an adult with you. This time it will be pizza and scones.

History talks

On Friday, February 2, the village hall will be the venue for a couple of illustrated talks on Tregony and the surrounding area, by Franklin Grigg, and historical Falmouth by Diana Smith.

It starts at 7.30pm; admission is £5 and there will also be a licensed bar. Further details are available by calling Des Mennear on 01872 530357.

Treleigh Church

The service on Sunday was taken by the Reverend Angela Brown, assisted by Len Cunningham as Eucharist Minister. Readings and intercessions were by Keith Naylor.

A group of 30 members of the congregation enjoyed a celebration aprÃ¨s-Christmas meal at the Inn For All Seasons on Friday. A big thank-you to Carol Buckingham for organising such a lovely evening and for the added touch of the surprise free raffle tickets and 'goody' bags of sweets. It was a great get-together and thoroughly enjoyed by everyone.

All Saints' Church

On Sunday, the first CafÃ© Church was held at 10am. The Reverend Deb Grigg and Reader Kevin Dodds took the service, assisted by Reader Tony Le Fevre.

Prior to the service the 26 people enjoyed breakfast with tea and coffee. This service will take place monthly on the second Sunday. The evening service at 5pm was led by Reader Kevin Dodds.

On Tuesday, Mass was held at 7pm, led by the Reverend Deb Grigg.

This Sunday, the 10am Sung Eucharist will be led by the Reverend Jo Mulliner, from the Redruth Team. The evening service will be a Churches Together Service at 6pm at Wesley Methodist Church.

The Little Saints Toddler Group is in the church as usual on Wednesday from 9.30am to 11.30am.

Ramblers

On a very wet and windy Saturday, two people joined Jane for the Great Lanes Walk from Stithians. Those lanes had plenty of water running along them and the three of them were soon pretty soggy.

They managed to find shelter for lunch in a play area but the unrelenting weather caused them to cut three miles from the scheduled 14. The good company made up for the weather, and they will be back.

Sunday was a complete contrast: mild and occasionally sunny, with a very light breeze. A total of 21 walkers joined Mark at Gwithian for a circular walk inland via muddy lanes to Gwinear Church for lunch.

It felt quite spring-like, helped by a wonderful display of snowdrops seen on a Cornish hedge. They continued via Angarrack, Connor Downs and Trevarnon Moor down to Gwithian Towans.

The day finished with a display from seals who were outdoing the surfers. The scheduled eight miles was stretched to 10.5 miles.

Next weekend the Cornish Ramblers' AGM will take place at Perranporth, preceded by a four-mile walk.

For information about the Ramblers, contact Sylvia Ronan on 01736 740542.

Carnon Downs

Pam opened the meeting by giving out birthday cards and calling for volunteers to make soup, cakes and savouries for our lunch on February 10.

She then welcomed Robert Bond to tell "Tales from the Sausage Factory". He began his amusing talk by changing into a checked linen jacket, before going on to say that in 1978 he moved to Bath. After many job applications he was offered a position at Bowyers' factory as a sales forecaster. With very little training, it was up to him to forecast sales of food with a three-day shelf life, three months, three days and one day ahead, which was not easy. Referring back to past records which noted weather conditions did give some clues. Sunshine equals more sausages for barbecues, for example.

At question time he admitted that he lasted 18 months, then went on to sell used cars! It was a most enjoyable evening.

Germoe and District

Amanda Boxer was the speaker at the December meeting, talking about Humphry Grylls and the history of the Grylls monument at the bottom of Coinagehall Street in Helston.

Amanda, dressed as the daughter of Humphry Grylls, gave a resumÃ© of his life. He was a banker and attorney for the Union Bank in Helston. In 1820, Wheal Vor mine at Carleen went bankrupt. As a consequence, most of the workforce was laid off and had to go "on the parish" to support themselves.

Richard Tyack, of Godolphin, invited Humphry Grylls to use his skills and contacts to keep the mine open, which he did.

While being a director of the bank, keeping the mine going and acting as agent to the landowners, he was also mayor of Helston and a magistrate, a post he was re-elected to three times. When he died aged 47 a public subscription was raised to build a monument.

Members were reminded that in January the annual subscription of £41 was due.

Entries for the Millington Craft Trophy and the Margaret Nicholls Memorial Cup for prose and poetry should be handed in along with the 2018 resolution voting slips.

The competition for 'Items found in the lounge' was won by Norma Finch with a spectacle holder; Joan Watts was second with a piece of fossilised wood and Paddi Brittain-Jones was third with a jade Buddha.

Christmas raffle prizes were won by Ann Jeffery, Pat Thomas, Sue Thompson and Pauline Brown.

In January, Barbara Corbett will talk about the hats she has worn during her time as county chairman. The competition is 'Items found in the craft room'. We meet on the second Tuesday of the month (except August) in Praa Sands Community Centre at 7.30pm. Visitors always welcome. Further details from Sheena 01736 761904.

Gwinear Parish

A power cut did not deter the members from pressing on and dealing with all the exciting events scheduled for this spring. Although the speaker had to be cancelled because he needed a power point, the members enjoyed the cosy atmosphere of the candles flickering away. Members were brought up to date with progress on the contribution by Gwinear Parish WI on the new Cornwall Village book, due to be published to commemorate the CFWI centenary in 2019.

Members were interested in attending the floral art demonstrations at the rugby club in March, as well as an event in County House also in March.

Cornwall College is the venue for the new year lunch.

Following on from the successful Christmas craft workshop the new year starts with a novelty pin-cushion session.

Senior members of the parish expressed their gratitude for receiving biscuits and pot plants from the WI at Christmas, a very generous gesture on behalf of our WI.

The next meeting on February 5 will be Fred Buckingham on bees; all welcome. For further information contact Avril Woolcock on 01736 850567.

Gylly Girls

Members met on January 8, when they enjoyed a talk about buttons, given by Caroline Cudmore, of buttoncovering. co.uk

Caroline explained buttons are highly collectable, and it is worth checking your own button box. Button collecting was particularly popular in the early 1900s with young girls.

Caroline explained about the history of buttons, from the days of the caveman, how they have changed over the years, and the various materials they have been made out of.

The 18th century was the 'golden age of the button'. In the UK there were areas of button specialisation within cottage industries, such as Dorset buttons, with wool woven on to circular rings (eg. round sheep's horn).

The industrial revolution impacted hugely on the cottage industries. In 1851 the Great Exhibition showed machines for making buttons and many small businesses lost work as a result.

Among many of the interesting facts, we learned that koumpounophobia is the fear of buttons. Steve Jobs had it, apparently, or at least an aversion, which explained his affinity for touch-screens and turtleneck jumpers. Apparently it is suffered by one in every 75,000.

Speaker's hostess at the meeting was Jackie Benton-Smith, with teas provided by Chris Varney and Linda Tregidgo .

We meet every second Monday of the month at 7.30pm for 7.45pm, at the Lounge, Emmanuel Baptist Church, Western Terrace, Falmouth.

Mawnan WI

We were treated to some stunning photographs of the volcanic Galapagos Islands, which are situated near the Equator.

Jo and Mark Parsons shared highlights of their holiday and conservation trip, and spoke about the wildlife they encountered. Mark also treated us to his impression of the mating dance of the blue-footed booby, which had everyone laughing.

The evening with our very own Blue Planet presenters was thoroughly enjoyed by 54 members and four visitors.

The new year is taking off with a new venture called Cake, Chat and Company: WI ladies will provide tea, sandwiches and cakes and the Rainbows and Brownies will entertain members of the community.

This is part of our support for one of the WI's national campaigns and we hope to make it a regular feature of our ***programme***. We continue with all our usual activities and our educational visit this month will be to Truro Cathedral.

Perranarworthal

At our January meeting, we welcomed Ann Clegg, who gave a very interesting talk on the life and times of Sidney Godolphin, Cornwall's forgotten statesman. Ann gave a wonderful account about Sidney and we learnt so much about his fascinating life and his friendship with many kings and queens of that era. We certainly appreciated Ann's visit.

Shirley Christopher chaired the meeting and reported on all forthcoming events. The spring fayre preparation is well under way, and we voted for a local charity to benefit from funds raised at the fayre on March 3.

Janet Billinge spoke about the resolutions, which have to be voted for very soon .

Our next meeting will be on Monday, February 12.

Sithney

The first meeting for 2018 was held on Thursday at Sithney school, from 7pm.

Our speaker, David Muirhead, was welcomed by president Crete Pooley before he gave his talk, entitled Life in the Fishing Industry.

He started fishing with his grandfather at a very early age and continued for more of his life. In fact, he is still fishing, despite having retired.

He told us about the different ways of catching fish, the boats he ultimately purchased and that he nearly always went out alone.

After a very interesting talk, questions were asked by members and he was warmly thanked by Crete. At this point tea and biscuits were served, provided by Marian Ferris.

A short business meeting followed, including voting for the 2018 resolutions, arrangements for visiting Helston Museum next week and the Tech lunch in February. The raffle was won by Jennie Hendy and Sue Piper won with her flower.

The next meeting will be held on Thursday, February 8, when the speaker will be Mr Mike Thomas on his two years as mayor of Helston.

Falmouth Community Choir

Singing in a choir is good for you! You might guess that singing would be good for your breathing, but studies show that singing releases endorphins, the body's feel-good chemical, and reduces stress. If you could do with some endorphins, come along to a rehearsal.

Cornwall Community Choir is rehearsing for concerts later in the year, and the Falmouth group will be learning new repertoire as well as polishing existing songs. For more about the choir, visit [*www.cornwallsing.com*](http://www.cornwallsing.com) or contact Neil Shepherd on 07446 492266.

Falmouth Community Choir rehearses on Wednesdays at 10.30am in the Wesley Hall at Falmouth Methodist Church.

January 12 results

£1,000, B3920 Urwin, Henfield; £250, A0968 Collier, Truro; £150, V0049 Collins, Penzance. £10 prizes: B8323 Williams, Helston; C0651 Martin, Falmouth; B9775 Cooper, Torpoint; W0823 Appleby, Looe; X0375 Henney, Helston; T0382 Humber, Wadebridge; A9644 Pack Saltash; A1386 Belcher, Looe; B2798 McKenzie, Helston; B9680 Rickards, St Austell.

**Load-Date:** January 17, 2018

**End of Document**

[***COMMISSION DELEGATED REGULATION (EU) 2018/179 of 25 September 2017 amending Regulation (EU) No 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits***](https://advance.lexis.com/api/document?collection=news&id=urn:contentItem:5RP3-61X1-F0YC-N1TX-00000-00&context=1516831)

Impact News Service

February 10, 2018 Saturday

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**Body**

Brussels: Official Journal of the European Union has issued the following Legislation:

COMMISSION DELEGATED REGULATION (EU) 2018/179

of 25 September 2017

amending Regulation (EU) No 1233/2011 of the European Parliament and of the Council on the application of certain guidelines in the field of officially supported export credits

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1233/2011 of the European Parliament and of the Council of 16 November 2011 on the application of certain guidelines in the field of officially supported export credits and repealing Council Decisions 2001/76/EC and 2001/77/EC (1) and in particular Article 2 thereof,

Whereas:

(1)

Regulation (EU) No 1233/2011 provides that the guidelines contained in the Arrangement on Officially Supported Export Credits of the Organisation for Economic Cooperation and Development (‘OECD’) (‘the Arrangement’) apply in the Union. The text of the Arrangement is set out in Annex II to that Regulation.

(2)

The Participants to the Arrangement have agreed upon a substantial number of amendments to it. On 1 February 2017, the OECD published a revised version of the Arrangement which takes into account all those amendments. The text of the Arrangement in the Annex to Regulation (EU) No 1233/2011 should therefore be replaced by that consolidated revised version.

(3)

Regulation (EU) No 1233/2011 should therefore be amended accordingly,

HAS ADOPTED THIS REGULATION:

Article 1

Annex II to Regulation (EU) No 1233/2011 is replaced by the text in the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, 25 September 2017.

For the Commission

The President

Jean-Claude JUNCKER

(1)  OJ L 326, 8.12.2011, p. 45.

ANNEX ‘

ANNEX II

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CHAPTER I

GENERAL PROVISIONS

1.   PURPOSE

(a)

The main purpose of the Arrangement on Officially Supported Export Credits, referred to throughout this document as the Arrangement, is to provide a framework for the orderly use of officially supported export credits.

(b)

The Arrangement seeks to foster a level playing field for official support, as defined in Article 5(a), in order to encourage competition among exporters based on quality and price of goods and services exported rather than on the most favourable officially supported financial terms and conditions.

2.   STATUS

The Arrangement, developed within the OECD framework, initially came into effect in April 1978 and is of indefinite duration. The Arrangement is a Gentlemen's Agreement among the Participants; it is not an OECD Act (1), although it receives the administrative support of the OECD Secretariat (hereafter: “the Secretariat”).

3.   PARTICIPATION

The Participants to the Arrangement currently are: Australia, Canada, the European Union, Japan, Korea, New Zealand, Norway, Switzerland and the United States. Other OECD Members and non-members may be invited to become Participants by the current Participants.

4.   INFORMATION AVAILABLE TO NON-PARTICIPANTS

(a)

The Participants undertake to share information with non-Participants on notifications related to official support as set out in Article 5(a).

(b)

A Participant shall, on the basis of reciprocity, reply to a request from a non-Participant in a competitive situation on the financial terms and conditions offered for its official support, as it would reply to a request from a Participant.

5.   SCOPE OF APPLICATION

The Arrangement shall apply to all official support provided by or on behalf of a government for export of goods and/or services, including financial leases, which have a repayment term of two years or more.

(a)

Official support may be provided in different forms:

(1)

Export credit guarantee or insurance (pure cover).

(2)

Official financing support:

—

direct credit/financing and refinancing, or

—

interest rate support.

(3)

Any combination of the above.

(b)

The Arrangement shall apply to tied aid; the procedures set out in Chapter IV shall also apply to trade-related untied aid.

(c)

The Arrangement does not apply to exports of Military Equipment and ***Agricultural*** Commodities.

(d)

Official support shall not be provided if there is clear evidence that the contract has been structured with a purchaser in a country which is not the final destination of the goods, primarily with the aim of obtaining more favourable repayment terms.

6.   SECTOR UNDERSTANDINGS

(a)

The following Sector Understandings are part of the Arrangement:

—

Ships (Annex I)

—

Nuclear Power Plants (Annex II)

—

Civil Aircraft (Annex III)

—

Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects (Annex IV)

—

Rail Infrastructure (Annex V)

—

Coal-Fired Electricity Generation Projects (Annex VI).

(b)

A Participant to either Annex I, II, IV or V may apply the respective provisions for official support for export of goods and/or services covered by the relevant Sector Understandings. Where a Sector Understanding does not include a corresponding provision to that of the Arrangement, a Participant to that Sector Understanding shall apply the provision of the Arrangement.

(c)

For the export of goods and/or services covered by Annex III, the Participants that are also Participants to that Sector Understanding shall apply the provisions of that Sector Understanding.

(d)

For the export of goods and/or services covered by Annex VI, the corresponding provisions of that Annex shall be applied in lieu of those of the Arrangement. Where Annex VI does not include a corresponding provision to that of the Arrangement, a Participant to that Sector Understanding shall apply the provisions of the Arrangement.

7.   PROJECT FINANCE

(a)

The Participants may apply the terms and conditions set out in Annex VII to the export of goods and/or services for transactions that meet the criteria set out in Appendix 1 of Annex VII.

(b)

Paragraph (a) above applies to the export of goods and services covered by the Sector Understanding on Export Credits for Nuclear Power Plants, the Sector Understanding on Export Credits for Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects, the Sector Understanding on Export Credits for Railway Infrastructure, and the Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects.

(c)

Paragraph (a) above does not apply to the export of goods and services covered by the Sector Understanding on Export Credits for Civil Aircraft or the Sector Understanding on Export Credits for Ships.

8.   WITHDRAWAL

A Participant may withdraw by notifying the Secretariat in writing by means of instant communication, e.g the OECD On-Line Information System (OLIS). The withdrawal takes effect 180 calendar days after receipt of the notification by the Secretariat.

9.   MONITORING

The Secretariat shall monitor the implementation of the Arrangement.

CHAPTER II

FINANCIAL TERMS AND CONDITIONS FOR EXPORT CREDITS

Financial terms and conditions for export credits encompass all the provisions set out in this Chapter which shall be read in conjunction one with the other.

The Arrangement sets out limitations on terms and conditions that may be officially supported. The Participants recognise that more restrictive financial terms and conditions than those provided for by the Arrangement traditionally apply to certain trade or industrial sectors. The Participants shall continue to respect such customary financial terms and conditions, in particular the principle by which repayment terms do not exceed the useful life of the goods.

10.   DOWN PAYMENT, MAXIMUM OFFICIAL SUPPORT AND LOCAL COSTS

(a)

The Participants shall require purchasers of goods and services which are the subject of official support to make down payments of a minimum of 15 % of the export contract value at or before the starting point of credit as defined in Annex XV. For the assessment of down payments, the export contract value may be reduced proportionally if the transaction includes goods and services from a third country which are not officially supported. Financing/insurance of 100 % of the premium is permissible. Premium may or may not be included in the export contract value. Retention payments made after the starting point of credit are not regarded as down payment in this context.

(b)

Official support for such down payments shall only take the form of insurance or guarantee against the usual pre-credit risks.

(c)

Except as provided for in paragraphs (b) and (d), the Participants shall not provide official support in excess of 85 % of the export contract value, including third country supply but excluding local costs.

(d)

The Participants may provide official support for local costs, provided that:

(1)

Official support provided for local costs shall not exceed 30 % of the export contract value.

(2)

It shall not be provided on terms more favourable/less restrictive than those agreed for the related exports.

(3)

Where official support for local cost exceeds 15 % of the export contract value, such official support shall be subject to prior notification, pursuant to Article 48, specifying the nature of the local costs being supported.

11.   CLASSIFICATION OF COUNTRIES FOR MAXIMUM REPAYMENT TERMS

(a)

Category I countries are High Income (2) OECD countries. All other countries are in Category II.

(b)

The following operational criteria and procedures apply when classifying countries:

(1)

Classification for Arrangement purposes is determined by per capita GNI as calculated by the World Bank for the purposes of the World Bank classification of borrowing countries.

(2)

In cases where the World Bank does not have enough information to publish per capita GNI data, the World Bank shall be asked to estimate whether the country in question has per capita GNI above or below the current threshold. The country shall be classified according to the estimate unless the Participants decide to act otherwise.

(3)

If a country is reclassified in accordance with Article 11(a), the reclassification will take effect two weeks after the conclusions drawn from the above-mentioned data from the World Bank have been communicated to all Participants by the Secretariat.

(4)

In cases where the World Bank revises figures, such revisions shall be disregarded in relation to the Arrangement. Nevertheless, the classification of a country may be changed by way of a Common Line and Participants would favourably consider a change due to errors and omissions in the figures subsequently recognised in the same calendar year in which the figures were first distributed by the Secretariat.

(c)

A country will change category only after its World Bank category has remained unchanged for two consecutive years.

12.   MAXIMUM REPAYMENT TERMS

Without prejudice to Article 13, the maximum repayment term varies according to the classification of the country of destination determined by the criteria in Article 11.

(a)

For Category I countries, the maximum repayment term is five years, with the possibility of agreeing up to eight-and-a-half years when the procedures for prior notification set out in Article 48 are followed.

(b)

For Category II countries, the maximum repayment term is 10 years.

(c)

In the event of a contract involving more than one country of destination the Participants should seek to establish a Common Line in accordance with the procedures in Articles 58 to 63 to reach agreement on appropriate terms.

13.   REPAYMENT TERMS FOR NON-NUCLEAR POWER PLANTS

(a)

For non-nuclear power plants not covered by Annex VI, the maximum repayment term shall be 12 years. If a Participant intends to support a repayment term longer than that provided for in Article 12, the Participant shall give prior notification in accordance with the procedure in Article 48.

(b)

Non-nuclear power plants are complete power stations, or parts thereof, not fuelled by nuclear power; they include all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such non-nuclear power stations. This does not include items for which the buyer is usually responsible, in particular costs associated with land development, roads, construction villages, power lines, and switchyard and water supply located outside the power plant site boundary, as well as costs arising in the buyer's country from official approval procedures (e.g site permits, construction permit, fuel loading permits), except:

(1)

in cases where the buyer of the switchyard is the same as the buyer of the power plant, the maximum repayment term for the original switchyard shall be the same as that for the non-nuclear power plant (i.e 12 years); and

(2)

the maximum repayment term for sub-stations, transformers and transmission lines with a minimum voltage threshold of 100 kV shall be the same as that for the non-nuclear power plant.

14.   REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

(a)

The principal sum of an export credit shall be repaid in equal instalments.

(b)

Principal shall be repaid and interest shall be paid no less frequently than every six months and the first instalment of principal and interest shall be made no later than six months after the starting point of credit.

(c)

For export credits provided in support of lease transactions, equal repayments of principal and interest combined may be applied in lieu of equal repayments of principal as set out in paragraph (a).

(d)

On an exceptional and duly justified basis, export credits may be provided on terms other than those set out in paragraphs (a) through (c) above. The provision of such support shall be explained by an imbalance in the timing of the funds available to the obligor and the debt service profile available under an equal, semi-annual repayment schedule, and shall comply with the following criteria:

(1)

No single repayment of principal or series of principal payments within a six-month period shall exceed 25 % of the principal sum of the credit.

(2)

Principal shall be repaid no less frequently than every 12 months. The first repayment of principal shall be made no later than 12 months after the starting point of credit and no less than 2 % of the principal sum of the credit shall have been repaid 12 months after the starting point of credit.

(3)

Interest shall be paid no less frequently than every 12 months and the first interest payment shall be made no later than six months after the starting point of credit.

(4)

The maximum weighted average life of the repayment period shall not exceed:

—

For transactions with sovereign buyers (or with a sovereign repayment guarantee), four-and-a-half years for transactions in Category I Countries and five-and-a-quarter years for Category II Countries.

—

For transactions with non-sovereign buyers (and with no sovereign repayment guarantee), five years for Category I Countries and six years for Category II Countries.

—

Notwithstanding the provisions set out in the two previous tirets, for transactions involving support for non-nuclear power plants according to Article 13, six-and-a-quarter years.

(5)

The Participant shall give prior notification in accordance with Article 48 that explains the reason for not providing support according to paragraphs (a) through (c) above.

(e)

Interest due after the starting point of credit shall not be capitalised

15.   INTEREST RATES, PREMIUM RATES AND OTHER FEES

(a)

Interest excludes:

(1)

any payment by way of premium or other charge for insuring or guaranteeing supplier credits or financial credits;

(2)

any payment by way of banking fees or commissions relating to the export credit other than annual or semi-annual bank charges that are payable throughout the repayment period; and

(3)

withholding taxes imposed by the importing country.

(b)

Where official support is provided by means of direct credits/financing or refinancing, the premium either may be added to the face value of the interest rate or may be a separate charge; both components are to be specified separately to the Participants.

16.   VALIDITY PERIOD FOR EXPORT CREDITS

Financial terms and conditions for an individual export credit or line of credit, other than the validity period for the Commercial Interest Reference Rates (CIRRs) set out in Article 21, shall not be fixed for a period exceeding six months prior to final commitment.

17.   ACTION TO AVOID OR MINIMISE LOSSES

The Arrangement does not prevent export credit authorities or financing institutions from agreeing to less restrictive financial terms and conditions than those provided for by the Arrangement, if such action is taken after the contract award (when the export credit agreement and ancillary documents have already become effective) and is intended solely to avoid or minimise losses from events which could give rise to non-payment or claims.

18.   MATCHING

Taking into account a Participant's international obligations and consistent with the purpose of the Arrangement, a Participant may match, according to the procedures set out in Article 45, financial terms and conditions offered by a Participant or a non-Participant. Financial terms and conditions provided in accordance with this Article are considered to be in conformity with the provisions of Chapters I, II and, when applicable, Annexes I, II, III, IV, V, VI and VII.

19.   MINIMUM FIXED INTEREST RATES UNDER OFFICIAL FINANCING SUPPORT

(a)

The Participants providing official financing support for fixed rate loans shall apply the relevant CIRRs as minimum interest rates. CIRRs are interest rates established according to the following principles:

(1)

CIRRs should represent final commercial lending interest rates in the domestic market of the currency concerned;

(2)

CIRRs should closely correspond to the rate for first class domestic borrowers;

(3)

CIRRs should be based on the funding cost of fixed interest rate finance;

(4)

CIRRs should not distort domestic competitive conditions; and

(5)

CIRRs should closely correspond to a rate available to first class foreign borrowers.

(b)

The provision of official financing support shall not offset or compensate, in part or in full, for the appropriate credit risk premium to be charged for the risk of non-repayment pursuant to the provisions of Article 23.

20.   CONSTRUCTION OF CIRRS

(a)

Each Participant wishing to establish a CIRR shall initially select one of the following two base rate systems for its national currency:

(1)

three-year government bond yields for a repayment term of up to and including five years; five-year government bond yields for over five and up to and including eight-and-a-half years; and seven-year government bond yields for over eight-and-a-half years; or

(2)

five-year government bond yields for all maturities.

Exceptions to the base rate system shall be agreed by the Participants.

(b)

CIRRs shall be set at a fixed margin of 100 basis points above each Participant's base rate unless Participants have agreed otherwise.

(c)

Other Participants shall use the CIRR set for a particular currency should they decide to finance in that currency.

(d)

A Participant may change its base-rate system after giving six months' advance notice and with the counsel of the Participants.

(e)

A Participant or a non-Participant may request that a CIRR be established for the currency of a non-Participant. In consultation with the interested non-Participant, a Participant or the Secretariat on behalf of that non-Participant may make a proposal for the construction of the CIRR in that currency using Common Line procedures in accordance with Articles 58 to 63.

21.   VALIDITY OF CIRRS

The interest rate applying to a transaction shall not be fixed for a period longer than 120 days. A margin of 20 basis points shall be added to the relevant CIRR if the terms and conditions of the official financing support are fixed before the contract date.

22.   APPLICATION OF CIRRS

(a)

Where official financing support is provided for floating rate loans, banks and other financing institutions shall not be allowed to offer the option of the lower of either the CIRR (at time of the original contract) or the short-term market rate throughout the life of the loan.

(b)

In the event of a voluntary, early repayment of a loan of or any portion thereof, the borrower shall compensate the government institution providing official financing support for all costs and losses incurred as a result of such early repayment, including the cost to the government institution of replacing the part of the fixed rate cash inflow interrupted by the early repayment.

23.   PREMIUM FOR CREDIT RISK

The Participants shall charge premium, in addition to interest charges, to cover the risk of non-repayment of export credits. The premium rates charged by the Participants shall be risk-based, shall converge and shall not be inadequate to cover long-term operating costs and losses.

24.   MINIMUM PREMIUM RATES FOR CREDIT RISK

The Participants shall charge no less than the applicable Minimum Premium Rate (MPR) for Credit Risk.

(a)

The applicable MPR is determined according to the following factors:

—

the applicable country risk classification,

—

the time at risk (i.e the Horizon of Risk or HOR),

—

the selected buyer risk category of the obligor,

—

the percentage of political and commercial risk cover and quality of official export credit product provided,

—

any country risk mitigation technique applied, and

—

any buyer risk credit enhancements that have been applied.

(b)

MPRs are expressed in percentages of the principal value of the credit as if premium were collected in full at the date of the first drawdown of the credit. An explanation of how to calculate the MPRs, including the mathematical formula, is provided in Annex IX.

(c)

Irrespective of the destination country the premium rates charged by Participants for Market Benchmark transactions, i.e , involving ultimate obligors/guarantors (i.e credit risk entities) in Category 0 countries, High Income OECD Countries and High Income Euro Area Countries (3) shall be determined on a case-by-case basis. In order to ensure that the premium rates charged for transactions involving obligors, and where appropriate guarantors, in such countries do not undercut private market pricing, the Participants shall adhere to the following procedures, using agreed conventions to translate the relevant benchmark pricing into premium rates:

(1)

Where a Participant provides official support as part of a syndicated loan package that is structured as either an asset-backed (4) or project finance (5) transaction, then:

—

the all-in cost of the direct lending portion shall be no less than the all-in cost charged by the commercial market participant(s) in the syndicate,

—

the premium charged for pure cover shall be no less than the translated equivalent of that charged by the commercial market participant(s).

To qualify as a syndicated loan package, all of the following conditions must be met:

—

at least 25 % (6) of the syndicate is commercial market loan(s)/guarantee(s), without any bilateral or multilateral support (e.g , ECA, DFI, IFI or MDB) (7), where all parties to the financing are on pari passu terms on all financial terms and conditions, including security package, and

—

the transaction financial terms and conditions are fully compliant with the Arrangement, as modified by these provisions of Market Benchmark pricing in syndicated loans/guarantees transactions.

(2)

For all other Market Benchmark Transactions, the following procedures shall apply:

—

Taking into consideration the availability of market information and the characteristics of the underlying transaction, Participants shall determine the premium rate to be applied by benchmarking against one or more of the market benchmarks set forth in Annex X, choosing the benchmark(s) deemed most appropriate for the specific transaction.

—

Notwithstanding the preceding paragraph, Participants may not charge a premium rate that is lower than the corresponding premium determined by the Through the Cycle Market Benchmark (TCMB) model, based on the risk classification and total term (WAL of the whole transaction) of the transaction unless the market benchmark is derived from a Name-Specific or Related Entity (i) secondary market bond or (ii) Credit Default Swap (CDS). A Participant charging a premium rate lower than the corresponding premium determined by the TCMB model, based on the Accredited Credit Rating Agency (8) (CRA) rating of the Name-Specific market benchmark (9) shall give prior notification in accordance with Article 48. However, the premium charged may not be less than the corresponding Minimum Actuarial Premium.

—

In determining the premium rate, a Participant shall determine a risk rating for the ultimate obligor/guarantor, including whether the obligor/guarantor is rated by an Accredited CRA. A Participant may set a rating one notch better (on the Accredited CRA's scale) than that provided by an Accredited CRA. If there is no Accredited CRA rating, the risk classification may not exceed (be more favourable than) the CRA rating of the sovereign in the obligor/guarantor's domicile by more than two notches. Participants must give prior notification in accordance with Article 48 in the following scenarios:

—

where a Participant classifies the obligor/guarantor as better than the best rating from an Accredited CRA, or

—

if there is no Accredited CRA rating, where a Participant classifies a transaction as CC2 or better, or a credit rating letter equivalent to AAA to A-, or equal to or more favourable than the best Accredited CRA rating of the sovereign in the obligor's/guarantor's domicile.

(d)

The “highest risk” countries in Category 7 shall, in principle, be subject to premium rates in excess of the MPRs established for that Category; these premium rates shall be determined by the Participant providing official support.

(e)

In calculating the MPR for a transaction, the applicable country risk classification shall be the classification of the obligor's country and the applicable buyer risk classification shall be the classification of the obligor (10), unless:

—

security in the form of an irrevocable, unconditional, on-demand, legally valid and enforceable guarantee of the total debt repayment obligation for the entire duration of the credit is provided by a third party that is creditworthy in relation to the size of the guaranteed debt. In the case of a third party guarantee, a Participant may choose to apply the country risk classification of the country in which the guarantor is located and the buyer risk category of the guarantor (11), or

—

a Multilateral or Regional Institution as set out in Article 28 is acting either as borrower or guarantor for the transaction, in which case the applicable Country Risk Classification and buyer risk category may be that of the specific Multilateral or Regional Institution involved.

(f)

The criteria and conditions relating to the application of a third party guarantee according to the situations described in the first and second tirets of paragraph (e) above are set out in Annex XI.

(g)

The HOR convention used in the calculation of an MPR is one-half of the disbursement period plus the entire repayment period and assumes a regular export credit repayment profile, i.e repayment in equal semi-annual instalments of principal plus accrued interest beginning six months after the starting point of credit. For export credits with non-standard repayment profiles, the equivalent repayment period (expressed in terms of equal, semi-annual instalments) is calculated using the following formula: equivalent repayment period = (average weighted life of the repayment period – 0,25)/0,5.

(h)

The Participant choosing to apply an MPR associated with a third party guarantor located in a country other than that of the obligor shall give prior notification according to Article 47. The Participant choosing to apply a MPR associated with a Multilateral or Regional Institution acting as a guarantor shall give prior notification in accordance with Article 48.

25.   COUNTRY RISK CLASSIFICATION

With the exception of High Income OECD countries and High Income Euro Area countries, countries shall be classified according to the likelihood of whether they will service their external debts (i.e country credit risk).

(a)

The five elements of country credit risk are:

—

general moratorium on repayments decreed by the obligor's/guarantor's government or by that agency of a country through which repayment is effected,

—

political events and/or economic difficulties arising outside the country of the notifying Participant or legislative/administrative measures taken outside the country of the notifying Participant which prevent or delay the transfer of funds paid in respect of the credit,

—

legal provisions adopted in the obligor's/guarantor's country declaring repayments made in local currency to be a valid discharge of the debt, notwithstanding that, as a result of fluctuations in exchange rates, such repayments, when converted into the currency of the credit, no longer cover the amount of the debt at the date of the transfer of funds,

—

any other measure or decision of the government of a foreign country which prevents repayment under a credit, and

—

cases of force majeure occurring outside the country of the notifying Participant, i.e war (including civil war), expropriation, revolution, riot, civil disturbances, cyclones, floods, earthquakes, eruptions, tidal waves and nuclear accidents.

(b)

Countries are classified into one of eight Country Risk Categories (0-7). MPRs have been established for Categories 1 through 7, but not for Category 0, as the level of country risk is considered to be negligible for countries in this Category. The credit risk associated with transactions in Category 0 countries is predominantly related to the risk of the obligor/guarantor.

(c)

The classification of countries (12) is achieved through the Country Risk Classification Methodology, which is comprised of:

—

The Country Risk Assessment Model (the Model), which ***produces*** a quantitative assessment of country credit risk which is based, for each country, on three groups of risk indicators: the payment experience of the Participants, the financial situation and the economic situation. The methodology of the Model consists of different steps including the assessment of the three groups of risk indicators, and the combination and flexible weighting of the risk indicator groups.

—

The qualitative assessment of the Model results, considered country-by-country to integrate the political risk and/or other risk factors not taken into account in full or in part by the Model. If appropriate, this may lead to an adjustment to the quantitative Model assessment to reflect the final assessment of the country credit risk.

(d)

Country Risk Classifications shall be monitored on an on-going basis and reviewed at least annually and changes resulting from the Country Risk Classification Methodology shall be immediately communicated by the Secretariat. When a country is re-classified in a lower or higher Country Risk Category, the Participants shall, no later than five working days after the re-classification has been communicated by the Secretariat, charge premium rates at or above the MPRs associated with the new Country Risk Category.

(e)

The country risk classifications shall be made public by the Secretariat.

26.   SOVEREIGN RISK ASSESSMENT

(a)

For all countries classified through the Country Risk Classification Methodology according to Article 25 (d), the risk of the sovereign shall be assessed in order to identify, on an exceptional basis, those sovereigns:

—

that are not the lowest-risk obligor in the country, and

—

whose credit risk is significantly higher than country risk.

(b)

The identification of sovereigns meeting the criteria listed in paragraph (a) above shall be undertaken according to the Sovereign Risk Assessment Methodology that has been developed and agreed by the Participants.

(c)

The list of sovereigns identified as meeting the criteria listed in paragraph (a) above shall be monitored on an on-going basis and reviewed at least annually and changes resulting from the Sovereign Risk Assessment Methodology shall be immediately communicated by the Secretariat.

(d)

The list of sovereigns identified under paragraph (b) above shall be made public by the Secretariat.

27.   BUYER RISK CLASSIFICATION

Obligors and, as appropriate, guarantors in countries classified in Country Risk Categories 1-7 shall be classified into one of the buyer risk categories that have been established in relation to the country of the obligor/guarantor (13). The matrix of buyer risk categories into which obligors and guarantors shall be classified is provided in Annex IX. Qualitative descriptions of the buyer risk categories are provided in Annex XII.

(a)

Buyer-risk classifications shall be based on the senior unsecured credit rating of the obligor/guarantor as determined by the Participant.

(b)

Notwithstanding paragraph (a) above, transactions supported according to the terms and conditions of Annex VII and transactions having a credit value of SDR 5 million or less may be classified on a transaction basis, i.e after the application of any buyer risk credit enhancements; however, such transactions, regardless of how they are classified, are not eligible for any discounts for the application of buyer risk credit enhancements.

(c)

Sovereign obligors and guarantors are classified in buyer risk category SOV/CC0.

(d)

On an exceptional basis, non-sovereign obligors and guarantors may be classified in the “Better than Sovereign” (SOV+) buyer risk category (14) if:

—

the obligor/guarantor has a foreign currency rating from an Accredited CRA that is better than the foreign currency rating (from the same CRA) of their respective sovereign, or

—

the obligor/guarantor's is located in a country in which sovereign risk has been identified as being significantly higher than country risk.

(e)

The Participants shall give prior notification according to Article 48 for transactions:

—

with a non-sovereign obligor/guarantor where the premium charged is below that set by Buyer Risk Category CC1, i.e CC0 or SOV+,

—

with a non-sovereign obligor/guarantor having a credit value of greater than SDR 5 million where a Participant assesses a buyer risk rating for a non-sovereign obligor/guarantor that is rated by an Accredited CRA, and the buyer risk rating assessed is better than the Accredited CRA rating (15).

(f)

In the event of competition for a specific transaction, whereby the obligor/guarantor has been classified by competing Participants in different buyer risk categories, the competing Participants shall seek to arrive at a common buyer risk classification. If agreement on a common classification is not reached, the Participant(s) having classified the obligor/guarantor in a higher buyer risk classification are not prohibited from applying the lower buyer risk classification.

28.   CLASSIFICATION OF MULTILATERAL AND REGIONAL INSTITUTIONS

Multilateral and Regional Institutions shall be classified into one of eight Country Risk Categories (0-7) (16) and reviewed as appropriate; such applicable classifications shall be made public by the Secretariat.

29.   PERCENTAGE AND QUALITY OF OFFICIAL EXPORT CREDIT COVER

The MPRs are differentiated to take account of the differing quality of export credit products and percentage of cover provided by the Participants as set out in Annex IX. The differentiation is based on the exporter's perspective (i.e to neutralise the competitive effect arising from the differing qualities of product provided to the exporter/financial institution).

(a)

The quality of an export credit product is a function of whether the product is insurance, guarantee or direct credit/financing, and for insurance products whether cover of interest during the claims waiting period (i.e the period between the due date of payment by the obligor and the date that the insurer is liable to reimburse the exporter/financial institution) is provided without a surcharge.

(b)

All existing export credit products offered by the Participants shall be classified into one of the three product categories which are:

—

Below standard product, i.e insurance without cover of interest during the claims waiting period and insurance with cover of interest during the claims waiting period with an appropriate premium surcharge,

—

Standard product, i.e insurance with cover of interest during the claims waiting period without an appropriate premium surcharge and direct credit/financing, and

—

Above standard product, i.e guarantees.

30.   COUNTRY RISK MITIGATION TECHNIQUES

(a)

The Participants may apply the following country risk mitigation techniques, the specific application of which is set out in Annex XIII:

—

Offshore Future Flow Structure Combined with Offshore Escrow Account

—

Local Currency Financing.

(b)

The Participant applying an MPR reflecting the use of country risk mitigation shall give prior notification according to Article 47.

(c)

No country risk mitigation shall be applied to Market Benchmark transactions.

31.   BUYER RISK CREDIT ENHANCEMENTS

(a)

The Participants may apply the following buyer risk credit enhancements (BRCE) which allow for the application of a Credit Enhancement Factor (CEF) greater than 0:

—

Assignment of Contract Proceeds or Receivables

—

Asset Based Security

—

Fixed Asset Security

—

Escrow Account.

(b)

Definitions of the BRCE and maximum CEF values for both Category 1-7 obligors as well as Market Benchmark obligors are set out in Annex XIII.

(c)

BRCEs may be used alone or in combination with the following restrictions:

—

The maximum CEF that can be achieved through the use of the BRCEs is 0,35 for Category 1-7 transactions, and 0,25 for Market Benchmark transactions.

—

“Asset Based Security” and “Fixed Asset Security” cannot be used together in one transaction.

—

In a Category 1-7 transaction where the applicable country risk classification has been improved through the use of “Offshore Future Flow Structure Combined with Offshore Escrow Account”, no BRCEs may be applied.

(d)

The Participants shall give prior notification according to Article 48 for transactions with a non-sovereign obligor/guarantor having a credit of greater than SDR 5 million where BRCEs result in the application of a CEF of greater than 0, or whenever BRCEs are used in a Market Benchmark transaction that result in pricing below the corresponding TCMB MPR.

32.   REVIEW OF THE VALIDITY OF THE MINIMUM PREMIUM RATES FOR CREDIT RISK

(a)

To assess the adequacy of MPRs and to allow, if necessary, for adjustments, either upwards or downwards, Premium Feedback Tools (PFTs), shall be used in parallel to monitor and adjust the MPRs on a regular basis.

(b)

The PFTs shall assess the adequacy of the MPRs in terms of both the actual experience of institutions providing official export credits as well as private market information on the pricing of credit risk.

(c)

A comprehensive review of all aspects of the premium rules of the Arrangement, with a special emphasis on the Market Benchmark Pricing Rules, shall take place no later than 31 December 2018.

CHAPTER III

PROVISIONS FOR TIED AID

33.   GENERAL PRINCIPLES

(a)

The Participants have agreed to have complementary policies for export credits and tied aid. Export credit policies should be based on open competition and the free play of market forces. Tied aid policies should provide needed external resources to countries, sectors or projects with little or no access to market financing. Tied aid policies should ensure best value for money, minimise trade distortion, and contribute to developmentally effective use of these resources.

(b)

The tied aid provisions of the Arrangement do not apply to the aid ***programmes*** of multilateral or regional institutions.

(c)

Principles do not prejudge the views of the Development Assistance Committee (DAC) on the quality of tied and untied aid.

(d)

A Participant may request additional information relevant to the tying status of any form of aid. If there is uncertainty as to whether a certain financing practice falls within the scope of the definition of tied aid set out in Annex XV, the donor country shall furnish evidence in support of any claim to the effect that the aid is in fact “untied” in accordance with the definition in Annex XV.

34.   FORMS OF TIED AID

Tied aid can take the form of:

(a)

Official Development Assistance (ODA) loans as defined in the “DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance (1987)”;

(b)

ODA grants as defined in the “DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance (1987)”; and

(c)

Other Official Flows (OOF), which includes grants and loans but excludes officially supported export credits that are in conformity with the Arrangement; or

(d)

Any association, e.g mixture, in law or in fact, within the control of the donor, the lender or the borrower involving two or more of the preceding, and/or the following financing components:

(1)

an export credit that is officially supported by way of direct credit/financing, refinancing, interest rate support, guarantee or insurance to which the Arrangement applies; and

(2)

other funds at or near market terms, or down payment from the purchaser.

35.   ASSOCIATED FINANCING

(a)

Associated financing may take various forms including mixed credits, mixed financing, joint financing, parallel financing or single integrated transactions. The main characteristics are that they all feature:

—

a concessional component that is linked in law or in fact to the non-concessional component,

—

either a single part or all of the financing package that is, in effect, tied aid, and

—

concessional funds those are available only if the linked non-concessional component is accepted by the recipient.

(b)

Association or linkage “in fact” is determined by such factors as:

—

the existence of informal understandings between the recipient and the donor authorities,

—

the intention by the donor to facilitate the acceptability of a financing package through the use of ODA,

—

the effective tying of the whole financing package to procurement in the donor country,

—

the tying status of ODA and the means of tendering for or contracting of each financing transaction, or

—

any other practice, identified by the DAC or the Participants in which a de facto liaison exists between two or more financing components.

(c)

The following practices shall not prevent the determination of an association or linkage “in fact”:

—

contract splitting through the separate notification of the component parts of one contract,

—

splitting of contracts financed in several stages,

—

non-notification of interdependent parts of a contract, and/or

—

non-notification because part of the financing package is untied.

36.   COUNTRY ELIGIBILITY FOR TIED AID

(a)

There shall be no tied aid to countries whose per capita GNI, according to the World Bank data, is above the upper limit for lower middle income countries. The World Bank recalculates this threshold on an annual basis (17). A country will be reclassified only after its World Bank category has been unchanged for two consecutive years.

(b)

The following operational criteria and procedures apply when classifying countries:

(1)

Classification for Arrangement purposes is determined by per capita GNI as calculated by the World Bank for the purposes of the World Bank classification of borrowing countries; this classification shall be made public by the Secretariat.

(2)

In cases where the World Bank does not have enough information to publish per capita GNI data, the World Bank shall be asked to estimate whether the country in question has per capita GNI above or below the current threshold. The country shall be classified according to the estimate unless the Participants decide to act otherwise.

(3)

If a country's eligibility for tied aid does change in accordance with paragraph (a) above, the reclassification shall take effect two weeks after the conclusions drawn from the above mentioned World Bank data have been communicated to all Participants by the Secretariat. Before the effective date of reclassification, no tied aid financing for a newly eligible country may be notified; after that date, no tied aid financing for a newly promoted country may be notified, except that individual transactions covered under a prior committed credit line may be notified until the expiry of the credit line (which shall be no more than one year from the effective date).

(4)

In cases where the World Bank revises figures such revisions shall be disregarded in relation to the Arrangement. Nevertheless, the classification of a country may be changed by way of a Common Line, in accordance with the appropriate procedures in Articles 58 to 63, and the Participants would favourably consider a change due to errors and omissions in the figures subsequently recognised in the same calendar year as the figures that were first distributed by the Secretariat.

37.   PROJECT ELIGIBILITY

(a)

Tied aid shall not be extended to public or private projects that normally should be commercially viable if financed on market or Arrangement terms.

(b)

The key tests for such aid eligibility are:

—

whether the project is financially non-viable, i.e does the project lack capacity with appropriate pricing determined on market principles, to generate cash flow sufficient to cover the project's operating costs and to service the capital employed, i.e the first key test, or

—

whether it is reasonable to conclude, based on communication with other Participants, that it is unlikely that the project can be financed on market or Arrangement terms, i.e the second key test. In respect of projects larger than SDR 50 million special weight shall be given to the expected availability of financing at market or Arrangement terms when considering the appropriateness of such aid.

(c)

The key tests under paragraph (b) above are intended to describe how a project should be evaluated to determine whether it should be financed with such aid or with export credits on market or Arrangement terms. Through the consultation process described in Articles 51 to 53, a body of experience is expected to develop over time that will more precisely define, for both export credit and aid agencies, ex ante guidance as to the line between the two categories of projects.

38.   MINIMUM CONCESSIONALITY LEVEL

The Participants shall not provide tied aid that has a concessionality level of less than 35 %, or 50 % if the beneficiary country is a Least Developed Country (LDC), except for the cases set out below, which are also exempt from the notification procedures set out in Articles 49(a) and 50(a):

(a)

Technical assistance: tied aid where the official development aid component consists solely of technical cooperation that is less than either 3 % of the total value of the transaction or SDR 1 million, whichever is lower; and

(b)

Small projects: capital projects of less than SDR 1 million that are funded entirely by development assistance grants.

39.   EXEMPTIONS FROM COUNTRY OR PROJECT ELIGIBILITY FOR TIED AID

(a)

The provisions of Articles 36 and 37 do not apply to tied aid where the concessionality level is 80 % or more except for tied aid that forms part of an associated financing package, described in Article 35.

(b)

The provisions of Article 37 do not apply to tied aid with a value of less than SDR 2 million except for tied aid that forms part of an associated financing package, described in Article 35.

(c)

Tied aid for LDCs as defined by the United Nations is not subject to the provisions of Articles 36 and 37.

(d)

The Participants shall give favourable consideration to an acceleration of tied aid procedures in line with the specific circumstances:

—

a nuclear or major industrial accident that causes serious trans-frontier pollution, where any affected Participant wishes to provide tied aid to eliminate or mitigate its effects, or

—

the existence of a significant risk that such an accident may occur, where any potentially affected Participant wishes to provide tied aid to prevent its occurrence.

(e)

Notwithstanding Articles 36 and 37, a Participant may, exceptionally, provide support by one of the following means:

—

the Common Line procedure as defined in Annex XV and described in Articles 58 to 63, or

—

the justification on aid grounds through support by a substantial body of the Participants as described in Articles 51 and 52, or

—

a letter to the OECD Secretary-General, in accordance with the procedures in Article 53, which the Participants expect will be unusual and infrequent.

40.   CALCULATION OF CONCESSIONALITY LEVEL OF TIED AID

The concessionality level of tied aid is calculated using the same method as for the grant element used by the DAC, except that:

(a)

The discount rate used to calculate the concessionality level of a loan in a given currency, i.e the Differentiated Discount Rate (DDR), is subject to annual change on 15 January and is calculated as follows:

—

The average of the CIRR + Margin

Margin (M) depends on the repayment term (R) as follows:

R

M

less than 15 years

0,75

from 15 years up to, but not including 20 years

1,00

from 20 years up to but not including 30 years

1,15

from 30 years and above

1,25

—

For all currencies the average of the CIRR is calculated taking an average of the monthly CIRRs valid during the six-month period between 15 August of the previous year and 14 February of the current year. The calculated rate, including the Margin, is rounded to the nearest ten basis points. If there is more than one CIRR for the currency, the CIRR for the longest maturity as set out in Article 20(a), shall be used for this calculation.

(b)

The base date for the calculation of the concessionality level is the starting point of credit as set out in Annex XV.

(c)

For the purpose of calculating the overall concessionality level of an associated financing package, the concessionality levels of the following credits, funds and payments are considered to be zero:

—

export credits that are in conformity with the Arrangement;

—

other funds at or near market rates;

—

other official funds with a concessionality level of less than the minimum permitted under Article 38 except in cases of matching; and

—

down payment from the purchaser.

Payments on or before the starting point of credit that are not considered down payment shall be included in the calculation of the concessionality level.

(d)

The discount rate in matching: in matching aid, identical matching means matching with an identical concessionality level that is recalculated with the discount rate in force at the time of matching.

(e)

Local costs and third country procurement shall be included in the calculation of concessionality level only if they are financed by the donor country.

(f)

The overall concessionality level of a package is determined by multiplying the nominal value of each component of the package by the respective concessionality level of each component, adding the results, and dividing this total by the aggregate nominal value of the components.

(g)

The discount rate for a given aid loan is the rate in effect at the time of notification. However, in cases of prompt notification, the discount rate is the one in effect at the time when the terms and conditions of the aid loan were fixed. A change in the discount rate during the life of a loan does not change its concessionality level.

(h)

If a change of currency is made before the contract is concluded, the notification shall be revised. The discount rate used to calculate the concessionality level will be the one applicable at the date of revision. A revision is not necessary if the alternative currency and all the necessary information for calculation of the concessionality level are indicated in the original notification.

(i)

Notwithstanding paragraph (g) above, the discount rate used to calculate the concessionality level of individual transactions initiated under an aid credit line shall be the rate that was originally notified for the credit line.

41.   VALIDITY PERIOD FOR TIED AID

(a)

The Participants shall not fix terms and conditions for tied aid, whether this relates to the financing of individual transactions or to an aid protocol, an aid credit line or to a similar agreement, for more than two years. In the case of an aid protocol, an aid credit line or similar agreement, the validity period shall commence at the date of its signature, to be notified in accordance with Article 50; the extension of a credit line shall be notified as if it were a new transaction with a note explaining that it is an extension and that it is renewed at terms allowed at the time of the notification of the extension. In the case of individual transactions, including those notified under an aid protocol, an aid credit line or similar agreement, the validity period shall commence at the date of notification of the commitment in accordance with Article 49 or 50, as appropriate.

(b)

When a country has become ineligible for 17-year World Bank Loans for the first time, the validity period of existing and new tied aid protocols and credit lines notified shall be restricted to one year after the date of the potential reclassification in accordance with procedures in Article 36(b).

(c)

Renewal of such protocols and credit lines is possible only on terms which are in accordance with the provisions of Articles 36 and 37 of the Arrangement following:

—

the reclassification of countries, and

—

a change in the provisions of the Arrangement.

In these circumstances, the existing terms and conditions can be maintained notwithstanding a change in the discount rate set out in Article 40.

42.   MATCHING

Taking into account a Participant's international obligations and consistent with the purpose of the Arrangement, a Participant may match, according to the procedures set out in Article 45, financial terms and conditions offered by a Participant or a non-Participant.

CHAPTER IV

PROCEDURES

SECTION 1

Common procedures for export credits and trade-related aid

43.   NOTIFICATIONS

The notifications set out by the procedures in the Arrangement shall be made in accordance with, and include the information contained in Annex VIII, and shall be copied to the Secretariat.

44.   INFORMATION ON OFFICIAL SUPPORT

(a)

As soon as a Participant commits the official support which it has notified in accordance with the procedures in Articles 47 to 50, it shall inform all other Participants accordingly by including the notification reference number on the relevant reporting form.

(b)

In an exchange of information in accordance with Articles 55 to 57, a Participant shall inform the other Participants of the credit terms and conditions that it envisages supporting for a particular transaction and may request similar information from the other Participants.

45.   PROCEDURES FOR MATCHING

(a)

Before matching financial terms and conditions assumed to be offered by a Participant or a non-Participant pursuant to Articles 18 and 42, a Participant shall make every reasonable effort, including as appropriate by use of the face-to-face consultations described in Article 57, to verify that these terms and conditions are officially supported and shall comply with the following:

(1)

The Participant shall notify all other Participants of the terms and conditions it intends to support following the same notification procedures required for the matched terms and conditions. In the case of matching a non-Participant, the matching Participant shall follow the same notification procedures that would have been required had the matched terms been offered by a Participant.

(2)

Notwithstanding subparagraph (1) above, if the applicable notification procedure would require the matching Participant to withhold its commitment beyond the final bid closing date, then the matching Participant shall give notice of its intention to match as early as possible.

(3)

If the initiating Participant moderates or withdraws its intention to support the notified terms and conditions, it shall immediately inform all other Participants accordingly.

(b)

A Participant intending to offer identical financial terms and conditions to those notified according to Articles 47 and 48 may do so once the waiting period stipulated therein has expired. This Participant shall give notification of its intention as early as possible.

46.   SPECIAL CONSULTATIONS

(a)

A Participant that has reasonable grounds to believe that financial terms and conditions offered by another Participant (the initiating Participant) are more generous than those provided for in the Arrangement shall inform the Secretariat; the Secretariat shall immediately make available such information.

(b)

The initiating Participant shall clarify the financial terms and conditions of its offer within two working days following the issue of the information from the Secretariat.

(c)

Following clarification by the initiating Participant, any Participant may request that a special consultation meeting of the Participants be organised by the Secretariat within five working days to discuss the issue.

(d)

Pending the outcome of the special consultation meeting of the Participants, financial terms and conditions benefiting from official support shall not become effective.

SECTION 2

Procedures for export credits

47.   PRIOR NOTIFICATION WITH DISCUSSION

(a)

A Participant shall notify all other Participants at least ten calendar days before issuing any commitment in accordance with Annex VIII if:

—

the applicable country risk classification and buyer risk category used to calculate the MPR is that of a third party guarantor located outside of the obligor's country (i.e determined according to the first tiret of Article 24(e)),

—

the applicable MPR has been decreased through the application of a country risk mitigation technique listed in Article 30, or

—

it intends to provide support in accordance with Article 10(a)(2) or (d) of Annex IV,

—

it intends to provide support in accordance with Article 5(a) of Annex V.

(b)

If any other Participant requests a discussion during this period, the initiating Participant shall wait an additional ten calendar days.

(c)

A Participant shall inform all other Participants of its final decision following a discussion to facilitate the review of the body of experience in accordance with Article 69. The Participants shall maintain records of their experience with regard to premium rates notified in accordance with paragraph (a) above.

48.   PRIOR NOTIFICATION

(a)

A Participant shall, in accordance with Annex VIII, notify all other Participants at least ten calendar days before issuing any commitment if it intends to:

(1)

Provide support in accordance with Article 10(d)(3).

(2)

Support a repayment term of more than five years to a Category I country.

(3)

Provide support in accordance with Article 13(a).

(4)

Provide support in accordance with Article 14(d).

(5)

Apply a premium rate in accordance with the provisions of Article 24(c)(1) when participating as part of a syndicated loan package.

(6)

Apply a premium rate lower than the corresponding premium determined by the TCMB model, in accordance with the second tiret of Article 24(c)(2).

(7)

Provide support in Market Benchmark transactions, where a Participant classifies the obligor/guarantor as better than the best rating from an Accredited CRA; or if there is no rating from an Accredited CRA, where a Participant classifies a transaction as CC2 or better, or a credit rating letter equivalent to AAA to A-, or equal to or more favourable than the best Accredited CRA rating of the sovereign in the obligor's/guarantor's domicile.

(8)

Apply a premium rate in accordance with the second tiret of Article 24(e), whereby the applicable country risk classification and buyer risk category used to calculate the MPR have been determined by the involvement as obligor or guarantor of a classified multilateral or regional institution.

(9)

Apply a premium rate in accordance with Article 27(e) whereby the selected buyer risk category used to calculate the MPR for a transaction:

—

with a non-sovereign obligor/guarantor is lower than CC1 (i.e CC0 or SOV+),

—

with a non-sovereign obligor/guarantor having a credit of greater than SDR 5 million is better than the Accredited CRA rating.

(10)

Apply a premium rate in accordance with Article 31(a) for transactions with a non-sovereign obligor/guarantor having a credit of greater than SDR 5million, whereby the use of buyer risk credit enhancements results in the application of a CEF of greater than 0, or whenever BRCEs are used in a Market Benchmark transaction that result in pricing below the corresponding TCMB MPR.

(11)

Provide support in accordance with Article 8(a) of Annex II.

(12)

Provide support in accordance with Article 10(a)(1) of Annex IV.

(13)

Provide support in accordance with Article 5(b) of Annex V.

(14)

Provide support in accordance with Article 4(a) of Annex VI.

(b)

If the initiating Participant moderates or withdraws its intention to provide support for such transaction, it shall immediately inform all other Participants.

SECTION 3

Procedures for trade-related aid

49.   PRIOR NOTIFICATION

(a)

A Participant shall give prior notification in accordance with Annex VIII if it intends to provide official support for:

—

Trade-related untied aid with a value of SDR 2 million or more, and a concessionality level of less than 80 %,

—

Trade-related untied aid with a value of less than SDR 2 million and a grant element (as defined by the DAC) of less than 50 %,

—

Trade-related tied aid with a value of SDR 2 million or more and a concessionality level of less than 80 %, or

—

Trade-related tied aid with a value of less than SDR 2 million and a concessionality level of less than 50 %, except for the cases set out in Articles 38(a) and (b),

—

Tied aid in accordance with Article 39(d).

(b)

Prior notification shall be made at the latest 30 working days before the bid closing or commitment date, whichever is the earlier.

(c)

If the initiating Participant moderates or withdraws its intention to support the notified terms and conditions, it shall immediately inform all other Participants accordingly.

(d)

The provision of this Article shall apply to tied aid that forms part of an associated financing package, as described in Article 35.

50.   PROMPT NOTIFICATION

(a)

A Participant shall promptly notify all other Participants, i.e within two working days of the commitment, in accordance with Annex VIII, if it provides official support for tied aid with a value of either:

—

SDR 2 million or more and a concessionality level of 80 % or more, or

—

less than SDR 2 million and a concessionality level of 50 % or more except for the cases set out in Articles 38(a) and (b).

(b)

A Participant shall also promptly notify all other Participants when an aid protocol, credit line or similar agreement is signed.

(c)

Prior notification need not be given if a Participant intends to match financial terms and conditions that were subject to a prompt notification.

SECTION 4

Consultation procedures for tied aid

51.   PURPOSE OF CONSULTATIONS

(a)

A Participant seeking clarification about possible trade motivation for tied aid may request that a full Aid Quality Assessment (detailed in Annex XIV) be supplied.

(b)

Furthermore, a Participant may request consultations with other Participants, in accordance with Article 52. These include face-to-face consultations as outlined in Article 57 in order to discuss:

—

first, whether an aid offer meets the requirements of Articles 36 and 37, and

—

if necessary, whether an aid offer is justified even if the requirements of Articles 36 and 37 are not met.

52.   SCOPE AND TIMING OF CONSULTATIONS

(a)

During consultations, a Participant may request, among other items, the following information:

—

the assessment of a detailed feasibility study/project appraisal,

—

whether there is a competing offer with non-concessional or aid financing,

—

the expectation of the project generating or saving foreign currency,

—

whether there is cooperation with multilateral organisations such as the World Bank,

—

the presence of International Competitive Bidding (ICB), in particular if the donor country's supplier is the lowest evaluated bid,

—

the environmental implications,

—

any private sector participation, and

—

the timing of the notifications (e.g six months prior to bid closing or commitment date) of concessional or aid credits.

(b)

The consultation shall be completed and the findings on both questions in Article 51 notified by the Secretariat to all Participants at least ten working days before the bid closing date or commitment date, whichever comes first. If there is disagreement among the consulting parties, the Secretariat shall invite other Participants to express their views within five working days. It shall report these views to the notifying Participant, which should reconsider going forward if there appears to be no substantial support for an aid offer.

53.   OUTCOME OF CONSULTATIONS

(a)

A donor which wishes to proceed with a project despite the lack of substantial support shall provide prior notification of its intentions to other Participants, no later than 60 calendar days after the completion of the Consultation, i.e acceptance of the Chairman's conclusion. The donor shall also write a letter to the Secretary-General of the OECD outlining the results of the consultations and explaining the overriding non-trade related national interest that forces this action. The Participants expect that such an occurrence will be unusual and infrequent.

(b)

The donor shall immediately notify the Participants that it has sent a letter to the Secretary-General of the OECD, a copy of which shall be included with the notification. Neither the donor nor any other Participant shall make a tied aid commitment until ten working days after this notification to Participants has been issued. For projects for which competing commercial offers were identified during the consultation process, the aforementioned ten-working-day period shall be extended to 15 days.

(c)

The Secretariat shall monitor the progress and results of consultations.

SECTION 5

Information exchange for export credits and trade-related aid

54.   CONTACT POINTS

All communications shall be made between the designated contact points in each country by means of instant communication, e.g OLIS, and shall be treated in confidence.

55.   SCOPE OF ENQUIRIES

(a)

A Participant may ask another Participant about the attitude it takes with respect to a third country, an institution in a third country or a particular method of doing business.

(b)

A Participant which has received an application for official support may address an enquiry to another Participant, giving the most favourable credit terms and conditions that the enquiring Participant would be willing to support.

(c)

If an enquiry is made to more than one Participant, it shall contain a list of addressees.

(d)

A copy of all enquiries shall be sent to the Secretariat.

56.   SCOPE OF RESPONSES

(a)

The Participant to which an enquiry is addressed shall respond within seven calendar days and provide as much information as possible. The reply shall include the best indication that the Participant can give of the decision it is likely to take. If necessary, the full reply shall follow as soon as possible. Copies shall be sent to the other addressees of the enquiry and to the Secretariat.

(b)

If an answer to an enquiry subsequently becomes invalid for any reason, because for example:

—

an application has been made, changed or withdrawn, or

—

other terms are being considered,

a reply shall be made without delay and copied to all other addressees of the enquiry and to the Secretariat.

57.   FACE-TO-FACE CONSULTATIONS

(a)

A Participant shall agree within ten working days to requests for face-to-face consultations.

(b)

A request for face-to-face consultations shall be made available to Participants and non-Participants. The consultations shall take place as soon as possible after the expiry of the ten-working-day period.

(c)

The Chairman of the Participants shall coordinate with the Secretariat on any necessary follow-up action, e.g a Common Line. The Secretariat shall promptly make available the outcome of the consultation.

58.   PROCEDURES AND FORMAT OF COMMON LINES

(a)

Common Line proposals are addressed only to the Secretariat. A proposal for a Common Line shall be sent to all Participants and, where tied aid is involved, all DAC contact points by the Secretariat. The identity of the initiator is not revealed on the Common Line Register on the Bulletin Board of the OLIS. However, the Secretariat may orally reveal the identity of the initiator to a Participant or DAC member on demand. The Secretariat shall keep a record of such requests.

(b)

The Common Line proposal shall be dated and shall be in the following format:

—

Reference number, followed by “Common Line”.

—

Name of the importing country and buyer.

—

Name or description of the project as precise as possible to clearly identify the project.

—

Terms and conditions foreseen by the initiating country.

—

Common Line proposal.

—

Nationality and names of known competing bidders.

—

Commercial and financial bid closing date and tender number to the extent it is known.

—

Other relevant information, including reasons for proposing the Common Line, availability of studies of the project and/or special circumstances.

(c)

A Common Line proposal put forward in accordance with Article 36(b)(4) shall be addressed to the Secretariat and copied to other Participants. The Participant making the Common Line proposal shall provide a full explanation of the reasons why it considers that the classification of a country should differ from the procedure set out in Article 36(b).

(d)

The Secretariat shall make publicly available the agreed Common Lines.

59.   RESPONSES TO COMMON LINE PROPOSALS

(a)

Responses shall be made within 20 calendar days, although the Participants are encouraged to respond to a Common Line proposal as quickly as possible.

(b)

A response may be a request for additional information, acceptance, and rejection, a proposal for modification of the Common Line or an alternative Common Line proposal.

(c)

A Participant which advises that it has no position because it has not been approached by an exporter, or by the authorities in the recipient country in case of aid for the project, shall be deemed to have accepted the Common Line proposal.

60.   ACCEPTANCE OF COMMON LINES

(a)

After a period of 20 calendar days, the Secretariat shall inform all Participants of the status of the Common Line proposal. If not all Participants have accepted the Common Line, but no Participant has rejected it, the proposal shall be left open for a further period of eight calendar days.

(b)

After this further period, a Participant which has not explicitly rejected the Common Line proposal shall be deemed to have accepted the Common Line. Nevertheless, a Participant, including the initiating Participant, may make its acceptance of the Common Line conditional on the explicit acceptance by one or more Participants.

(c)

If a Participant does not accept one or more elements of a Common Line it implicitly accepts all other elements of the Common Line. It is understood that such a partial acceptance may lead other Participants to change their attitude towards a proposed Common Line. All Participants are free to offer or match terms and conditions not covered by a Common Line.

(d)

A Common Line which has not been accepted may be reconsidered using the procedures in Articles 58 and 59. In these circumstances, the Participants are not bound by their original decision.

61.   DISAGREEMENT ON COMMON LINES

If the initiating Participant and a Participant which has proposed a modification or alternative cannot agree on a Common Line within the additional eight-calendar day period, this period can be extended by their mutual consent. The Secretariat shall inform all Participants of any such extension.

62.   EFFECTIVE DATE OF COMMON LINE

The Secretariat shall inform all Participants either that the Common Line will go into effect or that it has been rejected; the Common Line will take effect three calendar days after this announcement. The Secretariat shall make available on OLIS a permanently updated record of all Common Lines which have been agreed or are undecided.

63.   VALIDITY OF COMMON LINES

(a)

A Common Line, once agreed, shall be valid for a period of two years from its effective date, unless the Secretariat is informed that it is no longer of interest, and that this is accepted by all Participants. A Common Line shall remain valid for a further two-year period if a Participant seeks an extension within 14 calendar days of the original date of expiry. Subsequent extensions may be agreed through the same procedure. A Common Line agreed in accordance with Article 36(b)(4) shall be valid until World Bank data for the following year is available.

(b)

The Secretariat shall monitor the status of Common Lines and shall keep the Participants informed accordingly, through the maintenance of the listing “The Status of Valid Common Lines” on OLIS. Accordingly, the Secretariat, inter alia, shall:

—

Add new Common Lines when these have been accepted by the Participants.

—

Update the expiry date when a Participant requests an extension.

—

Delete Common Lines which have expired.

—

Issue, on a quarterly basis, a list of Common Lines due to expire in the following quarter.

SECTION 6

Operational provisions for the communication of minimum interest rates (CIRRs)

64.   COMMUNICATION OF MINIMUM INTEREST RATES

(a)

CIRRs for currencies that are determined according to the provisions of Article 20 shall be sent by means of instant communication at least monthly to the Secretariat for circulation to all Participants.

(b)

Such notification shall reach the Secretariat no later than five days after the end of each month covered by this information. The Secretariat shall then inform immediately all Participants of the applicable rates and make them publicly available.

65.   EFFECTIVE DATE FOR APPLICATION OF INTEREST RATES

Any changes in the CIRRs shall enter into effect on the fifteenth day after the end of each month.

66.   IMMEDIATE CHANGES IN INTEREST RATES

When market developments require the notification of an amendment to a CIRR during the course of a month, the amended rate shall be implemented 10 days after notification of this amendment has been received by the Secretariat.

SECTION 7

Reviews

67.   REGULAR REVIEW OF THE ARRANGEMENT

(a)

The Participants shall review regularly the functioning of the Arrangement. In the review, the Participants shall examine, inter alia, notification procedures, implementation and operation of the DDR system, rules and procedures on tied aid, questions of matching, prior commitments and possibilities of wider participation in the Arrangement.

(b)

This review shall be based on information of the Participants' experience and on their suggestions for improving the operation and efficacy of the Arrangement. The Participants shall take into account the objectives of the Arrangement and the prevailing economic and monetary situation. The information and suggestions that Participants wish to put forward for this review shall reach the Secretariat no later than 45 calendar days before the date of review.

68.   REVIEW OF MINIMUM INTEREST RATES

(a)

The Participants shall periodically review the system for setting CIRRs in order to ensure that the notified rates reflect current market conditions and meet the aims underlying the establishment of the rates in operation. Such reviews shall also cover the margin to be added when these rates are applied.

(b)

A Participant may submit to the Chairman of the Participants a substantiated request for an extraordinary review in case this Participant considers that the CIRR for one or more than one currency no longer reflect current market conditions.

69.   REVIEW OF MINIMUM PREMIUM RATES AND RELATED ISSUES

The Participants shall regularly monitor and review all aspects of the premium rules and procedures. This shall include:

(a)

The Country Risk Classification and Sovereign Risk Assessment Methodologies to review their validity in the light of experience;

(b)

The level of the MPRs to ensure that they remain an accurate measure of credit risk, taking into account both the actual experience of institutions providing official export credits as well as private market information on the pricing of credit risk;

(c)

The differentiations in the MPRs which take account of the differing quality of export credit products and percentage of cover provided; and

(d)

The body of experience related to the use of country risk mitigation and buyer risk credit enhancements and the continued validity and appropriateness of their specific impact on the MPRs.

ANNEX I

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR SHIPS

CHAPTER I

SCOPE OF THE SECTOR UNDERSTANDING

1.   PARTICIPATION

The Participants to the Sector Understanding are: Australia, the European Union, Japan, Korea, New Zealand and Norway.

2.   SCOPE OF APPLICATION

This Sector Understanding, which complements the Arrangement, sets out specific guidelines for officially supported export credits relating to export contracts of:

(a)

Any new sea-going vessel of 100 gt and above used for the transportation of goods or persons, or for the performance of a specialised service (for example, fishing vessels, fish factory ships, ice breakers and as dredgers, that present in a permanent way by their means of propulsion and direction (steering) all the characteristics of self-navigability in the high sea), tugs of 365 kw and over and to unfinished shells of ships that are afloat and mobile. The Sector Understanding does not cover military vessels. Floating docks and mobile offshore units are not covered by the Sector Understanding, but should problems arise in connection with export credits for such structures, the Participants to the Sector Understanding (hereinafter the “Participants”), after consideration of substantiated requests by any Participant, may decide that they shall be covered.

(b)

Any conversion of a ship. Ship conversion means any conversion of sea-going vessels of more than 1 000 gt on condition that conversion operations entail radical alterations to the cargo ***plan***, the hull or the propulsion system.

(c)

(1)

Although hovercraft-type vessels are not included in the Sector Understanding, Participants are allowed to grant export credits for hovercraft vessels on equivalent conditions to those prevailing in the Sector Understanding. They commit themselves to apply this possibility moderately and not to grant such credit conditions to hovercraft vessels in cases where it is established that no competition is offered under the conditions of the Sector Understanding.

(2)

In the Sector Understanding, the term “hovercraft” is defined as follows: an amphibious vehicle of at least 100 tons designed to be supported wholly by air expelled from the vehicle forming a plenum contained within a flexible skirt around the periphery of the vehicle and the ground or water surface beneath the vehicle, and capable of being propelled and controlled by airscrews or ducted air from fans or similar devices.

(3)

It is understood that the granting of export credits at conditions equivalent to those prevailing in this Sector Understanding should be limited to those hovercraft vessels used on maritime routes and non-land routes, except for reaching terminal facilities standing at a maximum distance of one kilometre from the water.

CHAPTER II

PROVISIONS FOR EXPORT CREDITS AND TIED AID

3.   MAXIMUM REPAYMENT TERM

The maximum repayment term, irrespective of country classification, is 12 years after delivery.

4.   CASH PAYMENT

The Participants shall require a minimum cash payment of 20 % of the contract price by delivery.

5.   REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

(a)

The principal sum of an export credit shall be repaid in equal instalments at regular intervals of normally six months and a maximum of 12 months.

(b)

Interest shall be paid no less frequently than every six months and the first payment of interest shall be made no later than six months after the starting point of credit.

(c)

For export credits provided in support of lease transactions, equal repayments of principal and interest combined may be applied in lieu of equal repayments of principal as set out in paragraph (a).

(d)

Interest due after the starting point of credit shall not be capitalised.

(e)

A Participant to this Sector Understanding intending to support a payment of interest on different terms than those set out in paragraph (b) shall give prior notification at least ten calendar days before issuing any commitment, in accordance with Annex VIII of the Arrangement.

6.   MINIMUM PREMIUM

The provisions of the Arrangement in relation to minimum premium benchmarks shall not be applied until such provisions have been further reviewed by the Participants to this Sector Understanding.

7.   PROJECT FINANCE

The provisions of Article 7 and of Annex VII to the Arrangement shall not be applied until such provisions have been further reviewed by the Participants to this Sector Understanding.

8.   AID

Any Participant desiring to provide aid must, in addition to the provisions of the Arrangement, confirm that the ship is not operated under an open registry during the repayment term and that appropriate assurance has been obtained that the ultimate owner resides in the receiving country, is not a non-operational subsidiary of a foreign interest and has undertaken not to sell the ship without his government's approval.

CHAPTER III

PROCEDURES

9.   NOTIFICATION

For the purpose of transparency each Participant shall, in addition to the provisions of the Arrangement and the IBRD/Berne Union/OECD Creditor Reporting System, provide annually information on its system for the provision of official support and of the means of implementation of this Sector Understanding, including the schemes in force.

10.   REVIEW

(a)

The Sector Understanding shall be reviewed annually or upon request by any Participant within the context of the OECD Working Party on Shipbuilding, and a report made to the Participants to the Arrangement.

(b)

To facilitate coherence and consistency between the Arrangement and this Sector Understanding and taking into account the nature of the shipbuilding industry, the Participants to this Sector Understanding and to the Arrangement will consult and coordinate as appropriate.

(c)

Upon a decision by the Participants to the Arrangement to change the Arrangement, the Participants to this Sector Understanding (the Participants) will examine such a decision and consider its relevance to this Sector Understanding. Pending such consideration the amendments to the Arrangement will not apply to this Sector Understanding. In case the Participants can accept the amendments to the Arrangement they shall report this in writing to the Participants to the Arrangement. In case the Participants cannot accept the amendments to the Arrangement as far as their application to shipbuilding is concerned they shall inform the Participants to the Arrangement of their objections and enter into consultations with them with a view to seeking a resolution of the issues. In case no agreement can be reached between the two groups, the views of the Participants as regards the application of the amendments to shipbuilding shall prevail.

Attachment

Commitments for future work

In addition to the Future Work of the Arrangement, the Participants to this Sector Understanding agree:

(a)

To develop an illustrative list of types of ships which are generally considered non-commercially viable, taking into account the disciplines on tied aid set out in the Arrangement.

(b)

To review the provisions of the Arrangement in relation to minimum premium benchmarks with a view to incorporating them into this Sector Understanding.

(c)

To discuss, subject to the developments in relevant international negotiations, the inclusion of other disciplines on minimum interest rates including a special CIRR and floating rates.

(d)

To review the applicability to this Sector Understanding of provisions of the Arrangement in relation to Project Finance.

(e)

To discuss whether:

—

the date of the first instalment of principal,

—

the Weighted Average Life concept

may be used in relation to the repayment profile contained in Article 5 of this Sector Understanding.

ANNEX II

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR NUCLEAR POWER PLANTS

CHAPTER I

SCOPE OF THE SECTOR UNDERSTANDING

1.   SCOPE OF APPLICATION

(a)

This Sector Understanding sets out the provisions which apply to officially supported export credits relating to contracts for:

(1)

The export of complete nuclear power stations or parts thereof, comprising all components, equipment, materials and services, including the training of personnel directly required for the construction and commissioning of such nuclear power stations.

(2)

The modernisation of existing nuclear power plants in cases where both the overall value of the modernisation is at or above SDR 80 million and the economic life of the plant is likely to be extended by at least the repayment period to be awarded. If either of these criteria is not met, the terms of the Arrangement apply.

(3)

The supply of nuclear fuel and enrichment.

(4)

The provision of spent fuel management.

(b)

This Sector Understanding does not apply to:

(1)

Items located outside the nuclear power plant site boundary for which the buyer is usually responsible, in particular costs associated with land development, roads, construction village, power lines, switchyard (18) and water supply, as well as costs arising in the buyer's country from official approval procedures (e.g site permit, construction permit, fuel loading permit).

(2)

Sub-stations, transformers and transmission lines located outside the nuclear power plant site boundary.

(3)

Official support provided for the decommissioning of a nuclear power plant.

CHAPTER II

PROVISIONS FOR EXPORT CREDITS AND TRADE-RELATED AID

2.   MAXIMUM REPAYMENT TERMS

(a)

The maximum repayment term for goods and services included in the provisions of Articles 1(a)(1) and (2) of this Sector Understanding is 18 years.

(b)

The maximum repayment term for the initial fuel load is four years from delivery. The maximum repayment term for subsequent reloads of nuclear fuel is two years from delivery.

(c)

The maximum repayment term for spent fuel disposal is two years.

(d)

The maximum repayment term for enrichment and spent fuel management is five years.

3.   REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

(a)

The Participants shall apply a profile of repayment of principal and payment of interest as specified in subparagraph (1) or (2) below:

(1)

Repayment of principal shall be made in equal instalments.

(2)

Repayment of principal and payment of interest combined shall be made in equal instalments.

(b)

Principal shall be repaid and interest shall be paid no less frequently than every six months and the first instalment of principal and interest shall be made no later than six months after the starting point of credit.

(c)

On an exceptional and duly justified basis, official support for goods and services mentioned in Articles 1(a)(1) and (2) of this Understanding may be provided on terms other than those set out in paragraphs (a) and (b) above. The provision of such support shall be explained by an imbalance in the timing of the funds available to the obligor and the debt service profile available under an equal, semi-annual repayment schedule, and shall comply with the following criteria:

(1)

The maximum repayment term shall be 15 years.

(2)

No single repayment of principal or series of principal payments within a six-month period shall exceed 25 % of the principal sum of the credit.

(3)

Principal shall be repaid no less frequently than every 12 months. The first repayment of principal shall be made no later than 12 months after the starting point of credit and no less than 2 % of the principal sum of the credit shall have been repaid 12 months after the starting point of credit.

(4)

Interest shall be paid no less frequently than every 12 months and the first interest payment shall be made no later than six months after the starting point of credit.

(5)

The maximum weighted average life of the repayment period shall not exceed nine years.

(d)

Interest due after the starting point of credit shall not be capitalised.

4.   CONSTRUCTION OF CIRRs

The applicable CIRRs for official financing support provided in accordance with the provisions of this Sector Understanding are constructed using to the following base rates and margins:

Repayment Term

(years)

New nuclear power stations (19)

All other contracts (20)

Base Rate

(Government bonds)

Margin

(bps)

Base Rate

(Government bonds)

Margin

(bps)

< 11

Relevant CIRR in accordance with Article 20 of the Arrangement

11 to 12

7 years

100

7 years

100

13

8 years

120

7 years

120

14

9 years

120

8 years

120

15

9 years

120

8 years

120

16

10 years

125

9 years

120

17

10 years

130

9 years

120

18

10 years

130

10 years

120

5.   ELIGIBLE CURRENCIES

The currencies that are eligible for official financing support are those which are fully convertible and for which data are available to construct the minimum interest rates mentioned in Article 4 of this Sector Understanding, and Article 20 of the Arrangement for repayment terms less than 11 years.

6.   OFFICIAL SUPPORT FOR NUCLEAR FUEL AND FOR NUCLEAR FUEL RELATED SERVICES

Without prejudice to the provisions of Article 7 of this Sector Understanding, the Participants shall not provide free nuclear fuel or services.

7.   AID

The Participants shall not provide aid support.

CHAPTER III

PROCEDURES

8.   PRIOR NOTIFICATION

(a)

A Participant shall give prior notification in accordance with Article 48 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support in accordance with the provisions of this Sector Understanding.

(b)

If the notifying Participant intends to provide support with a repayment term in excess of 15 years and/or in accordance with Article 3(c) of this Sector Understanding, it shall wait an additional ten calendar days if any other Participant requests a discussion during the initial ten calendar days.

(c)

A Participant shall inform all other Participants of its final decision following a discussion, to facilitate the review of the body of experience.

CHAPTER IV

REVIEW

9.   FUTURE WORK

The Participants agree to examine the following issues:

(a)

A minimum floating interest rate regime.

(b)

The maximum amount of official support for local costs.

10.   REVIEW AND MONITORING

The Participants shall review regularly the provisions of the Sector Understanding and at the latest by the end of 2017.

ANNEX III

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR CIVIL AIRCRAFT

PART 1

GENERAL PROVISIONS

1.   PURPOSE

(a)

The purpose of this Sector Understanding is to provide a framework for the predictable, consistent and transparent use of officially supported export credits for the sale or lease of aircraft and other goods and services specified in Article 4(a) below. This Sector Understanding seeks to foster a level playing field for such export credits, in order to encourage competition among exporters based on quality and price of goods and services exported rather than on the most favourable officially supported financial terms and conditions.

(b)

This Sector Understanding sets out the most favourable terms and conditions on which officially supported export credits may be provided.

(c)

To this aim, this Sector Understanding seeks to establish a balanced equilibrium that, on all markets:

(1)

Equalises competitive financial conditions between the Participants,

(2)

Neutralises official support among the Participants as a factor in the choice among competing goods and services specified in Article 4(a) below, and

(3)

Avoids distortion of competition among the Participants to this Sector Understanding and any other sources of financing.

(d)

The Participants to this Sector Understanding (the Participants) acknowledge that the provisions included in this Sector Understanding have been developed for the sole purpose of this Sector Understanding and such provisions do not prejudice the other parts of the Arrangement on Officially Supported Export Credits (the Arrangement) and their evolution.

2.   STATUS

This Sector Understanding is a Gentlemen's Agreement among its Participants and is Annex III to the Arrangement; it forms an integral part of the Arrangement and it succeeds the Sector Understanding which came into effect in July 2007.

3.   PARTICIPATION

The Participants currently are: Australia, Brazil, Canada, the European Union, Japan, Korea, New Zealand, Norway, Switzerland and the United States. Any non-Participant may become a Participant in accordance with the procedures set out in Appendix I.

4.   SCOPE OF APPLICATION

(a)

This Sector Understanding shall apply to all official support provided by or on behalf of a government, and which has a repayment term of two years or more, for the export of:

(1)

New civil aircraft and engines installed thereon, including buyer furnished equipment.

(2)

Used, converted, and refurbished civil aircraft and engines installed thereon, including, in each case, buyer furnished equipment.

(3)

Spare engines.

(4)

Spare parts for civil aircraft and engines.

(5)

Maintenance and service contracts for civil aircraft and engines.

(6)

Conversion, major modifications and refurbishment of civil aircraft.

(7)

Engine kits.

(b)

Official support may be provided in different forms:

(1)

Export credit guarantee or insurance (pure cover).

(2)

Official financing support:

—

direct credit/financing and refinancing, or

—

interest rate support.

Any combination of the above.

(c)

This Sector Understanding shall not apply to official support for:

(1)

The exports of new or used military aircraft and related goods and services listed in paragraph (a) above, including when used for military purposes.

(2)

New or used flight simulators.

5.   INFORMATION AVAILABLE TO NON-PARTICIPANTS

A Participant shall, on the basis of reciprocity, reply to a request from a non-Participant in a competitive situation on the financial terms and conditions offered for its official support as it would reply to a request from a Participant.

6.   AID SUPPORT

The Participants shall not provide aid support, except for humanitarian purposes, through a Common Line procedure.

7.   ACTIONS TO AVOID OR MINIMISE LOSSES

This Sector Understanding does not prevent its Participants from agreeing to less restrictive financial terms and conditions than those provided for by this Sector Understanding, if such action is taken after the export credit agreement and ancillary documents have already become effective and is intended solely to avoid or minimise losses from events which could give rise to non-payment or claims. A Participant shall notify all other Participants and the OECD Secretariat (the Secretariat), within 20 working days following the Participant's agreement with the buyer/borrower, of the modified financial terms and conditions. The notification shall contain information, including the motivation, on the new financial terms and conditions, using the reporting form set out in Appendix IV.

PART 2

NEW AIRCRAFT

CHAPTER I

Coverage

8.   NEW AIRCRAFT

(a)

For the purpose of this Sector Understanding, a new aircraft is:

(1)

An aircraft, including buyer furnished equipment, and the engines installed on such aircraft owned by the manufacturer and not delivered nor previously used for its intended purpose of carrying passengers and/or freight and

(2)

Spare engines and spare parts when contemplated as part of the original aircraft order in accordance with the provisions of Article 20(a) below.

(b)

Notwithstanding the provisions of paragraph (a) above, a Participant may support terms appropriate to new aircraft for transactions where, with the prior knowledge of that Participant, interim financing arrangements had been put in place because the provision of official support had been delayed; such delay shall not be longer than 18 months. In such cases, the repayment term and the final repayment date shall be the same as if the sale or lease of the aircraft would have been officially supported from the date the aircraft was originally delivered.

CHAPTER II

Financial terms and conditions

Financial terms and conditions for export credits encompass all the provisions set out in this Chapter, which shall be read in conjunction one with the other.

9.   ELIGIBLE CURRENCIES

The currencies which are eligible for official financing support are euro, Japanese yen, UK pound sterling, US dollar, and other fully convertible currencies for which data are available to construct the minimum interest rates mentioned in Appendix III.

10.   DOWN PAYMENT AND MAXIMUM OFFICIAL SUPPORT

(a)

For transactions with buyers/borrowers classified in Risk Category 1 (as per Table 1 of Appendix II), the Participants shall:

(1)

Require a minimum down payment of 20 % of the net price of the aircraft at or before the starting point of credit;

(2)

Not provide official support in excess of 80 % of the net price of the aircraft.

(b)

For transactions with buyers/borrowers classified in Risk Categories 2 to 8 (as per Table 1 of Appendix II), the Participants shall:

(1)

Require a minimum down payment of 15 % of the net price of the aircraft at or before the starting point of credit;

(2)

Not provide official support in excess of 85 % of the net price of the aircraft.

(c)

A Participant which applies Article 8(b) above shall reduce the maximum amount of official support by the amount of principal of the instalments deemed due from the starting point of the credit so as to ensure that, at the time of disbursement, the amount outstanding is the same as if such an officially supported export credit was provided at the time of delivery. In such circumstances, prior to delivery the Participant shall have received an application for official support.

11.   MINIMUM PREMIUM RATES

(a)

The Participants providing official support shall charge, for the credit amount officially supported, no less than the minimum premium rate set out in accordance with Appendix II.

(b)

The Participants shall use, whenever necessary, the agreed premium rate conversion model to convert between per annum spreads calculated on the outstanding amount of the official support and single up-front premium rates calculated on the original amount of the official support.

12.   MAXIMUM REPAYMENT TERM

(a)

The maximum repayment term shall be 12 years for all new aircraft.

(b)

On an exceptional basis, and with a prior notification, a maximum repayment term of up to 15 years shall be allowed. In this case, a surcharge of 35 % to the minimum premium rates calculated in accordance with Appendix II shall apply.

(c)

There shall be no extension of the repayment term by way of sharing of rights in the security on a pari passu basis with commercial lenders for the officially supported export credit.

13.   REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

(a)

The Participants shall apply a profile of repayment of principal and payment of interest as specified in subparagraph (1) or (2) below.

(1)

Repayment of principal and payment of interest combined shall be made in equal instalments:

—

Instalments shall be made no less frequently than every three months and the first instalment shall be made no later than three months after the starting point of credit.

—

Alternatively, and subject to a prior notification, instalments shall be made every six months and the first instalment shall be made no later than six months after the starting point of credit. In this case, a surcharge of 15 % to the minimum premium rates calculated in accordance with Appendix II shall apply.

—

In the case of a floating rate transaction, the principal amortising profile shall be set for the entire term, no more than five business days prior to the disbursement date, based on the floating or swap rate at that time.

(2)

Repayment of principal shall be made in equal instalments with interest payable on declining balances:

—

Instalments shall be made no less frequently than every three months and the first instalment shall be made no later than three months after the starting point of credit.

—

Alternatively, and subject to a prior notification, instalments shall be made every six months and the first instalment shall be made no later than six months after the starting point of credit. In this case, a surcharge of 15 % to the minimum premium rates calculated in accordance with Appendix II shall apply.

(b)

Notwithstanding paragraph (a) above, and subject to a prior notification, the repayment of principal may be structured to include a final payment of all outstanding amounts on a specified date. In such case, repayments of principal prior to the final payment will be structured as set out in paragraph (a) above, based on an amortisation period not greater than the maximum repayment term allowed for the goods and services being supported.

(c)

Notwithstanding paragraph (a) above, repayment of principal may be structured on terms less favourable to the obligor.

(d)

Interest due after the starting point of credit shall not be capitalised.

14.   MINIMUM INTEREST RATES

(a)

The Participants providing official financing support shall apply either a minimum floating interest rate or a minimum fixed interest rate, in accordance with the provisions of Appendix III.

(b)

For jet aircraft of a net price of at least USD 35 million, official financing support on CIRR basis shall only be provided in exceptional circumstances. A Participant intending to provide such support shall notify all other Participants at least 20 calendar days before final commitment, identifying the borrower.

(c)

Interest rate excludes any payment by way of premium referred to in Article 11 above, and fees referred to in Article 16 below.

15.   INTEREST RATE SUPPORT

The Participants providing interest rate support shall comply with the financial terms and conditions of this Sector Understanding and shall require any bank or any other financial institution which is a party to the interest supported transaction to participate in that transaction only on terms that are consistent in all respects with the financial terms and conditions of this Sector Understanding.

16.   FEES

(a)

Subject to the limits of the premium holding period, the Participants providing official support in the form of pure cover shall charge a premium holding fee on the un-drawn portion of the official support during the premium holding period, as follows:

(1)

For the first six months of the holding period: zero basis points per annum.

(2)

For the second six months of the holding period: 12,5 basis points per annum.

(3)

For the third and final six months of the holding period: 25 basis points per annum.

(b)

The Participants providing official support in the form of direct credit/financing shall charge the following fees:

(1)

Arrangement/Structuring fee: 25 basis points on the disbursed amount payable at the time of each disbursement.

(2)

Commitment and premium holding fee: 20 basis points per annum on the un-drawn portion of the officially supported export credit to be disbursed, during the premium holding period, payable in arrears.

(3)

Administration fee: five basis points per annum on the amount of official support outstanding payable in arrears. Alternatively, the Participants may elect to have this fee payable as an up-front fee, on the amount disbursed, at the time of each disbursement pursuant to the provisions of Article 11(b) above.

17.   CO-FINANCING

Notwithstanding Articles 14 and 16 above, in a co-financing where official support is provided by way of direct credit and pure cover, and where pure cover represents at least 35 % of the officially supported amount, the Participant providing direct credit shall apply the same financial terms and conditions, including fees, as those provided by the financial institution under pure cover, to generate an all-in cost equivalence between the pure cover provider and the direct lender. In such circumstances, the Participant providing such support shall report the financial terms and conditions supported, including fees, in accordance with the reporting form set out in Appendix IV.

PART 3

USED AIRCRAFT, SPARE ENGINES, SPARE PARTS, MAINTENANCE AND SERVICE CONTRACTS

CHAPTER I

Coverage

18.   USED AIRCRAFT AND OTHER GOODS AND SERVICES

This Part of the Sector Understanding shall apply to used aircraft and to spare engines, spare parts, conversion, major modification, refurbishing, maintenance and service contracts in conjunction with both new and used aircraft and engine kits.

CHAPTER II

Financial terms and conditions

The financial terms and conditions to be applied, other than the maximum repayment term, shall be in accordance with the provisions set out in Part 2 of this Sector Understanding.

19.   SALE OF USED AIRCRAFT

(a)

Subject to paragraph (b) below, the maximum repayment term for used aircraft shall be established in accordance with the age of the aircraft, as set out in the following table:

Age of Aircraft (years since the date of original manufacture)

Maximum Repayment Terms for Asset-Backed or Sovereign Transactions (years)

Maximum Repayment Terms for Transactions neither Asset-Backed nor Sovereign (years)

1

10

8,5

2

9

7,5

3

8

6,5

4

7

6

5-8

6

5,5

Over 8

5

5

(b)

The maximum repayment term for aircraft that have undergone conversion, provided the transaction meets all the requirements of Article 19 of Appendix II and provided further that official support, if any, provided in respect of such conversion was not provided in accordance with Article 21(a) below, shall be established in accordance with the period of time since the date of conversion and the age of the aircraft, as set out in the following table:

Maximum Repayment Terms for Asset-Backed Converted Aircraft (years)

Period of Time Since the Date of Conversion (years)

Age of Aircraft

(years since the date of original manufacture)

1

2

3

4

5-8

Over 8

0 (Newly converted)

10

9

8

8

8

8

1

10

9

8

7

7

7

2

—

9

8

7

6

6

3 or more

—

—

8

7

6

5

20.   SPARE ENGINES AND SPARE PARTS

(a)

When purchased, or ordered in connection with the engines to be installed on a new aircraft, the official support for spare engines may be provided on the same terms and conditions as for the aircraft.

(b)

When purchased with new aircraft, the official support for spare parts may be provided on the same terms and conditions as for the aircraft up to a maximum 5 % of the net price of the new aircraft and installed engines; paragraph (d) below shall apply to official support for spare parts in excess of the 5 % limit.

(c)

When spare engines are not purchased with a new aircraft, the maximum repayment term shall be eight years. For spare engines with a unit value of USD 10 million or more, the repayment term may be increased to 10 years, provided the transaction meets all the requirements of Article 19 of Appendix II.

(d)

When other spare parts are not purchased with a new aircraft, the maximum repayment term shall be:

(1)

Five years with a contract value of USD 5 million or more.

(2)

Two years with a contract value of less than USD 5 million.

21.   CONTRACTS FOR CONVERSION/MAJOR MODIFICATION/REFURBISHING

(a)

If a transaction for conversion:

(1)

Is valued at USD 5 million or more, and

—

Meets all the requirements of Article 19 of Appendix II, a Participant may offer official support with a repayment term of up to eight years.

—

Does not meet all the requirements of Article 19 of Appendix II, a Participant may offer official support with a repayment term of up to five years.

(2)

Is valued at less than USD 5 million, a Participant may offer official support with a repayment term of up to two years.

(b)

If a transaction is for a major modification, or refurbishment, a Participant may offer official support with a repayment term of up to:

(1)

Five years if the contract value is USD 5 million or more;

(2)

Two years, if the contract value is less than USD 5 million.

22.   MAINTENANCE AND SERVICE CONTRACTS

The Participants may offer official support with a repayment term of up to three years.

23.   ENGINE KITS

The Participants may offer official support with a repayment term of up to five years.

PART 4

TRANSPARENCY PROCEDURES

All communications shall be made between the designated contact points in each Participant country by means of instant communication, e.g the OECD On-Line Information System (OLIS). Unless otherwise agreed, all information exchanged under this Part of the Sector Understanding shall be treated by all Participants as confidential.

Section 1

Information requirements

24.   INFORMATION ON OFFICIAL SUPPORT

(a)

Within one month after the date of a final commitment, a Participant shall submit the information required in Appendix IV to all other Participants, with a copy to the Secretariat.

(b)

In order to establish the margin benchmark in accordance with Appendix III Article 8(b), information on pure cover margins, as outlined in Appendix III Articles 8(c) and (d), shall be submitted to the Secretariat no later than five days after the end of each month.

Section 2

Exchange of information

25.   REQUESTS FOR INFORMATION

(a)

A Participant may ask another Participant for information about the use of its officially supported export credits for the sale or lease of aircraft covered by this Sector Understanding.

(b)

A Participant which has received an application for official support may address an enquiry to another Participant, giving the most favourable credit terms and conditions that the enquiring Participant would be willing to support.

(c)

The Participant to which such an enquiry is addressed shall respond within seven calendar days and provide reciprocal information to the fullest extent possible. The reply shall include the best indication that the Participant can give of the decision it is likely to take. If necessary, the full reply shall follow as soon as possible.

(d)

Copies of all enquiries and responses shall be sent to the Secretariat.

26.   FACE-TO-FACE CONSULTATIONS

(a)

In a competitive situation, a Participant may request face-to-face consultations with one or more Participants.

(b)

Any Participant shall agree within ten working days to such requests.

(c)

The consultations shall take place as soon as possible after the expiry of the ten working-day period.

(d)

The Chairman of the Participants shall coordinate with the Secretariat on any necessary follow-up action. The Secretariat shall promptly make available to all Participants the outcome of the consultation.

27.   SPECIAL CONSULTATIONS

(a)

A Participant (the initiating Participant) that has reasonable grounds to believe that financial terms and conditions offered by another Participant (the responding Participant) are more generous than those provided for in this Sector Understanding shall inform the Secretariat; the Secretariat shall immediately make available such information to the responding Participant.

(b)

The responding Participant shall clarify the financial terms and conditions of the official support being considered within five working days following the issue of the information from the Secretariat.

(c)

Following clarification by the responding Participant, the initiating Participant may request that a special consultation with the responding Participant be organised by the Secretariat within five working days to discuss the issue.

(d)

The responding Participant shall wait for the outcome of the consultation which shall be determined on the day of such consultation before proceeding any further with the transaction.

Section 3

Common lines

28.   PROCEDURES AND FORMAT OF COMMON LINES

(a)

Common Line proposals shall be addressed to the Secretariat only. The identity of the initiator is not revealed on the Common Line register on the OLIS. However, the Secretariat may orally reveal the identity of the initiator to a Participant on demand. The Secretariat shall keep a record of such requests.

(b)

The Common Line proposal shall be dated and shall be in the following format:

(1)

Reference number, followed by Common Line.

(2)

Name of the importing country and buyer/borrower.

(3)

Name or description of the transaction as precise as possible to clearly identify the transaction.

(4)

Common Line proposal for the most generous terms and conditions to be supported.

(5)

Nationality and names of known competing bidders.

(6)

Bid closing date and tender number to the extent it is known.

(7)

Other relevant information, including reasons for proposing the Common Line and as appropriate, special circumstances.

29.   RESPONSES TO COMMON LINE PROPOSALS

(a)

Responses shall be made within 20 calendar days, although the Participants are encouraged to respond to a Common Line proposal as quickly as possible.

(b)

A response may be acceptance, rejection, a request for additional information, a proposal for modification of the Common Line or an alternative Common Line proposal.

(c)

A Participant which remains silent or advises that it has no position shall be deemed to have accepted the Common Line proposal.

30.   ACCEPTANCE OF COMMON LINES

(a)

After a period of 20 calendar days, the Secretariat shall inform all Participants of the status of the Common Line proposal. If not all Participants have accepted the Common Line, but no Participant has rejected it, the proposal shall be left open for a further period of eight calendar days.

(b)

After this further period, a Participant which has not explicitly rejected the Common Line proposal shall be deemed to have accepted the Common Line. Nevertheless, a Participant, including the initiating Participant, may make its acceptance of the Common Line conditional on the explicit acceptance by one or more Participants.

(c)

If a Participant does not accept one or more elements of a Common Line it implicitly accepts all other elements of the Common Line.

31.   DISAGREEMENT ON COMMON LINES

(a)

If the initiating Participant and a Participant which has proposed a modification or alternative cannot agree on a Common Line within the additional eight calendar-day period mentioned in Article 30 above, this period can be extended by their mutual consent. The Secretariat shall inform all Participants of any such extension.

(b)

A Common Line which has not been accepted may be reconsidered using the procedures in Articles 28 to 30 above. In these circumstances, the Participants are not bound by their original decision.

32.   EFFECTIVE DATE OF COMMON LINE

The Secretariat shall inform all Participants either that the Common Line will go into effect or that it has been rejected; the agreed Common Line will take effect three calendar days after this announcement.

33.   VALIDITY OF COMMON LINES

(a)

Unless agreed otherwise, a Common Line, once agreed, shall be valid for a period of two years from its effective date, unless the Secretariat is informed that it is no longer of interest, and that such situation is accepted by all Participants.

(b)

If a Participant seeks an extension within 14 calendar days of the original date of expiry and in the absence of disagreement, a Common Line shall remain valid for a further two-year period; subsequent extensions may be agreed through the same procedure.

(c)

The Secretariat shall monitor the status of Common Lines and shall keep the Participants informed accordingly, through the maintenance of the listing “The Status of Valid Common Lines” on OLIS. Accordingly, the Secretariat, inter alia, shall issue, on a quarterly basis, a list of Common Lines due to expire in the following quarter.

(d)

Upon the request of a non-Participant which ***produces*** competing aircraft, the Secretariat shall make available valid Common Lines to that non-Participant.

Section 4

Matching

34.   MATCHING

(a)

Taking into account a Participant's international obligations, a Participant may match financial terms and conditions of official support offered by a non-Participant.

(b)

In the event of matching non-conforming terms and conditions offered by a non-Participant:

(1)

The matching Participant shall make every effort to verify such terms and conditions.

(2)

The matching Participant shall inform the Secretariat and all other Participants of the nature and outcome of such efforts, as well as of the terms and conditions it intends to support, at least ten calendar days before issuing any commitment.

(3)

If a competing Participant requests a discussion during this ten calendar-day period, the matching Participant shall wait an additional ten calendar days before issuing any commitment on such terms.

(c)

If a matching Participant modifies or withdraws its intention to support the notified terms and conditions, it shall immediately inform all other Participants accordingly.

PART 5

MONITORING AND REVIEW

35.   MONITORING

(a)

The Secretariat shall monitor the implementation of this Sector Understanding and report to the Participants on an annual basis.

(b)

Each transaction deemed eligible under Article 39(a) shall be reported in accordance with the provisions of Article 24(a) and Appendix IV.

(c)

Each transaction deemed eligible under Article 39(b) shall be reported in accordance with the provisions of Article 24(a) and Appendix IV, in addition to which:

(1)

The reporting Participant shall indicate the link between that transaction and the transition list.

(2)

The transition lists shall be monitored on a semi-annual basis; to that end, the Secretariat shall meet with each Participant, with a view to:

—

Monitoring the number of firm orders registered on the transition lists which have been delivered.

—

Updating for the following year the delivery schedule for transactions registered on the transition lists.

—

Identifying orders registered on transition lists which have not been or shall not, for any reason, be delivered to the buyer listed on such transition lists. Any such order shall be deleted from the transition list and shall not be reallocated in any way to any other buyer.

36.   REVIEW

The Participants shall review the procedures and provisions of this Sector Understanding, against the criteria, and at the times, set out in paragraphs (a) and (b) below.

(a)

The Participants shall undertake the review of this Sector Understanding as follows:

(1)

In calendar year 2019 and every fourth year thereafter, in each case with three months prior notice given by the Secretariat.

(2)

At the request of a Participant after due consultation, provided that three months prior notice has been given by the Secretariat and the requesting Participant provides a written explanation of the reason for, and objectives of, the review as well as a summary of the consultations preceding its request.

(3)

Modalities of update of minimum premium rates and minimum interest rates are set out in Appendixes II and III respectively.

(4)

Fees set out in Article 16 shall be part of reviews.

(b)

The review set out in subparagraph (a)(1) above shall consider:

(1)

The extent to which the purposes of this Sector Understanding, as set out in Article 1 above, have been achieved and any other issue a Participant may wish to bring forward for discussion.

(2)

In view of the elements in subparagraph (b)(1) above, whether amendments to any aspect of this Sector Understanding are justified.

(c)

In recognition of the importance of the review process, to ensure that the terms and conditions of this Sector Understanding continue to meet the needs of the Participants, each Participant reserves the right to withdraw from this Sector Understanding in accordance with Article 40 below.

37.   FUTURE WORK

Consideration will be given to:

(a)

Examining Participants' practices in providing official support before the starting point of credit.

(b)

The provisions applicable to indirect loans.

(c)

An extension of maximum repayments terms under Article 19 for used aircraft that have undergone significant refurbishment prior to sale.

(d)

An extension of maximum repayment terms under Article 21 for larger contract values.

(e)

The provisions applicable to “refurbishing” (Article 21) and “services” (Article 22).

(f)

The Cape Town eligibility process.

(g)

The definition of “Interested Participant”.

PART 6

FINAL PROVISIONS

38.   ENTRY INTO FORCE

The effective date of this Sector Understanding is 1 February 2011.

39.   TRANSITIONAL ARRANGEMENTS

Notwithstanding Article 38 above, the Participants may provide official support on the terms and conditions set out as follows:

(a)

The Participants may provide official support on the terms and conditions set out in the Aircraft Sector Understanding in force as of 1 July 2007 (“the 2007 ASU”) if the following conditions are fulfilled:

(1)

The goods and services shall be subject to a firm contract concluded not later than 31 December 2010.

(2)

The goods and services shall be physically delivered not later than 31 December 2012 for 2007 ASU Category 1 aircraft and 31 December 2013 for 2007 ASU Category 2 and 3 aircraft.

(3)

For each final commitment notified, a 20 basis points per annum commitment fee shall be charged from the earlier of the date of the final commitment or 31 January 2011 (2007 ASU Category 1 aircraft)/30 June 2011 (2007 ASU Category 2 and 3 aircraft), until the aircraft is delivered. This commitment fee shall be in lieu of the fees set out in Articles 17(a) and (b)(2) of the 2007 ASU. This commitment fee shall be charged in addition to the minimum premium charged.

(b)

The Participants may provide official support on terms and conditions applicable prior to the effective date of this Sector Understanding if the following conditions are fulfilled:

(1)

The goods and services shall be subject to a firm contract concluded not later than 31 December 2010.

(2)

Such official support is limited to deliveries of 69 2007 ASU Category 1 aircraft per Participant and 92 2007 ASU Category 2 aircraft per Participant.

(3)

In order to benefit from the terms and conditions set out in this paragraph, aircraft mentioned in subparagraph (b)(2) above shall be registered on lists (hereafter “transition lists”) which shall be notified by the Participants to the Secretariat prior to the entry into force of this Sector Understanding. Such transition lists shall include:

—

The aircraft models and numbers.

—

Tentative delivery dates.

—

Identity of buyers.

—

The applicable regime (either the Aircraft Sector Understanding prevailing prior to the 2007 ASU, or the 2007 ASU).

(4)

Information under the first, second and fourth tirets above shall be shared with all Participants; information under the third tiret above shall be managed exclusively by the Secretariat and the Chairman.

(5)

For each aircraft on transition lists:

—

If official support is committed under the Aircraft Sector Understanding prevailing prior to the 2007 ASU, a commitment fee of 35 basis points per annum shall be charged from the earlier of the date of the final commitment or 31 March 2011, until the aircraft is delivered. In addition, the minimum premium charged shall be no less than 3 % on an up-front basis.

—

If official support is committed under the 2007 ASU, a commitment fee of 20 basis points per annum shall be charged from the earlier of the date of the final commitment or 30 June 2011, until the aircraft is delivered.

—

The commitment fee set out in both tirets above shall be in lieu of the fees set out in Articles 17(a) and (b)(2) of the 2007 ASU. This commitment fee shall be charged in addition to the minimum premium charged.

(6)

The Participants may provide officially supported export credits on the terms and conditions set out in the Aircraft Sector Understanding prevailing prior to the 2007 ASU only for deliveries of aircraft scheduled to occur on or prior to 31 December 2010, in accordance with firm contracts concluded not later than 30 April 2007 and notified to the Secretariat not later than 30 June 2007.

(c)

The implementation of this Article shall be monitored in accordance with Articles 35(b) and (c).

40.   WITHDRAWAL

A Participant may withdraw from this Sector Understanding by notifying the Secretariat in writing by means of instant communication, e.g the OLIS. The withdrawal takes effect six months after receipt of the notification by the Secretariat. Withdrawal will not affect agreements reached on individual transactions entered into prior to the effective date of the withdrawal.

Appendix I

Participation in the Aircraft Sector Understanding

1.

The Participants encourage non-Participants that are developing a manufacturing capacity for civil aircraft to apply the disciplines of this Sector Understanding. In this context the Participants invite non-Participants to enter into a dialogue with them regarding the conditions of joining the ASU.

2.

The Secretariat should ensure that a non-Participant interested in participating in this Sector Understanding is provided with full information on the terms and conditions associated with becoming a Participant to this Sector Understanding.

3.

The non-Participant would then be invited by the Participants to take part in the activities in pursuance of this Sector Understanding and to attend, as an observer, the relevant meetings. Such an invitation would be for a maximum of two years and could be renewed once for a further two years. During this period the non-Participant shall be invited to provide a review of its export credit system, especially for the export of civil aircraft.

4.

At the end of that period, the non-Participant shall indicate whether it wishes to become a Participant in this Sector Understanding and to follow its disciplines; in the case of such confirmation, the non-Participant shall contribute, on an annual basis, to the costs associated with the implementation of this Sector Understanding.

5.

The interested non-Participant shall be considered a Participant 30 working days after the confirmation referred to in Article 4 of this Appendix.

Appendix II

Minimum premium rates

This Appendix sets out the procedures to be used when determining the pricing of official support for a transaction subject to this Sector Understanding. Section 1 sets out the risk classification procedures; Section 2 sets out the minimum premium rates to be charged for new and used aircraft, and Section 3 sets out the minimum premium rates to be charged for spare engines, spare parts, conversion/major modification/refurbishing, maintenance and service contracts, and engine kits.

SECTION 1

Procedures for risk classification

1.

The Participants have agreed on a list of risk classifications (the List) for buyers/borrowers; such risk classifications reflect the senior unsecured credit rating of buyers/borrowers using a common rating scale such as that of one of the credit rating agencies (CRA).

2.

The risk classifications will be made by experts nominated by the Participants against the risk categories set out in Table 1 of this Appendix.

3.

The List shall be binding at any stage of the transaction (e.g campaign and delivery), subject to the provisions of Article 15 of this Appendix.

I.   ESTABLISHMENT OF THE LIST OF RISK CLASSIFICATIONS

4.

The List shall be developed and agreed among the Participants prior to the entry into force of this Sector Understanding; it shall be maintained by the Secretariat and made available to all the Participants on a confidential basis.

5.

Upon request, the Secretariat may, on a confidential basis, inform an aircraft-***producing*** non-Participant of the risk classification of a buyer/borrower; in this case, the Secretariat shall inform all Participants of the request. A non-Participant may, at any time, propose additions to the List to the Secretariat. A non-Participant proposing an addition to the List may participate in the risk-classification procedure as if it were an interested Participant.

II.   UPDATE OF THE LIST OF RISK CLASSIFICATIONS

6.

Subject to the provisions of Article 15 of this Appendix, the List may be updated on an ad hoc basis in the event that either a Participant signals, in any form, its intention to apply another risk classification than that on the List, or a Participant needs a risk classification for a buyer/borrower that is not yet on the List (21)  (22).

7.

Any Participant shall, before any use of an alternative or new risk classification, send a request to the Secretariat for updating the List on the basis of an alternative or new risk classification. The Secretariat will circulate this request to all Participants within two working days, without mentioning the identity of the Participant who submitted the request.

8.

A period of ten (23) working days is allowed for interested Participants either to agree to or to challenge any proposed change to the List; a failure to respond within this period is considered as an agreement to the proposal. If at the end of the ten-day period, no challenge has been made to the proposal, the proposed change in the List is deemed to have been agreed. The Secretariat will modify the List accordingly and send an OLIS message within five working days; the revised List shall be binding from the date of that message.

III.   RESOLUTION OF DISAGREEMENTS

9.

In the event of a challenge to a proposed risk classification, interested Participants shall, at an expert level, make their best efforts to come to an agreement on the risk classification within a further period of ten working days after notification of a disagreement. All means necessary to resolve the disagreement should be explored, with the assistance of the Secretariat if necessary (e.g conference calls or face-to-face consultations). If interested Participants agree to a risk classification within this ten working-day period, they shall inform the Secretariat of the outcome upon which the Secretariat will update the List accordingly and send an OLIS message in the following five working days. The adjusted List shall be binding from the date of that message.

10.

In case the disagreement is not resolved among the experts within ten working days, the issue will be referred to the Participants for decision on an appropriate risk classification, in a period that shall not exceed five working days.

11.

In the absence of a final agreement, a Participant may have recourse to a CRA to determine the risk classification of the buyer/borrower. In such cases, the Chairman of the Participants shall address a communication on behalf of the Participants to the buyer/borrower, within ten working days. The communication shall include the terms of reference for the risk assessment consultation as agreed among the Participants. The resulting risk classification will be registered in the List and become binding immediately following the Secretariat's OLIS message to finalise the update procedure within five working days.

12.

Unless otherwise agreed, the cost of such recourse to a CRA shall be borne by the interested buyer/borrower.

13.

During the procedures set out in Articles 9 to 11 of this Appendix, the prevailing risk classification (when available on the List) shall remain applicable.

IV.   VALIDITY PERIOD OF CLASSIFICATIONS

14.

The valid risk classifications are the prevailing risk classifications as recorded in the List maintained by the Secretariat; indications and commitments of premium rates shall only be made in accordance with those risk classifications.

15.

Risk classifications have a 12-month maximum validity period from the date recorded in the List by the Secretariat for the purpose of the Participants providing indication and final commitments of premium rates; the validity period for a specific transaction may be extended by an additional 18 months once a commitment or a final commitment has occurred and premium holding fees are charged. Risk classifications may be subject to revision during the 12-month validity period in case of material changes to the risk profile of the buyer/borrower, such as a modification of a rating delivered by a CRA.

16.

Unless any Participant requests its update, at least 20 working days before the end of the relevant risk classification validity period, the Secretariat shall remove that risk classification from the next succeeding updated List. The Secretariat will circulate this update request to all Participants within two working days, without mentioning the identity of the Participant who submitted the request, and the procedures set out in Articles 9 to 11 of this Appendix shall apply.

V.   BUYER/BORROWER RISK CLASSIFICATION REQUEST

17.

If, at the campaign stage, a buyer/borrower requests an indication of its risk classification and if it is not yet on the List, that buyer/borrower may ask for an indicative risk classification from a CRA at its own expense. This risk classification shall not be included in the List; it may be used by the Participants as a basis for their own risk assessment.

SECTION 2

Minimum premium rates for new and used aircraft

I.   ESTABLISHMENT OF THE MINIMUM PREMIUM RATES

18.

Articles 19 to 61 of this Appendix set out the minimum premium rates corresponding to the risk classification of a buyer/borrower (or, if a different entity, the primary source of repayment of the transaction).

19.

The Participants may provide official support at or above the minimum premium rate provided that all the conditions below are fulfilled:

(a)

The transaction is asset-backed, meeting all of the following criteria:

(1)

A first priority security interest on or in connection with the aircraft and engines.

(2)

In the case of a lease structure, assignment and/or a first priority security interest in connection with the lease payments.

(3)

Cross default and cross collateralisation of all aircraft and engines owned legally and beneficially by the same parties under the proposed financing, whenever possible under the applicable legal regime.

(b)

The transaction is structured to include, as a minimum, risk mitigants as set out in Table 1 below:

Table 1

Risk Mitigants

ASU Risk Category

Risk Ratings

Risk Mitigants

TOTAL

Of which at least “A”

1

AAA to BBB-

0

0

2

BB+ and BB

0

0

3

BB-

1

1

4

B+

2

1

5

B

2

1

6

B-

3

2

7

CCC

4

3

8

CC to C

4

3

20.

For purposes of Article 19 of this Appendix:

(a)

The Participants may select from the following risk mitigants:

“A” risk mitigants:

(1)

Reduced advance rate: each reduction of five percentage points from the advance rates referred to in Articles 10(a) and (b) of this Sector Understanding is equivalent to one “A” risk mitigant. In this case, the Participant shall not provide official support in any form in excess of the reduced advance rate.

(2)

Straight line amortisation: repayment of principal in equal instalments is equivalent to one risk mitigant.

(3)

Reduced repayment term: a repayment term which does not exceed 10 years is equivalent to one risk mitigant, irrespective of the maximum repayment term allowed.

“B” risk mitigants:

(1)

Security deposit: each security deposit in an amount equal to one quarterly instalment of principal and interest is equivalent to one risk mitigant. The security deposit can be in the form of cash or a standby letter of credit.

(2)

Lease payments in advance: lease payments in an amount equal to one quarterly instalment of principal and interest shall be paid one quarter in advance of each repayment date.

(3)

Maintenance reserves in a form and amount reflective of market best practices.

(b)

Subject to a prior notification, up to one of the “A” risk-mitigants may be replaced by a 15 % surcharge on the applicable minimum premium rate.

21.

Minimum premium rates to be applied to a transaction can be set prior to delivery, either at commitment, final commitment or otherwise at the commencement of a premium holding period with a defined duration. Final upfront premium rate, per annum spread, or a combination thereof to be applied to the transaction will comply with the minimum premium rate so established as well as mandatory risk mitigants prescribed in Article 19(b) of this Appendix as of the date on which the minimum premium rates were set. Such terms shall apply for the full length of the premium holding period and may only be revised following the expiry of that period, at which time the minimum premium rates and mandatory risk mitigants prescribed by the ASU then in force will apply and may be set for a subsequent premium holding period.

22.

Pursuant to Article 11 of this Sector Understanding, the minimum premium rates to be applied are composed of minimum risk-based rates (RBR) to which a market reflective surcharge (MRS) shall be added, in accordance with Articles 23 to 36 below.

23.

As of the entry into force of this Sector Understanding, the RBRs are:

Table 2

Risk-Based Rates

ASU Risk Category

Spreads (bps)

Upfront (%)

1

89

4,98

2

98

5,49

3

116

6,52

4

133

7,49

5

151

8,53

6

168

9,51

7

185

10,50

8

194

11,03

24.

The RBRs rates shall be reset on an annual basis, based on 4-year moving average of the annual Moody's Loss Given Default (LGD). The appropriate LGD for this reset is based on the 1st Lien Senior Secured Bank Loans, and shall be calculated as follows:

Table 3

LGD Mapping

4-year Moving Average

LGD Considered

≥ 45 %

25 %

≥ 35 % < 45 %

23 %

≥ 30 % < 35 %

21 %

< 30 %

19 %

25.

A RBR adjustment factor shall be determined as follows:

Formula

26.

The RBR adjustment factor shall be multiplied by the RBRs set out in Table 2 above, in order to determine the reset RBRs.

27.

The first reset process will take place in the first quarter of 2012 and the resulting RBRs will become effective as of 15 April 2012.

28.

The RBRs resulting from subsequent reset processes will be effective as of 15 April of each following year. Once the RBRs resulting from the annual reset have been determined, the Secretariat shall inform immediately all Participants of the applicable rates and make them publicly available.

29.

For each risk category, a Market Reflective Surcharge shall be calculated as follows:

MRS = B \* [(0,5 \* MCS) – RBR]

where:

—

B is a blend coefficient varying from 0,7 to 0,35 according to each risk category as per Table 4 below.

—

MCS is a 90-day moving average of Moody's Median Credit Spreads (MCS) with an average life of 7 years.

30.

Where risk categories include more than one risk rating, the spreads shall be averaged. In risk category 1, the BBB- spread shall be used.

31.

The MCS spreads shall be discounted by 50 % to account for the asset-security. The MCS discounted spreads shall then be adjusted by a blend factor ranging from 70 % to 35 % as per Table 4 below, applied on the difference between the MCS discounted spreads and the RBR. Any negative spreads resulting from the blending shall not be deducted.

Table 4

Blend Factors

Risk-Ratings

ASU Risk Category

Blend Factor (%)

AAA

1

70

AA

1

70

A

1

70

BBB+

1

70

BBB

1

70

BBB-

1

70

BB+

2

65

BB

2

65

BB-

3

50

B+

4

45

B

5

40

B-

6

35

CCC

7

35

CC

8

35

C

8

35

32.

The MRS shall be updated on a quarterly basis, as follows:

—

The first update process shall take place in the first quarter of 2011 and the resulting MCS shall become effective as of 15 April 2011; however, until 15 April 2012, the outcome of updates of the MRS applying to Risk Category 1 shall become effective only if they result in an increase of such MRS.

—

The subsequent update processes shall take place in the second, third and fourth quarters of 2011 (and thereon) and the resulting MCS shall become effective respectively on 15 July 2011, 15 October 2011 and 15 January 2012, and thereon.

—

Following each update, the Secretariat shall inform immediately all Participants of the applicable MRS and the resulting minimum rates and make them publicly available prior to the date these rates become effective.

33.

The MRS shall be applied only if and when it is positive and exceeds 25 basis points.

34.

The increase in minimum premium rates resulting from the MRS update shall not exceed 10 % of the previous quarterly minimum premium rates. The minimum premium rates (which result from adding the risk-based rates and the market reflective surcharge) shall not exceed the risk-based rates by more than 100 %.

35.

In order to determine the minimum premium rates:

—

The following formula shall be used:

Net MPR = MPR \* (1 + RTAS) \* (1 + RFAS) \* (1 + RMRS) \* (1 – CTCD) \* (1 + NABS) – CICD

Where:

—

RTAS represents the repayment term adjustment surcharge set out in Article 12(b) of this Sector Understanding.

—

RFAS represents the repayment frequency adjustment surcharge set out in Articles 13(a)(1) and (2) of this Sector Understanding.

—

RMRS represents the risk mitigant replacement surcharge set out in Article 20(b) of this Appendix.

—

CTCD represents the Cape Town Convention Discount set out in Article 38 of this Appendix.

—

NABS represents the non-asset-backed surcharge set out in Articles 57(a)(4), 57(b) and 59(b) of this Appendix, as applicable.

—

CICD represents the conditional insurance coverage discount set out in Article 56(a) of this Appendix.

—

Premium may be paid either upfront or, over the life of the facility, as spreads expressed in basis points per annum, or in any combination of upfront rates and spreads. The upfront rates and spreads shall be calculated using the premium rate conversion model (PCM) so that the premium payable for a given transaction has the same NPV whether payable upfront, as a spread over the life of the facility, or a combination thereof. In transactions where, prior to the commencement of cover, terms are agreed or stipulated, which entail a reduction in the weighted average life, an upfront rate (calculated using the PCM) may be charged, which in terms of the resulting premium payable, corresponds to that payable in NPV terms under the spreads.

36.

The applicable minimum premium rates as of the initial effective date of this Sector Understanding (1 February 2011) are set out in Table 5 below.

Table 5

Minimum Premium Rates

(12-year repayment term, asset-backed transactions)

Risk Category

Risk Classification

Minimum Premium Rates

Per Annum Spreads (bps)

Up-Front (%)

1

AAA to BBB-

137

7,72

2

BB+ and BB

184

10,44

3

BB-

194

11,03

4

B+

208

11,85

5

B

234

13,38

6

B-

236

13,50

7

CCC

252

14,45

8

CC to C

257

14,74

II.   REDUCTIONS OF THE MINIMUM PREMIUM

37.

Subject to the provisions of Article 38 of this Appendix, a reduction of the minimum premium rates established in accordance with sub-Section I above shall be allowed if:

(a)

The asset-backed transaction relates to an aircraft object within the meaning of the Cape Town Protocol on Matters Specific to Aircraft Equipment,

(b)

The operator of the aircraft object (and, if different, the borrower/buyer or lessor if, in the view of the Participant providing the official support, the structure of the transaction so warrants) is situated in a State which, at the time of disbursement in respect of the aircraft object, appears on the list of States which qualify for the reduction of the minimum premium rates (“Cape Town List”), and where applicable, in a territorial unit of that State that qualifies under Article 40 of this Appendix, and

(c)

The transaction relates to an aircraft object registered on the International Registry established pursuant to the Cape Town Convention, and the Aircraft Protocol thereto (Cape Town Convention or CTC).

38.

The reduction of the minimum premium rates established in accordance with sub-Section I above shall not exceed 10 % of the applicable minimum premium rate.

39.

In order to be included on the Cape Town List, a State shall:

(a)

Be a Contracting Party to the Cape Town Convention;

(b)

Have made the qualifying declarations set out in Annex 1 to this Appendix; and

(c)

Have implemented the Cape Town Convention, including the qualifying declarations, in its laws and regulations, as required, in such a way that the Cape Town Convention commitments are appropriately translated into national law.

40.

To qualify under Article 37 of this Appendix, a territorial unit shall:

(a)

Be a territorial unit to which the Cape Town Convention has been extended;

(b)

Be a territorial unit in respect of which the qualifying declarations set out in Annex 1 to this Appendix apply; and

(c)

Have implemented the Cape Town Convention, including the qualifying declarations, in its laws and regulations, as required, in such a way that the Cape Town Convention commitments are appropriately translated into national law.

41.

An initial agreed Cape Town List shall be provided by the Participants to the Secretariat prior to the entry into force of this Sector Understanding. Updates to the Cape Town List shall be made in accordance with Articles 42 to 54 of this Appendix.

42.

Any Participant or non-Participant which provides official support for aircraft may propose to the Secretariat the addition of a State to the Cape Town List. Such proposal shall include, with respect to such State:

(a)

All the relevant information in respect of the date of deposit of the Cape Town Convention ratification or accession instruments with the Depositary;

(b)

A copy of the declarations made by the State which is proposed to be added to the Cape Town List;

(c)

All relevant information in respect of the date on which the Cape Town Convention and the qualifying declarations have entered into force;

(d)

An analysis which outlines the steps that the State which is proposed to be added to the Cape Town List has taken to implement the Cape Town Convention including the qualifying declarations in its laws and regulations, as required to ensure that the Cape Town Convention commitments are appropriately translated into national law; and

(e)

A duly completed questionnaire, the form of which is attached at Annex 2 of this Appendix (“CTC Questionnaire”) completed by at least one law firm qualified to give legal advice in relation to the relevant jurisdiction of the State which is proposed to be added to the Cape Town List. The completed CTC Questionnaire shall specify:

(i)

The name(s) and office address(es) of the responding law firm(s);

(ii)

The law firm's relevant experience, which could include experience in legislative and constitutional processes as they relate to the implementation of international treaties in the State, and specific experience in CTC related issues including any experience in advising either a government on implementation and enforcement of the Cape Town Convention or the private sector, or enforcement of creditor's rights in the State which is proposed to be added to the Cape Town List;

(iii)

Whether the law firm is involved or intends to be involved in any transactions that may benefit from a reduction of minimum premium rates if the proposed State is added to the CTC list (24); and

(iv)

The date on which the CTC Questionnaire has been completed.

43.

The Secretariat shall circulate an OLIS message within five working days containing the proposal.

44.

Any Participant or non-Participant which provides official support for aircraft may propose that a State be removed from the Cape Town List if they are of the view that such State has taken actions that are inconsistent with, or failed to take actions that are required by virtue of, that State's Cape Town Convention commitments. To that end, the Participant or non-Participant shall include in a proposal for removal from the Cape Town List, a full description of the circumstances that have given rise to the proposal for deletion, such as any State actions that are inconsistent with its Cape Town Convention commitments, or any failure to maintain or enforce legislation required by virtue of that State's Cape Town Convention commitments. The Participant or non-Participant who submits the proposal for removal from the Cape Town List shall provide any supporting documentation that may be available, and the Secretariat shall circulate an OLIS message within five working days containing such proposal.

45.

Any Participant or non-Participant which provides official support for aircraft may propose the reinstatement of a State that has been previously removed from the Cape Town List, where such reinstatement is justified by subsequent corrective actions or events. Such a proposal shall be accompanied by a description of the circumstances that gave rise to the removal of the State as well as a report of the subsequent corrective actions in support of reinstatement. The Secretariat shall circulate an OLIS message within five working days containing such proposal.

46.

The Participants may either agree to or challenge a proposal brought forward under Articles 42 to 45 of this Appendix within 20 working days from the date of submission of the proposal (“Period 1”).

47.

If at the end of Period 1, and in the case of Article 44 of this Appendix unless the proposal has been withdrawn by the proposing Participant or non-Participant providing evidence of corrective actions or events, no challenge has been made to the proposal, the proposed update to the Cape Town List is deemed to have been accepted by all Participants. The Secretariat will modify the Cape Town List accordingly and send an OLIS message within five working days. The updated Cape Town List shall take effect on the date of that message.

48.

In the event of a challenge to the proposed update of the Cape Town List, the challenging Participant or Participants shall, within Period 1, provide a written explanation of the basis of the challenge. Following circulation by the OECD Secretariat to all Participants of the written challenge, the Participants shall make best efforts to come to an agreement within a further ten working day period (“Period 2”).

49.

The Participants shall inform the Secretariat of the outcome of their discussions. If an agreement is reached during Period 2, the Secretariat will, if necessary, update the Cape Town List accordingly and send an OLIS message in the following five working days. The updated Cape Town List shall take effect on the date of that message.

50.

If no agreement is reached during Period 2, the Chairman of the Participants to this Sector Understanding (hereafter “the Chairman”) will make her/his best efforts to facilitate a consensus between the Participants, within twenty working days (“Period 3”) immediately following Period 2. If at the end of Period 3, no consensus is reached, a final resolution shall be achieved through the following procedures:

(a)

The Chairman shall make a written recommendation with respect to the proposed update of the Cape Town List. The Chairman's recommendation shall reflect the majority view emerging from the views openly expressed by at least the Participants which provide official support for aircraft exports. In the absence of a majority view, the Chairman shall make a recommendation based exclusively on the views expressed by the Participants and shall set out in writing the basis for the recommendation, including in the case of ineligibility, the eligibility criteria that were not met.

(b)

The Chairman's recommendation shall not disclose any information relating to Participants' views or positions expressed in the context of the process set out in Articles 42 to 51 of this Appendix, and

(c)

The Participants shall accept the recommendation of the Chairman.

51.

If, following a proposal submitted under Article 42 of this Appendix, the Participants or Chairman has determined that a State is not eligible to be added to the Cape Town List, a Participant or non-Participant may submit another proposal requesting that the Participants reconsider the State's eligibility. The proposing Participant or non-Participant shall address the reasons substantiating the original determination of ineligibility. The proposing Participant or non-Participant shall also obtain and provide an updated CTC questionnaire. This new proposal shall be subject to the process set out in Articles 46 to 52 of this Appendix.

52.

In the event of any change to the list of qualified countries pursuant to the procedures set out in Article 50 of this Appendix, the Secretariat shall issue an OLIS message containing the updated Cape Town List within five working days of such change. The updated Cape Town List shall take effect on the date of that message.

53.

The addition, withdrawal or reinstatement of a State to the Cape Town List after disbursement in respect of an aircraft shall not affect MPRs established regarding such aircraft.

54.

In the context of the process set out in Articles 42 to 52 of this Appendix, the Participants shall not disclose any information relating to views or positions expressed.

55.

The Participants shall monitor the implementation of Articles 42 to 54 of this Appendix and review it in the first half of 2012, annually thereafter or upon the request of any Participant.

56.

For new and used aircraft, the following adjustments to the applicable minimum premium rates may be applied:

(a)

A discount of five basis points (per annum spreads) or 0,29 % (up-front) to the applicable minimum premium rates may be applied for officially supported transactions in the form of conditional insurance cover.

(b)

The minimum premium rates shall be applied on the covered principal amount.

III.   NON-ASSET-BACKED TRANSACTIONS

57.

Notwithstanding the provisions of Article 19(a) of this Appendix, the Participants may provide officially supported export credits for non-asset backed transactions, provided either of the following conditions is fulfilled:

(a)

In the case of non-sovereign transactions:

(1)

The maximum value of the export contract receiving official support is USD 15 million;

(2)

The maximum repayment term shall be 10 years;

(3)

No third party has a security interest in the assets being financed; and

(4)

A minimum surcharge of 30 % shall be applied to the minimum premium rates established in accordance with sub-Section I above.

(b)

In the case of a transaction with a sovereign or backed by an irrevocable and unconditional sovereign guarantee, a minimum surcharge shall, in accordance with Table 6 below, be applied to the minimum premium rates set out in accordance with sub-Section I above.

Table 6

Risk Category

Surcharge (%)

1

0

2

0

3

0

4

10

5

15

6

15

7

25

8

25

58.

The provisions of Articles 37 to 53 of this Appendix do not apply to officially supported export credits provided pursuant to Article 57 of this Appendix.

SECTION 3

Minimum premium rates for goods and services other than used aircraft covered by Part 3 of this Sector Understanding

59.

When providing official support for all goods and services other than used aircraft covered by Part 3 of this Sector Understanding, the minimum premium rates shall be as follows:

(a)

In the case of asset-backed transactions, the minimum premium rates shall be equal to the prevailing minimum spreads established in accordance with sub-Section I above and, in the case of pure cover, converted to upfront fees using the conversion model and the appropriate tenor.

(b)

In the case of non-asset-backed transactions, the minimum premium rates shall be equal to the prevailing minimum spreads established in accordance with sub-Section I above to which a surcharge of 30 % will be added, and, in the case of pure cover, converted to upfront fees using the conversion model and the appropriate tenor.

60.

The provisions of Articles 37 to 53 of this Appendix shall apply to official support for asset-backed spare engines covered by Article 20(a) and (c) of this Sector Understanding and support under the first tiret of Article 21(a)(1) of this Sector Understanding.

61.

The provision of Article 56 of this Appendix shall also apply to official support for all goods and services other than used aircraft covered by Part 3 of this Sector Understanding.

ANNEX 1

QUALIFYING DECLARATIONS

1.

For the purpose of Section 2 of Appendix II, the term “qualifying declarations”, and all other references thereto in this Sector Understanding, means that a Contracting party to the Cape Town Convention (Contracting Party):

(a)

Has made the declarations in Article 2 of this Annex, and

(b)

Has not made the declarations in Article 3 of this Annex.

2.

The declarations for the purpose of Article 1(a) of this Annex are:

(a)

Insolvency: State Party declares that it will apply the entirety of Alternative A under Article XI of the Aircraft Protocol to all types of insolvency proceeding and that the waiting period for the purposes of Article XI(3) of that Alternative shall be no more than 60 calendar days.

(b)

Deregistration: State Party declares that it will apply Article XIII of the Aircraft Protocol.

(c)

Choice of Law: State Party declares that it will apply Article VIII of the Aircraft Protocol.

And at least one of the following (though both are encouraged):

(d)

Method for Exercising Remedies: State Party declares under Convention Article 54(2) that any remedies available to the creditor under any provision of the Convention which are not expressed under the relevant provisions thereof to require application to a court may be exercised without leave of the court (the insertion “without court action and” to be recommended (but not required) before the words “leave of the court”);

(e)

Timely Remedies: State Party declares that it will apply Article X of the Aircraft Protocol in its entirety (though clause 5 thereof, which is to be encouraged, is not required) and that the number of working days to be used for the purposes of the time-limit laid down in Article X(2) of the Aircraft Protocol shall be in respect of:

(1)

The remedies specified in Articles 13(1)(a), (b) and (c) of the Convention (preservation of the aircraft objects and their value; possession, control or custody of the aircraft objects; and immobilisation of the aircraft objects), not more than that equal to ten calendar days, and

(2)

The remedies specified in Articles 13(1)(d) and (e) of the Convention (lease or management of the aircraft objects and the income thereof and sale and application of proceeds from the aircraft equipment), not more than that equal to 30 calendar days.

3.

The declarations referred to in Article 1(b) of this Annex are the following:

(a)

Relief Pending Final Determination: State Party shall not have made a declaration under Article 55 of the Convention opting out of Article 13 or Article 43 of the Convention; provided, however, that, if State Party made the declarations set out under Article 2(d) of this Annex, the making of a declaration under Article 55 of the Convention shall not prevent application of the Cape Town Convention discount.

(b)

Rome Convention: State Party shall not have made a declaration under Article XXXII of the Aircraft Protocol opting out of Article XXIV of the Aircraft Protocol; and

(c)

Lease Remedy: State Party shall not have made a declaration under Article 54(1) of the Convention preventing lease as a remedy.

4.

Regarding Article XI of the Aircraft Protocol, for Member States of the European Union, the qualifying declaration set out in Article 2(a) of this Annex shall be deemed made by a Member State, for purposes hereof, if the national law of such Member State was amended to reflect the terms of Alternative A under Article XI of the Aircraft Protocol (with a maximum 60 calendar days waiting period). As regards the qualifying declarations set out in Articles 2(c) and (e) of this Annex, these shall be deemed satisfied, for the purpose of this Sector Understanding, if the laws of the European Union or the relevant Member States are substantially similar to that set out in such Articles of this Annex. In the case of Article 2(c) of this Annex, the laws of the European Union (EC Regulation (EC) No 593/2008 on the Law Applicable to Contractual Obligations) are agreed to be substantially similar to Article VIII of the Aircraft Protocol.

ANNEX 2

CAPE TOWN CONVENTION QUESTIONNAIRE

I.   PRELIMINARY INFORMATION

Please provide the following information:

1.

The name and full address of the law firm completing the questionnaire.

2.

The law firm's relevant experience, which could include experience in legislative and constitutional processes as they relate to the implementation of international treaties in the State, and specific experience in CTC related issues including any experience in advising either a government on implementation and enforcement of the Cape Town Convention or the private sector, or enforcement of creditor's rights in the State which is proposed to be added to the Cape Town List;

3.

Whether the law firm is involved or intends to be involved in any transactions that may benefit from a reduction of minimum premium rates if the proposed State is added to the CTC list (25);

4.

The date on which this questionnaire was completed.

II.   QUESTIONS

1.    Qualifying declarations

1.1

Has the State (26) made each of the qualifying declarations in accordance with the requirements of Annex 1 to Appendix II of the Sector Understanding on Export Credits for Civil Aircraft (“ASU”) (each a “Qualifying Declaration”)? In particular, regarding the declarations concerning “Method for Exercising Remedies” (Article 2(d)) and “Timely Remedies” (Article 2(e)), please specify if one or both of these have been made.

1.2

Please describe the way in which the declarations made differ, if at all, from the requirements referred to in Question 1.1

1.3

Please confirm that the State has not made any of the declarations listed in Article 3 of Annex 1 to Appendix II of the ASU.

2.    Ratification

2.1

Has the State ratified, accepted, approved or acceded to the Cape Town Convention and Aircraft Protocol (“Convention”)? Please could you state the date of ratification/accession and briefly describe the State's process of accession to or ratification of the Convention?

2.2

Do the Convention and Qualifying Declarations (“QD”) made have the force of law in the whole territory of the State without any further act, implementing legislation or the passing of any further law or regulation?

2.3

If so, please briefly explain the process that gives the Convention and QDs the force of law.

3.    Effect of national and local law

3.1

Describe and list, if applicable, the implementing legislation and regulation(s) with respect to the Convention and each QD made by the State.

3.2

Would the Convention and QDs made, as translated into national law (27) (“Convention and QDs”), overrule or have priority over any conflicting national law, regulation, order, judicial precedent or regulatory practice. If so, please describe the process by which this happens (28), and if not, please provide details.

3.3

Are there any existing gaps in the implementation of the Convention and QDs? If so, please describe (29).

4.    Court and administrative decisions

4.1

Please describe any matters, including judicial, regulatory, or administrative practice which could be expected to result in the courts, authorities or administrative bodies failing to give full force and effect to the Convention and QDs (30)  (31).

4.2

To your knowledge, has there been any judicial or administrative enforcement action taken by a creditor under the Convention? If so, please describe the action and indicate whether it was successful.

4.3

To your knowledge, since ratification/implementation, have the courts in that State refused in any instance to enforce loan obligations of a debtor or guarantor in the State contrary to the Convention and QDs?

4.4

To your knowledge, are there any other matters that may impact whether courts and administrative bodies should be expected to act in a manner consistent with the Convention and QDs? If so, please specify.

Appendix III

Minimum interest rates

The provision of official financing support shall not offset or compensate, in part or in full, for the appropriate premium rate to be charged for the risk of non-repayment pursuant to the provisions of Appendix II.

1.   MINIMUM FLOATING INTEREST RATE

(a)

The minimum floating interest rate shall be, as appropriate, the EURIBOR, the Bank Bill Swap Rate, i.e BBSY, the London Inter-Bank Offered Rate, i.e LIBOR, as compiled by the British Bankers' Association (BBA) with the currency and the maturity corresponding to the frequency of interest payment of officially supported export credit, or the Canadian Dealer Offered Rate (CDOR), to which a margin benchmark calculated in accordance with Article 8 of this Appendix, shall be added.

(b)

The floating interest rate setup mechanism shall vary according to the repayment profile chosen, as follows:

(1)

When the repayment of principal and the payment of interest are combined in equal instalments, the relevant EURIBOR/BBSY/LIBOR/CDOR effective two business days prior to the loan drawdown date, according to the relevant currency and payment frequency shall be used to calculate the entire payment schedule, as if it were a fixed rate. The principal payment schedule shall then be fixed as well as the first interest payment. The second interest payment, and so on, shall be calculated based on the relevant EURIBOR/BBSY/LIBOR/CDOR effective two business days before the prior payment date over the outstanding principal balance initially established.

(2)

When the repayment of principal is made in equal instalments, the relevant EURIBOR/BBSY/LIBOR/CDOR, according to the relevant currency and payment frequency, effective two business days before the loan drawdown date and prior to each payment date shall be used to calculate the following interest payment over the outstanding principal balance.

(c)

Where official financing support is provided for floating rate loans, buyers/borrowers may have the option to switch from a floating rate to a fixed rate provided that the following conditions are fulfilled:

(1)

The option is restricted to switching to the swap rate only;

(2)

The option to switch shall only be exercised upon request, only once, and shall be reported accordingly with a reference to the reporting form initially sent to the Secretariat pursuant to Article 24 of this Understanding.

2.   MINIMUM FIXED INTEREST RATE

The minimum fixed interest rate shall be either:

(a)

The swap rate, concerning the relevant currency of the officially supported export credit and with a maturity equal to the interpolated rate for the two closest available annual periods to the weighted average life of the loan. The interest rate shall be set two business days prior to each drawdown date.

OR

(b)

The Commercial Interest Reference Rate (CIRR) established according to the provisions set out in Articles 3 to 7 of this Appendix,

to which, in both cases, the margin benchmark, calculated in accordance with Article 8(f) of this Appendix, shall be added.

3.   CONSTRUCTION OF CIRR

(a)

A CIRR is established for any of the eligible currencies set out in Article 9 of this Sector Understanding and calculated by adding a fixed margin of 120 basis points to one of the following three yields (the base rates):

(1)

Five-year government bond yields for a repayment term up to and including nine years,

(2)

Seven-year government bond yields for over nine and up to and including 12 years, or

(3)

Nine-year government bond yields for over 12 and up to and including 15 years.

(b)

CIRR shall be calculated monthly using data from the previous month and notified to the Secretariat, no later than five days after the end of each month. The Secretariat shall then inform immediately all Participants of the applicable rates and make them publicly available. CIRR shall take effect on the 15th day of each month.

(c)

A Participant or a non-Participant may request that a CIRR be established for the currency of a non-Participant. In consultation with the non-Participant, a Participant or the Secretariat on behalf of that non-Participant may make a proposal for the construction of the CIRR in that currency using the Common Line procedures set out in Articles 28 to 33 of this Sector Understanding.

4.   VALIDITY PERIOD OF CIRR

(a)

Holding the CIRR: the CIRR applying to a transaction shall not be held for a period longer than six months from its selection (export contract date or any application date thereafter) to the credit agreement date. If the credit agreement is not signed within that limit, and the CIRR is reset for an additional six months, the new CIRR shall be committed at the rate prevailing at the date of reset.

(b)

After the credit agreement date, the CIRR shall be applied for drawing periods which do not exceed six months. After the first six-month drawing period, the CIRR is reset for the next six months; the new CIRR shall be the one prevailing at the first day of the new six-month period and cannot be lower than the CIRR originally selected (procedure to be replicated for each subsequent six-month period of drawings).

5.   APPLICATION OF MINIMUM INTEREST RATES

Within the provisions of the credit agreement the borrower shall not be allowed an option to switch from an officially supported floating rate financing to a pre-selected CIRR financing, nor be allowed to switch between a pre-selected CIRR and the short term market rate quoted on any interest payment date throughout the life of the loan.

6.   EARLY REPAYMENT OF FIXED INTEREST RATE LOANS

In the event of a voluntary, early repayment of a fixed interest rate loan as determined in Article 2 of this Appendix, or any portion thereof or when the CIRR applied under the credit agreement is modified into a floating or a swap rate, the borrower shall compensate the institution providing official financing support for all costs and losses incurred as a result of such actions, including the cost to the government institution of replacing the part of the fixed rate cash inflow interrupted by the early repayment.

7.   IMMEDIATE CHANGES IN INTEREST RATES

When market developments require the notification of an amendment to a CIRR during the course of a month, the amended rate shall be implemented ten working days after notification of this amendment has been received by the Secretariat.

8.   MARGIN BENCHMARK

(a)

A three-month LIBOR margin benchmark shall be calculated monthly in accordance with paragraph (b), using data notified to the Secretariat in accordance with paragraph (c), and shall take effect on the 15th day of each month. Once calculated, the margin benchmark shall be notified by the Secretariat to the Participants and shall be made publicly available.

(b)

The three-month LIBOR margin benchmark shall be a rate equivalent to the average of the lowest 50 % of the margins over: (i) three-month LIBOR charged for floating rate transactions and (ii) three-month LIBOR as interpolated by swapping the fixed rate issuance to a floating rate equivalent charged for fixed rate transactions or capital market issuances. In either case, the margins included in the monthly benchmark reports submitted by relevant Participants shall be those from the three full calendar months preceding the effective date set out in paragraph (a) above. Transactions/issuances that are used in the calculation of the margin benchmark shall meet the following conditions:

(1)

100 % unconditional guarantee transactions denominated in US dollars; and

(2)

Official support provided in respect of aircraft valued at or above USD 35 million (or its equivalent in any other eligible currency).

(c)

Participants shall report a margin at the time it becomes known and that margin will remain on the Participant's margin benchmark report for three full calendar months. In the case of individual transactions with multiple pricing events, there shall be no attempt to match subsequent pricing events to ex post notifications.

(d)

Participants shall notify transactions as of the date on which the long-term margin is realised. For bank mandated deals (including PEFCO), the date on which the margin is realised would be the earliest of the following: (i) issuance of a final commitment by the Participant, (ii) setting of the margin post-commitment, (iii) loan drawdown, and (iv) setting of the long-term margin post-drawdown. In the case of several drawdowns occurring under the same bank mandate at the same margin, notification shall only be made in respect of the first aircraft. For loans funded by way of capital market issuance, the date on which the margin is realised shall be the date on which the long-term rate is set which is typically the bond issuance date. In the case of several drawdowns occurring under the same bond and at the same margin, notification shall only be made in respect of the first aircraft.

(e)

The three-month LIBOR margin benchmark shall be applicable to a floating rate transaction and shall be set at final commitment.

(f)

For a fixed rate transaction, the margin benchmark applicable to the transaction shall be determined by swapping the three-month LIBOR margin benchmark into an equivalent spread over the applicable fixed rate, as determined in Article 2 of this Appendix, on the final commitment date and shall be set as of that date.

(g)

The Participants shall monitor the margin benchmark and shall review the margin benchmark mechanism upon the request of any Participant.

Appendix IV

Reporting form

(a)    Basic Information

1.

Notifying country

2.

Notification date

3.

Name of notifying authority/agency

4.

Identification number

(b)    Buyer/Borrower/Guarantor Information

5.

Name and country of buyer

6.

Name and country of borrower

7.

Name and country of guarantor

8.

Status of buyer/borrower/guarantor, e.g sovereign, private bank, other private

9.

Risk classification of buyer/borrower/guarantor

(c)    Financial Terms and Conditions

10.

In what form is official support provided, e.g pure cover, official financing support

11.

If official financing support is provided, is it a direct credit/refinancing/interest rate support

12.

Description of the transaction supported, including the manufacturer, aircraft model and number of aircraft; indication of whether the transaction falls under the transitional arrangements set out in Article 39(a) or (b) of this Understanding.

13.

Final commitment date

14.

Currency of credit

15.

Credit amount, according to the following scale in USD millions:

Category

Credit Amount

I

0-200

II

200-400

III

400-600

IV

600-900

V

900-1 200

VI

1 200 -1 500

VII

1 500 -2 000  (\*1)

16.

Percentage of official support

17.

Repayment term

18.

Repayment profile and frequency — including, where appropriate, weighted average life

19.

Length of time between the starting point of credit and the first repayment of principal

20.

Interest rates:

—

Minimum interest rate applied,

—

Margin benchmark applied.

21.

Total premium charged by way of:

—

Up-front fees (in percentage of the credit amount), or

—

Spreads (basis points per annum above the applied interest rate),

—

As appropriate, please indicate separately the 15 % surcharge applied in accordance with Appendix II Article 20(b).

22.

In the case of direct credit/financing, fees charged by way of:

—

Arrangement/Structuring fee,

—

Commitment/Premium holding fee,

—

Administration fee.

23.

Premium holding period

24.

In the case of pure cover, premium holding fees

25.

Transaction structuring terms: risk mitigants/premium surcharge applied

26.

As appropriate, an indication of the impact of the Cape Town Convention on the premium rate applied

Appendix V

List of definitions

All-In Cost Equivalence : the net present value of premium rates, interest rate costs and fees charged for a direct credit as a percentage of the direct credit amount is equal to the net present value of the sum of premium rates, interest rate costs and fees charged under pure cover as a percentage of the credit amount under pure cover.

Asset-Backed : a transaction that meets the conditions set out in 19(a) of Appendix II.

Buyer/Borrower : includes (but is not limited to) commercial entities such as airlines and lessors, as well as sovereign entities (or if a different entity, the primary source of repayment of the transaction).

Buyer Furnished Equipment : equipment furnished by the buyer and incorporated in the aircraft during the manufacture/refurbishment process, on or before delivery, as evidenced by the Bill of Sale from the manufacturer.

Cape Town Convention : refers to the Cape Town Convention on International Interests in Mobile Equipment and the Protocol thereto on Matters specific to Aircraft Equipment.

Commitment : any statement, in whatever form, whereby the willingness or intention to provide official support is communicated to the recipient country, the buyer, the borrower, the exporter or the financial institution, including without limitation, eligibility letters, marketing letters.

Common Line : agreement of the Participants for a given transaction, or in special circumstances on specific financial terms and conditions for official support; such common line shall prevail over the relevant provisions of this Sector Understanding only for the transaction or in the circumstances specified in the common line.

Conditional Insurance Cover : official support which in the case of a default on payment for defined risks provides indemnification to the beneficiary after a specified waiting period; during the waiting period the beneficiary does not have the right to payment from the Participant. Payment under conditional insurance cover is subject to the validity and the exceptions of the underlying documentation and of the underlying transaction.

Conversion : A major change in the type design of an aircraft through its conversion into a different type of aircraft (including the conversion of a passenger aircraft into a water bomber, cargo aircraft, search and rescue, surveillance aircraft, or business jet), subject to certification by the responsible Civil Aviation Authority.

Country Risk Classification : the prevailing country risk classification of the Participants to the Arrangement on Officially Supported Export Credits as published on the OECD website.

Credit Rating Agency : one of the internationally reputable rating agencies or any other rating agency that is acceptable to the Participants.

Engine Kits : a set of parts introduced to improve reliability, durability and/or on-wing performance procurement through introduction of technology.

Export Credit : an insurance, guarantee or financing arrangement which enables a foreign buyer of exported goods and/or services to defer payment over a period of time; an export credit may take the form of a supplier credit extended by the exporter, or of a buyer credit, where the exporter's bank or other financial institution lends to the buyer (or its bank).

Final Commitment : a final commitment exists when the Participant commits to precise and complete financial terms and conditions, either through a reciprocal agreement or by a unilateral act.

Firm Contract : an agreement between the manufacturer and the person taking delivery of the aircraft or engines as buyer, or, in connection with a sale-leaseback arrangement, as lessee under a lease with a term of at least five years, setting forth a binding commitment (excluding those relating to then unexercised options), where non-performance entails legal liability.

Interested Participant : a Participant which (i) provides official support for airframe or aircraft engines completely or partially manufactured in its territory, (ii) has an existing substantial commercial interest or has experience with the buyer/borrower concerned, or (iii) has been requested by a manufacturer/exporter to provide official support to the buyer/borrower in question.

Interest Rate Support : can take the form of an arrangement between on the one hand a government, or an institution acting for or on behalf of a government and, on the other hand, banks or other financial institutions which allows the provision of fixed rate export finance at or above the relevant minimum fixed interest rate.

Major Modification/Refurbishing : operations of reconfiguration or upgrading of either a passenger or cargo aircraft.

Net Price : the price for an item invoiced by the manufacturer or supplier thereof, after accounting for all price discounts and other cash credits, less all other credits or concessions of any kind related or fairly allocable thereto, as stated in a binding representation by each of the aircraft and engine manufacturers — the engine manufacturer representation is required only when it is relevant according to the form of the purchase agreement — or service provider, as the case may be, and supported by documentation required by the provider of official support to confirm that net price. All import duties and taxes (e.g VAT) are not included in the net price.

New Aircraft : see Article 8(a) of this Sector Understanding.

Non-Asset-Backed : a transaction that does not meet the conditions set out in 19(a) of Appendix II.

Non-Sovereign Transaction : a transaction that does not meet the description set out in Article 57(b) of Appendix II.

Premium Holding Period : subject to Article 37(b) of Appendix II, period(s) during which a premium rate and related mandatory risk mitigants offered for a transaction are being maintained; not to exceed 18 months from the date it has been set until the final disbursement.

Premium Rate Conversion Model : model agreed by and made available to the Participants, to be used for the purpose of this Sector Understanding in order to convert up-front premium fees into spreads and vice versa, in which the interest rate and the discount rate used shall be 4,6 %; such rate shall be reviewed regularly by the Participants.

Prior Notification : a notification made at least ten calendar days before issuing any commitment, using the reporting form set out in Appendix IV.

Pure Cover : Official support provided by or on behalf of a government by a way of export credit guarantee or insurance only, i.e which does not benefit from official financing support.

Repayment Term : the period beginning at the Starting Point of Credit and ending on the contractual date of the final repayment of principal.

Sovereign Transaction : a transaction that meets the description set out in Article 57(b) of Appendix II.

Starting Point of Credit : for the sale of aircraft including helicopters, spare engines and parts, at the latest the actual date when the buyer takes physical possession of the goods, or the weighted mean date when the buyer takes physical possession of the goods. For services, the latest starting point of credit is the date of the submission of the invoices to the client or acceptance of service by the client.

Swap Rate : a fixed rate equal to the semi-annual rate to swap floating rate debt to fixed rate debt (Offer side), posted on any independent market index provider, such as Telerate, Bloomberg, Reuters, or its equivalent, at 11:00 am New York time, two business days prior to the loan drawdown date.

Weighted Average Life : the time it takes to retire one-half of the principal of a credit; this is calculated as the sum of time (in years) between the starting point of credit and each principal repayment weighted by the portion of principal repaid at each repayment date.

ANNEX IV

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RENEWABLE ENERGY, CLIMATE CHANGE MITIGATION AND ADAPTATION, AND WATER PROJECTS

The purpose of this Sector Understanding is to provide adequate financial terms and conditions to projects in selected sectors identified including under international initiatives as significantly contributing to climate change mitigation, including renewable energy, greenhouse gas (GHG) emissions' reduction and high energy efficiency projects, climate change adaptation, as well as water projects. The Participants to this Sector Understanding agree that the financial terms and conditions of the Sector Understanding, which complements the Arrangement, shall be implemented in a way that is consistent with the Purpose of the Arrangement.

CHAPTER I

SCOPE OF THE SECTOR UNDERSTANDING

1.   SCOPE OF APPLICATION FOR PROJECTS IN RENEWABLE ENERGY SECTORS ELIGIBLE TO APPENDIX I

(a)

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts in the eligible sectors listed in Appendix I of this Sector Understanding for:

(1)

The export of complete renewable energies plants or parts thereof, comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such plants.

(2)

The modernisation of existing renewable energies plants in cases where the economic life of the plant is likely to be extended by at least the repayment period to be awarded. If this criterion is not met, the terms of the Arrangement apply.

(b)

This Sector Understanding does not apply to items located outside the power plant site boundary for which the buyer is usually responsible, in particular, water supply not directly linked to the power production plant, costs associated with land development, roads, construction villages, power lines and switchyard, as well as costs arising in the buyer's country from official approval procedures (e.g site permits, construction permit), except:

(1)

In cases where the buyer of the switchyard is the same as the buyer of the power plant and the contract is concluded in relation to the original switchyard for that power plant, the terms and conditions for the original switchyard shall not exceed those for the renewable energies power plant; and

(2)

The terms and conditions for sub-stations, transformers and transmission lines with a minimum voltage threshold of 60 kV located outside the renewable energies power plant site boundary shall not be more generous than those for the renewable energies power plant.

2.   SCOPE OF APPLICATION FOR PROJECTS IN CLIMATE CHANGE MITIGATION SECTORS ELIGIBLE TO APPENDIX II

(a)

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts in a sector listed in Appendix II of this Sector Understanding. This list of sectors and, when applicable, corresponding technology-neutral performance criteria used to define a project's eligibility, may be modified over time in accordance with the review provisions set out in Article 12 of this Sector Understanding.

(b)

Such contracts shall relate to the export of complete projects or parts thereof, comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of an identifiable project, providing that:

(1)

The project should result in low to zero carbon emissions, or CO2 equivalent, and/or in high energy efficiency;

(2)

The project should be designed to meet, as a minimum, the performance standards as set out in Appendix II; and

(3)

The terms and conditions provided shall be extended only to address specific financial disadvantages encountered by a project, and shall be based on the individual financial needs and specific market conditions of each project.

3.   SCOPE OF APPLICATION FOR ADAPTATION PROJECTS ELIGIBLE TO APPENDIX III

(a)

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts for projects which meet the criteria set out in Appendix III of this Sector Understanding.

(b)

Such contracts shall relate to the export of complete projects or parts thereof, comprising all components, equipment, materials and services (including the training of personnel) directly required for the execution and commissioning of an identifiable project, providing that:

(1)

The conditions set out in Appendix III are met;

(2)

The terms and conditions provided shall be extended only to address specific financial disadvantages encountered by a project, and shall be based on the individual financial needs and specific market conditions of each project.

(c)

This Sector Understanding applies to the modernisation of existing projects, to take into consideration adaptation concerns, in cases where the economic life of the project is likely to be extended by at least the repayment period to be awarded. If this criterion is not met, the terms of the Arrangement apply.

4.   SCOPE OF APPLICATION FOR WATER PROJECTS

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts for the export of complete projects or parts thereof related to the supply of water for human use and wastewater treatment facilities:

(a)

Infrastructure for the supply of drinking water to municipalities, including to households and small businesses, i.e water purification for the purpose of obtaining drinking water and distribution network (including leakage control).

(b)

Wastewater collection and treatment facilities, i.e collection and treatment of household and industrial wastewater and sewage, including processes for the re-use or recycling of water and the treatment of sludge directly associated with these activities.

(c)

The modernisation of such facilities in cases where the economic life of the plant is likely to be extended by at least the repayment period to be awarded. If this criterion is not met, the provisions of the Arrangement apply.

CHAPTER II

PROVISIONS FOR EXPORT CREDITS

5.   MAXIMUM REPAYMENT TERMS

(a)

For officially supported export credits relating to contracts in the sectors listed in Appendix I, and for water projects defined in Article 4 of this Sector Understanding, the maximum repayment term is 18 years.

(b)

For officially supported export credits relating to contracts of a value of at least SDR 10 million in the project classes listed in Appendix II, the maximum repayment term is set out as follows:

(1)

For contracts in Project Class A: 18 years.

(2)

For contracts in Project Class B and Project Class C: 15 years.

(c)

For officially supported export credits relating to contracts of a value of less than SDR 10 million in the project classes listed in Appendix II, the maximum repayment term is set out as follows:

(1)

For Category I countries as defined in Article 11 of the Arrangement, the maximum repayment term is five years, with the possibility of agreeing up to eight-and-a-half years when the procedures for prior notification set out in Article 10 of this Sector Understanding are followed.

(2)

For Category II countries, the maximum repayment term is 10 years.

(3)

Notwithstanding subparagraphs (1) and (2) above, for non-nuclear power plants as defined in Article 13 of the Arrangement, the maximum repayment term is 12 years.

(d)

For officially supported export credits relating to contracts of a value of at least SDR 10 million for projects supported in conformity with Appendix III, the maximum repayment term is 15 years.

6.   REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

(a)

The Participants shall apply a profile of repayment of principal and payment of interest as specified in subparagraphs (1) or (2) below:

(1)

Repayment of principal shall be made in equal instalments.

(2)

Repayment of principal and payment of interest combined shall be made in equal instalments.

(b)

Principal shall be repaid and interest shall be paid no less frequently than every six months and the first instalment of principal and interest shall be made no later than six months after the starting point of credit.

(c)

On an exceptional and duly justified basis, official support may be provided on terms other than those set out in paragraphs (a) and (b) above. The provision of such support shall be explained by an imbalance in the timing of the funds available to the obligor and the debt service profile available under an equal, semi-annual repayment schedule, and shall comply with the following criteria:

(1)

No single repayment of principal or series of principal payments within a six-month period shall exceed 25 % of the principal sum of the credit.

(2)

Principal shall be repaid no less frequently than every 12 months. The first repayment of principal shall be made no later than 18 months after the starting point of credit and no less than 2 % of the principal sum of the credit shall have been repaid 18 months after the starting point of credit.

(3)

Interest shall be paid no less frequently than every 12 months and the first interest payment shall be made no later than six months after the starting point of credit.

(4)

The maximum weighted average life of the repayment period shall not exceed 60 % of the maximum available tenor.

(d)

Interest due after the starting point of credit shall not be capitalised.

7.   MINIMUM INTEREST RATES

A Participant providing official financing support for fixed rates loans shall apply the following minimum interest rates:

Repayment term

(years)

Standard minimum interest rates

Minimum interest rates for projects with long construction periods, i.e :

New large hydro-power projects

Appendix II Project Class A

Appendix III Adaptation Projects

Government bonds

(years)

Margin

(bps)

Government bonds

(years)

Margin

(bps)

< 11

Relevant CIRR in accordance with Article 20 of the Arrangement

11 to 12

7

100

7

100

13

7

120

8

120

14

8

120

9

120

15

8

120

9

120

16

9

120

10

125

17

9

120

10

130

18

10

120

10

130

8.   ELIGIBLE CURRENCIES

The currencies that are eligible for official financing support are those which are fully convertible and for which data are available to construct the minimum interest rates mentioned in Article 7 of this Sector Understanding, and in Article 20 of the Arrangement for repayment terms less than 11 years.

9.   LOCAL COSTS

(a)

For officially supported export credits relating to contracts of a value of at least SDR 10 million, official support provided for local costs shall not exceed 30 % of the export contract value.

(b)

For officially supported export credits relating to contracts of a value of less than SDR 10 million:

(1)

For the sectors listed in Appendix I of this Sector Understanding, official support provided for local costs shall not exceed 45 % of the export contract value.

(2)

For the sectors listed in Appendix II and for water projects defined in Article 4 of this Sector Understanding, official support provided for local costs shall not exceed 30 % of the export contract value.

(c)

Where official support for local cost exceeds 15 % of the export contract value, such official support shall be subject to prior notification, pursuant to Article 10 of this Sector Understanding, specifying the nature of the local costs being supported.

CHAPTER III

PROCEDURES

10.   PRIOR NOTIFICATION

(a)

A Participant intending to provide support in accordance with the provisions of this Sector Understanding, shall give prior notification at least ten calendar days before issuing any commitment, in accordance with:

(1)

Article 48 of the Arrangement if the support is extended pursuant to Article 1, 2 or 4 of this Sector Understanding;

(2)

Article 47 of the Arrangement if the support is extended pursuant to Article 3 of this Sector Understanding.

(b)

For projects falling in the Project Classes listed in Appendix II of this Sector Understanding, such notifications shall include an enhanced description of the project in order to demonstrate how the project complies with the criteria for support, as set out in Article 2(b) of this Sector Understanding.

(c)

For projects supported in conformity with Appendix III of this Sector Understanding, such notification shall include:

(1)

An enhanced description of the project in order to demonstrate how the project complies with the criteria for support, as set out in Article 3(b) of this Sector Understanding, and

(2)

Access to the outcome of the independent third-party review required in Appendix III.

(d)

Notwithstanding paragraph (a)(1) above, if the notifying Participant intends to provide support with a repayment term in excess of 15 years and/or in accordance with Article 6(c) of this Sector Understanding, it shall give prior notification at least ten calendar days before issuing any commitment in accordance with Article 47 of the Arrangement.

(e)

A Participant shall inform all other Participants of its final decision following a discussion, to facilitate the review of the body of experience.

CHAPTER IV

MONITORING AND REVIEW

11.   FUTURE WORK

The Participants agree to examine the following issues:

(a)

Term-adjusted risk-premia.

(b)

Conditions for low emission/high energy efficiency fossil fuel power plants including definition of CCS-readiness.

(c)

Net zero energy buildings.

(d)

Fuel cell projects.

12.   MONITORING AND REVIEW

(a)

The Secretariat shall report annually on the implementation of this Sector Understanding.

(b)

The Participants shall regularly review the scope and other provisions of this Sector Understanding and at the latest by the end of 2017.

(c)

Appendix II of this Sector Understanding shall be reviewed at regular intervals, including upon the request of a Participant, with the view to assessing whether any Project Class and/or Type should be added to, or removed from, or whether any thresholds should be changed in, that Appendix. Proposals for new Project Classes and/or Types shall be supported by information on how projects within such a Class/Type should fulfil the criteria set out in Article 2(b) and shall follow the methodology set out in Appendix IV of this Sector Understanding.

(d)

The Participants shall undertake a review of Appendix III of this Sector Understanding no later than by 30 June 2018, with a view to assessing the international initiatives related to adaptation, market conditions, and the body of experience developed from the notification process to determine if the definitions, project criteria, terms and conditions should be continued and or amended.

(e)

After 31 December 2018, the terms and conditions related to Appendix III shall be discontinued unless the Participants agree otherwise.

Appendix I

Renewable energies sectors

The following renewable energies sectors shall be eligible for the financial terms and conditions set out in this Sector Understanding provided that their impacts are addressed in accordance with the 2012 Recommendation on Common Approaches on Officially Supported Export Credits and Environmental and Social Due Diligence (32) (as subsequently amended by Members of the OECD Working Group on Export Credits and Credit Guarantee (ECG) and adopted by the OECD Council):

(a)

Wind energy (33).

(b)

Geothermal energy.

(c)

Tidal and tidal stream power.

(d)

Wave power.

(e)

Osmotic power.

(f)

Solar photovoltaic power.

(g)

Solar thermal energy.

(h)

Ocean thermal energy.

(i)

Bio-energy: all sustainable landfill gas, sewage treatment plant gas, biogas energy or fuel derived from biomass energy installations. “Biomass” shall mean the biodegradable fraction of products, waste and residues from ***agriculture*** (including vegetal and animal substances), forestry and related industries, as well as the biodegradable fraction of industrial and municipal waste.

(j)

Hydro power.

(k)

Energy efficiency in Renewable Energies projects.

Appendix II

Climate change mitigation sectors

PROJECT CLASS

DEFINITION

RATIONALE

STANDARDS USED

REPAYMENT TERMS

PROJECT CLASS A: CARBON CAPTURE AND STORAGE

TYPE 1:

Fossil Fuel Power Plants with Operational Carbon Capture and Storage (CCS)

A process consisting of the separation of CO2 stream from the emissions ***produced*** by fossil fuel generation sources, transport to a storage site, for the purposes of environmentally safe and permanent geological storage of CO2.

To achieve low carbon emission levels for fossil fuel power sources.

Carbon intensity shall achieve a level equal to or less than 350 metric ton CO2 per GWh vented to atmosphere (34);

Or

In the case of all projects, a capture and storage rate that would reduce the plant's carbon emissions by 65 % or greater;

Or

The capture rate has to be at least 85 % of CO2 emitted by the equipment included in the application for officially supported export credits. The 85 % is to apply at normal operating conditions.

18 years

TYPE 2:

CCS Projects as such

A process consisting of the separation of CO2 from industrial or energy generation sources, transport to a storage site, for the purposes of environmentally safe and permanent geological storage of CO2.

To significantly reduce carbon emissions from existing sources.

In the case of all projects, a capture and storage rate that would reduce the industrial or energy generation carbon emissions by 65 % or greater;

Or

The capture rate has to be at least 85 % of CO2 emitted by the equipment included in the application for officially supported export credits. The 85 % is to apply at normal operating conditions.

18 years

PROJECT CLASS B: FOSSIL FUEL SUBSTITUTION

TYPE 1:

Waste to Energy

Unit dedicated to generating energy by thermal treatment (including gasification) of mixed stream solid waste.

To offset GHG emissions from the use of conventional power and by reducing future GHG such as methane that would normally emanate from the waste.

In the case of a steam cycle, a boiler (or steam generator) energy conversion efficiency of at least 75 % based on low heating value (LHV) (35).

In the case of gasification, a gasifier efficiency of at least 65 % LHV (36).

15 years

TYPE 2:

Hybrid Power Plants

A power plant that generates electric power from both a renewable energy source and a fossil fuel source.

To meet the requirement of plant availability, a fossil fuel generating source is required for those periods when power from the renewable energy source is not available or sufficient. The fossil fuel source enables the usage of renewable energy in the hybrid plant, thereby achieving a significant carbon reduction compared with standard fossil fuel plant.

Model 1:

Two separate generation sources: one Renewable Energy and one fossil fuel.

Project shall be designed such that at least 50 % of its projected total annual energy output originates from the plant's renewable energy source.

Model 2:

Single generation source using the combination of renewable and fossil fuel. The project shall be designed such that at least 75 % of the useful energy ***produced*** is derived from the renewable source.

15 years

PROJECT CLASS C: ENERGY EFFICIENCY

TYPE 1:

Combined Heat & Power projects

Simultaneous generation of multiple forms of energy (electrical, mechanical and thermal) in a single integrated system.

Output of the CHP plant shall include electric or mechanical energy and heat for commercial industrial and/or residential use.

Up to two thirds of the primary energy used to generate electricity in conventional thermal power plants is lost in the form of heat. Combined heat and power (CHP) generation can therefore be an effective GHG mitigation option. CHP is possible with all heat machines and fuels (including biomass and solar thermal) from a few kW-rated to 1 000  MW steam-condensing power plants (37).

Overall efficiency of at least 75 % based on low heating value (LHV) (38).

15 years

TYPE 2:

District heating and/or cooling

Network which carries/distributes thermal energy from energy ***producing*** unit to end use.

To improve the efficiency of heating of districts by building piping networks for steam and/or hot water with substantial thermal efficiency, both by minimising losses of piping and converters, and by increasing the amount of utilisation of waste heat.

District cooling is an integrative technology that can make significant contributions to reducing emissions of carbon dioxide and air pollution and to increasing energy security e.g via substitution of individual air-conditioners.

The district piping thermal conductivity shall be less than 80 % of the relevant thermal conductivity required by the European standard EN253:2009 (to be reviewed when this standard is updated).

15 years

TYPE 3:

Smart Grids

Integrated, technologically advanced electricity networks with improved dynamic capabilities to monitor and control the input and output of all their constituent technical components (such as power generation, Network Management Solutions, High Voltage Direct Current (HVDC) converters and systems, Flexible Alternating Current Transmission Systems (FACTS), Special Power Systems (SPS), transmission, distribution, storage, Smart Grid Power Electronics Solutions, consumption reduction, metering, distributed energy resources).

ICT according to internationally agreed industry standards such as NIST-SGIP and ETSI-CEN-Cenelec.

To enable network operators, transmission and distribution system operators, grid users, storage owners, metering operators, applications and service providers or power exchange platform operators to create economical, environmentally-friendly, balanced and sustainable power systems with reduced transmission losses and optimised levels of supply quality, safety, grid stability, reliability, renewable power collection and cost-efficiency by supporting supply contracts involving predominantly export of state-of-the-art, innovative technologies and services.

Standards 1, 2 (a or b) and 3 shall be met.

1.

The total cost of the project includes at least 20 % for eligible information and communication technology (ICT) upgrades.

2a.

An estimated minimum 10 % reduction in the amount of CO2 emissions from fossil fuel will result from the project or application, or

2b.

Demonstrated significant CO2 emission reductions will be enabled through either:

—

reductions in energy losses within the electricity grid served by the Smart Grid application or project by at least 5 %, or

—

reductions in aggregate electricity consumption by loads served by the Smart Grid application or project by at least 5 %, or

—

intermittent feed-in of renewable energies, including from subordinate voltage levels, representing at least an additional 10 % of the total energy fed into the grid where the smart grid technologies are applied.

3.

Prior to authorisation, an independent, qualified third party will review the project and prepare a report that describes the characteristics of the proposed Smart Grid application or project and verifies whether the project or application will meet standards 1 and 2 (a or b). For projects using the 2b standard, estimated CO2 emissions reductions enabled by the project will be included in the report. Such report will be shared with Participants prior to any authorisation of financial support and authorisation will be conditional on the report positively verifying that standards 1 and 2 (a or b) will be met by the proposed Smart Grid project or application.

Standards will be measured by comparing the estimated emissions or energy use from an Area Served by the Grid if the proposed Smart Grid technologies are applied to emissions or energy use of that same area if the proposed Smart Grid technologies were not applied.

The Participants shall undertake a review of these standards no later than by 30 June 2017, with a view to assess the projects financed under these standards, and, if necessary, to determine if the definitions, rationale, or project criteria should be continued and/or amended.

15 years

Appendix III

Eligibility criteria for climate change adaptation projects

A project is eligible for the financial terms and conditions set out in this Sector Understanding if:

(a)

Climate change adaptation is the principal objective of the project, and it is explicitly indicated and explained as such in the project ***plan*** and supporting documents, as being fundamental to the design of the project.

(b)

The project's proposal shall include an analysis and identification of specific and relevant climate change-related risks and vulnerabilities, and how the proposed measures or technologies will directly address them.

(c)

There is an independent third-party review conducted on the project, either separately or as an integral part of the project ***plan*** which is made publicly available, such as published on the website of the national authority. The review shall evaluate the specific and relevant climate change-related risks and vulnerabilities and how the proposed measures contained within the project will directly address them.

(d)

The useful life of the project exceeds 15 years.

Appendix IV

Methodology to be used when determining the eligibility of sectors relating to Article 2 of this Sector Understanding

When proposing that Project Class or Type be added to Appendix II of this Sector Understanding, Participants shall provide a detailed description of the proposed Project Class or Type and information on how such projects fulfil the criteria set out in Article 2(b) of this Sector Understanding; such information shall include:

(a)

An evaluation of the direct contribution of the Project Class or Type to climate change mitigation, including a comparison of the sector performance, based on measurable data regarding carbon emissions or CO2 equivalent and/or in high energy efficiency, with conventional and in-use newer technological approaches; this comparison shall, in all cases, be based on quantitative measures, such as a decrease in emissions per unit ***produced***.

(b)

A description of the technical and performance standards of the Project Class or Type proposed sector, including information on any relevant, existing Best Available Techniques (BAT); if appropriate, this description shall explain how the technology is an improvement on the existing BAT.

(c)

A description of the financial barriers in the proposed Project Class or Type, including any financial needs and market conditions, and identify the provisions under this Sector Understanding that are expected to enable such projects to proceed.

Appendix V

List of definitions

Area Served by the Grid : A system of synchronised power providers and consumers connected by transmission and distribution lines and operated by one or more control centres.

Best Available Techniques : as per the definition of EU Directive 96/61/EC (Article 2.1), “Best Available Techniques” shall mean the most effective and advanced stage in the development of activities and their methods of operation which indicate the practical suitability of particular techniques for providing in principle the basis for emission limit values designed to prevent and, where that is not practicable, generally to reduce emissions and the impact on the environment as a whole:

(a)

“techniques” shall include both the technology used and the way in which the installation is designed, built, maintained, operated and decommissioned.

(b)

“available” techniques shall mean those developed on a scale which allows implementation in the relevant industrial sector, under economically and technically viable conditions, taking into consideration the costs and advantages, whether or not the techniques are used or ***produced*** inside the Member State in question, as long as they are reasonably accessible to the operator.

(c)

“best” shall mean most effective in achieving a high general level of protection of the environment as a whole.

Greenhouse Gases : greenhouse gases are defined to include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride.

Large Hydro Power Project : as per the definition of the International Commission on Large Dams (ICOLD). ICOLD defines a large dam as a dam with a height of 15 m or more from the foundation. Dams that are between 5 and 15 m high and have a reservoir volume of more than 3 million m3 are also classified as large dams.

ANNEX V

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR RAIL INFRASTRUCTURE

The Participants to this Sector Understanding agree that the financial terms and conditions of the Sector Understanding, which complements the Arrangement, shall be implemented in a way that is consistent with the Purpose of the Arrangement.

CHAPTER I

SCOPE OF THE SECTOR UNDERSTANDING

1.   SCOPE OF APPLICATION

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts for rail infrastructure assets essential to operating trains, including rail control (e.g signalling and other rail IT), electrification, tracks, rolling stock, and related construction work.

CHAPTER II

PROVISIONS FOR EXPORT CREDITS

2.   MAXIMUM REPAYMENT TERMS

(a)

For officially supported export credits relating to contracts included within the scope of application of this Sector Understanding, the maximum repayment term is set out as follows:

(1)

For contracts in Category I countries (as defined in Article 11 of the Arrangement): 12 years.

(2)

For contacts in Category II countries (as defined in Article 11 of the Arrangement): 14 years.

(b)

To qualify for the repayment terms set out in paragraph (a) above, the following conditions shall apply:

(1)

The transaction shall involve an overall contract value of more than SDR 10 million; and

(2)

The repayment terms shall not exceed the useful life of the rail infrastructure asset financed; and

(3)

For transactions in Category I countries, the transaction involves/is characterised by:

—

Participation in a loan syndication with private financial institutions that do not benefit from Official Export Credit Support, whereby:

(i)

The Participant is a minority partner with pari passu status throughout the life of the loan; and

(ii)

Official export credit support provided by the Participants comprises less than 50 % of the syndication.

—

Premium rates for any official support that do not undercut available private market financing and that are commensurate with the corresponding rates being charged by other private financial institutions that are participating in the syndication.

(c)

A Participant may request a waiver of the condition set out in paragraph (b)(3) above, through use of a Common Line, in accordance with Articles 58 to 63 of the Arrangement. In such cases, the Participant proposing the Common Line shall provide, either in the proposed Common Line or in each individual transaction thereafter notified, a comprehensive explanation for the support, including specific data on pricing, and a rationale for the need to waive the provisions of paragraph (b)(3) above.

3.   REPAYMENT OF PRINCIPAL AND INTEREST

The repayment of principal and interest shall be provided according to Article 14 of the Arrangement except that the maximum weighted average life of the repayment period under paragraph (d)(4) of that Article shall be:

(a)

For transaction in a Category I countries, six-and-a-quarter years; and

(b)

For transaction in a Category II countries, seven-and-a-quarter years.

4.   MINIMUM FIXED INTEREST RATES

A Participant providing official financing support for fixed rate loans shall apply, as minimum interest rates:

(a)

For repayment terms of up to and including 12 years, the relevant Commercial Interest Reference Rates (CIRRs) constructed in accordance with Article 20 of the Arrangement.

(b)

For repayment terms in excess of 12 years, the relevant Commercial Interest Reference Rates (CIRRs) constructed in accordance with Article 20 of the Arrangement, to which a surcharge of 20 basis points shall be added for all currencies.

CHAPTER III

PROCEDURES

5.   PRIOR NOTIFICATION

(a)

A Participant shall give prior notification in accordance with Article 47 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support for a transaction in a Category I country. Such notifications shall include a comprehensive explanation for the official support, including specific data on pricing.

(b)

A Participant shall give prior notification in accordance with Article 48 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support for:

(1)

A transaction in a Category II country; or

(2)

A transaction supported pursuant to a Common Line set out in accordance with Article 2(c) of this Sector Understanding. Such prior notification may be made concurrently with, and subject to the approval of, the Common Line proposal.

6.   VALIDITY OF COMMON LINES

Notwithstanding the provisions of Article 63(a) of the Arrangement, all agreed Common Lines shall cease to be valid on 31 December 2018, unless the Participants agree to the extension of this Sector Understanding in accordance with Article 7(d) of this Sector Understanding.

CHAPTER IV

MONITORING AND REVIEW

7.   MONITORING AND REVIEW

(a)

The Secretariat shall report annually on the implementation of this Sector Understanding.

(b)

After 31 December 2017, and subject to paragraph (c) below, the less than 50 % syndication requirement set out in subparagraph (ii) of the first tiret of Article 2(b)(3) of this Sector Understanding shall be replaced by a maximum 35 % syndication requirement unless the Participants agree otherwise.

(c)

The Participants shall undertake a review of this Sector Understanding by no later than 30 June 2017 with a view to assessing the market conditions and other factors to determine whether the terms and conditions should be continued and or amended.

(d)

After 31 December 2017, the terms and conditions of this Sector Understanding shall be discontinued unless the Participants agree otherwise.

ANNEX VI

SECTOR UNDERSTANDING ON EXPORT CREDITS FOR COAL-FIRED ELECTRICITY GENERATION PROJECTS

The Participants to this Sector Understanding agree that the financial terms and conditions of the Sector Understanding, which complements the Arrangement, shall be implemented in a way that is consistent with the Purpose of the Arrangement.

CHAPTER I

SCOPE OF THE SECTOR UNDERSTANDING

1.   SCOPE OF APPLICATION

(a)

This Sector Understanding sets out the financial terms and conditions that apply to officially supported export credits relating to contracts for coal-fired electricity generation projects, for:

(1)

The export of new coal-fired electricity generation plants or parts thereof, for the grid and for industrial use, located in plants without operational carbon capture and storage or carbon capture and utilisation technology, comprising all components, equipment, materials and services (including the training of personnel) directly required for the construction and commissioning of such plants. The addition of a new coal-fired electricity generation unit to an existing plant is deemed to be a new coal-fired electricity generation plant.

(2)

The modernisation of, or supply of equipment to, existing coal-fired electricity generation plants, for the grid and for industrial use.

(b)

This Sector Understanding does not apply to items located outside the coal-fired electricity generation project site boundary for which the buyer is usually responsible, in particular, water supply not directly linked to the power production plant, costs associated with land development, roads, construction villages, power lines and switchyard, as well as costs arising in the buyer's country from official approval procedures (e.g site permits, construction permit), except:

(1)

In cases where the buyer of the switchyard is the same as the buyer of the power plant and the contract is concluded in relation to the original switchyard for that power plant, the terms and conditions for the original switchyard shall not exceed those for the coal-fired electricity generation project; and

(2)

The terms and conditions for sub-stations, transformers and transmission lines with a minimum voltage threshold of 100 kV located outside the coal-fired electricity generation project site boundary shall not be more generous than those for the coal-fired electricity generation project.

(c)

If a coal-fired electricity generation project falls within the scope and meets the conditions of Appendix II of the Sector Understanding on Export Credits for Renewable Energy, Climate Change Mitigation and Adaptation, and Water Projects, the financial terms and conditions applicable to such project shall be those set out in the said Sector Understanding.

CHAPTER II

PROVISIONS FOR EXPORT CREDITS

2.   MAXIMUM REPAYMENT TERMS

(a)

For officially supported export credits for goods and services covered by the provisions of Article 1(a)(1) of this Sector Understanding, the maximum repayment term is set out as follows in Table 1 below:

Table 1

Maximum repayment terms

PLANT UNIT SIZE

(gross installed capacity)

Unit > 500 MW

Unit ≥ 300 to 500 MW

Unit < 300 MW

Ultra-supercritical (i.e , with a steam pressure > 240 bar and ≥ 593 °C steam temperature), OR

Emissions < 750 g CO2/kWh

12 years (39)

12 years (39)

12 years (39)

Supercritical (i.e , with a steam pressure > 221 bar and > 550 °C steam temperature), OR

Emissions between 750 and 850 g CO2/kWh

Ineligible

10 years, and only in IDA-eligible countries (39)  (40)  (41)

10 years, and only in IDA-eligible countries (39)  (40)  (41)

Subcritical (i.e , with a steam pressure < 221 bar), OR

Emissions > 850 g CO2/kWh

Ineligible

Ineligible

10 years, and only in IDA-eligible countries (39)  (41)

(b)

For the purpose of the implementation of Table 1 above:

(1)

With respect to eligible subcritical units, official support shall be limited to two co-located units in a given plant, not to exceed an aggregate gross installed capacity of 500 MW, except if the alternatives analysis referred to in Article 4(b)(1) of this Sector Understanding examines the possibility of one larger unit in a higher efficiency category, and demonstrates that this approach is not viable; in this case, official support shall be limited to two units, not to exceed an aggregate gross installed capacity of 600 MW.

(2)

With respect to eligible supercritical units, official support shall be limited to no more than two co-located units in a given plant, except if the alternatives analysis referred to in Article 4(b)(1) of this Sector Understanding examines the possibility of achieving the same capacity through one or two larger units, and demonstrates that this approach is not viable.

(3)

IDA-eligible countries are defined as countries eligible for International Development Association (IDA) resources (including IDA-only and IDA blend countries) at the time the relevant completed application for export credit is received.

(c)

For officially supported export credits for goods and services covered by Article 1(a)(2) of this Sector Understanding, the maximum repayment term shall be determined by Article 12 of the Arrangement.

(d)

Project Finance transactions are transactions of goods and services covered by this Sector Understanding that also meet the criteria set out in Appendix I of Annex VII. For such transactions, a Participant applying the relevant repayment term allowed by Table 1 of this Sector Understanding, shall also apply the other terms and conditions set out in Annex VII, subject to the provisions of Article 3 of this Sector Understanding.

3.   REPAYMENT OF PRINCIPAL AND INTEREST

(a)

Subject to the provisions of paragraph (b) below, the repayment of principal and interest shall be provided in accordance with:

(1)

Article 14 of the Arrangement, or

(2)

For transactions of goods and services covered by this Sector Understanding that also meet the criteria set out in Appendix I of Annex VII, Article 3 of that Annex.

(b)

The weighted average life of the repayment period supported shall not exceed half of the repayment period plus one quarter of a year.

CHAPTER III

PROCEDURES

4.   PRIOR NOTIFICATION

(a)

A Participant shall give prior notification in accordance with Article 48 of the Arrangement at least ten calendar days before issuing any commitment if it intends to provide support in accordance with the provisions of this Sector Understanding.

(b)

Such notification shall:

(1)

Indicate that an evaluation of less carbon-intensive energy alternatives has been carried out and such alternatives are demonstrated as not viable, and

(2)

Include a demonstration that the project is compatible with the host country's national energy policy and climate mitigation policy and strategy, which is supported by a targeted policy to expand renewables and/or to enhance energy efficiency.

(3)

For projects qualifying under Footnote 2, an explanation of how the supported project helps address energy poverty.

(c)

A Participant notifying a transaction under “Project Finance” in compliance with Article 2(d) of this Sector Understanding shall, in addition to the reporting requirements set out above, report the information required in accordance with Annex VII.

CHAPTER IV

MONITORING, REVIEW AND REVISION

5.   MONITORING

The Secretariat shall report annually on the implementation of this Sector Understanding.

6.   REVIEW AND MONITORING

(a)

This Sector Understanding shall be reviewed by no later than 30 June 2019 with the objective of further strengthening its terms and conditions in a second phase beginning no later than 1 January 2021, in order to contribute to the common goal of addressing climate change and to continue phasing down official support for coal-fired power plants, including with a view to reducing the use of less efficient coal-fired power plants.

(b)

The review shall take into account:

(1)

The most recent reports on climate science and the implications for global infrastructure investment decisions of remaining on the path to limit global warming to below 2 degrees Celsius higher than pre-industrial levels;

(2)

Advancements in technology concerning coal-fuelled power plants, including Integrated Gasification Combined Cycle (IGCC);

(3)

Availability of carbon capture and storage technology;

(4)

The evolution of regulatory frameworks in both exporting and buying countries with regard to coal-fuelled power plants;

(5)

The evolution of market conditions, in various countries, including commercial feasibility of, and operational experience with, various coal-fuelled power plant technologies;

(6)

Developments in the export credit financing policies and practices of non-OECD countries, especially the major exporting countries of coal-fuelled power plants, recognising the important role that Participants can play in encouraging the Participation of non-OECD countries in this area; and

(7)

How the present Sector Understanding has affected energy poverty and the National Electrification Rate.

7.   TRANSITIONAL ARRANGEMENTS

The terms and conditions of this Sector Understanding are applicable to final commitments for goods and services covered by this Sector Understanding as of 1 January 2017, with the exception of those projects for which a request for proposals was issued prior to 1 January 2017, on the basis of a fully completed technical feasibility study and environmental and social impact assessment, and provided that an application for export credit support for any such project is submitted and acted upon expeditiously.

ANNEX VII

TERMS AND CONDITIONS APPLICABLE TO PROJECT FINANCE TRANSACTIONS

CHAPTER I

GENERAL PROVISIONS

1.   SCOPE OF APPLICATION

(a)

This Annex sets out terms and conditions that Participants may support for project finance transactions that meet the eligibility criteria set out in Appendix 1.

(b)

Where no corresponding provision exists in this Annex, the terms of the Arrangement shall apply.

CHAPTER II

FINANCIAL TERMS AND CONDITIONS  (42)

2.   MAXIMUM REPAYMENT TERMS

The maximum repayment term is 14 years, subject to the provisions of the Sector Understanding on Export Credits for Coal-Fired Electricity Generation Projects for projects falling within its scope.

3.   REPAYMENT OF PRINCIPAL AND PAYMENT OF INTEREST

The principal sum of an export credit may be repaid in unequal instalments, and principal and interest may be paid in less frequent than semi-annual instalments, as long as the following conditions are met:

(a)

No single repayment of principal or series of principal payments within a six-month period shall exceed 25 % of the principal sum of the credit.

(b)

The first repayment of principal shall be made no later than 24 months after the starting point of credit and no less than 2 % of the principal sum of the credit shall have been repaid 24 months after the starting point of credit.

(c)

Interest shall be paid no less frequently than every 12 months and the first interest payment shall be made no later than six months after the starting point of credit.

(d)

The weighted average life of the repayment period shall not exceed seven-and-a-quarter years.

(e)

The Participant shall give prior notification according to Article 5 of this Annex.

4.   MINIMUM FIXED INTEREST RATES

Where Participants are providing official financing support for fixed rate loans:

(a)

For repayment terms of up to and including 12 years, Participants shall apply the relevant Commercial Interest Reference Rates (CIRRs) constructed in Accordance with Article 20 of the Arrangement.

(b)

For repayment terms in excess of 12 years, a surcharge of 20 basis points on the CIRR shall apply for all currencies.

CHAPTER III

PROCEDURES

5.   PRIOR NOTIFICATION FOR PROJECT FINANCE TRANSACTIONS

A Participant shall notify all Participants of the intent to provide support according to the terms and conditions of this Annex at least ten calendar days before issuing any commitment. The notification shall be provided in accordance with Annex VIII of the Arrangement. If any Participant requests an explanation in respect of the terms and conditions being supported during this period, the notifying Participant shall wait an additional ten calendar days before issuing any commitment.

Appendix 1

Eligibility criteria for project finance transactions

I.   BASIC CRITERIA

The transaction involves/is characterised by:

(a)

The financing of a particular economic unit in which a lender is satisfied to consider the cash flows and earnings of that economic unit as the source of funds from which a loan will be repaid and to the assets of the economic unit as collateral for the loan.

(b)

Financing of export transactions with an independent (legally and economically) project company, e.g special purpose company, in respect of investment projects generating their own revenues.

(c)

Appropriate risk-sharing among the partners of the project, e.g private or creditworthy public shareholders, exporters, creditors, off-takers, including adequate equity.

(d)

Project cash flow sufficient during the entire repayment period to cover operating costs and debt service for outside funds.

(e)

Priority deduction from project revenues of operating costs and debt service.

(f)

A non-sovereign buyer/borrower with no sovereign repayment guarantee (not including performance guarantees, e.g off-take arrangements).

(g)

Asset-based securities for proceeds/assets of the project, e.g assignments, pledges, proceed accounts;

(h)

Limited or no recourse to the sponsors of the private sector shareholders/sponsors of the project after completion.

II.   ADDITIONAL CRITERIA FOR PROJECT FINANCE TRANSACTIONS IN HIGH INCOME OECD COUNTRIES

The transaction involves/is characterised by:

(a)

Participation in a loan syndication with private financial institutions that do not benefit from Official Export Credit Support, whereby:

(1)

The Participant is a minority partner with pari passu status throughout the life of the loan; and

(2)

Official export credit support provided by the Participants comprises less than 50 % of the syndication.

(b)

Premium rates for any official support that do not undercut available private market financing and that are commensurate with the corresponding rates being charged by other private financial institutions that are participating in the syndication.

ANNEX VIII

INFORMATION TO BE PROVIDED FOR NOTIFICATIONS

The information listed in Section I below shall be provided for all notifications made under the Arrangement (including its Annexes). In addition, the information specified in Section II shall be provided, as appropriate, in relation to the specific type of notification being made.

I.   INFORMATION TO BE PROVIDED FOR ALL NOTIFICATIONS

(a)    Basic Information

1.

Notifying country

2.

Notification date

3.

Name of notifying authority/agency

4.

Reference number

5.

Original notification or revision to previous notification (revision number as relevant)

6.

Tranche number (if relevant)

7.

Reference number of credit line (if relevant)

8.

Arrangement Article(s) under which the notification is being made

9.

Reference number of notification being matched (if relevant)

10.

Description of support being matched (if relevant)

11.

Destination Country

(b)    Buyer/Borrower/Guarantor Information

1.

Buyer Country

2.

Buyer Name

3.

Buyer Location

4.

Buyer Status

5.

Borrower Country (if different from the buyer)

6.

Borrower Name (if different from the buyer)

7.

Borrower Location (if different from the buyer)

8.

Borrower Status (if different from the buyer)

9.

Guarantor Country (if relevant)

10.

Guarantor Name (if relevant)

11.

Guarantor Location (if relevant)

12.

Guarantor Status (if relevant)

(c)    Information on Goods and/or Services Being Exported and the Project

1.

Description of the goods and/or services being exported

2.

Description of the project (if relevant)

3.

Location of the project (if relevant)

4.

Tender closing date (if relevant)

5.

Expiry date of credit line (if relevant)

6.

Value of contract(s) supported, either the actual value (for all lines of credit and project finance transactions or for any individual transaction on a voluntary basis) or according to the following scale in millions of SDRs:

Category

From

To

I:

0

1

II:

1

2

III:

2

3

IV:

3

5

V:

5

7

VI:

7

10

VII:

10

20

VIII:

20

40

IX:

40

80

X:

80

120

XI:

120

160

XII:

160

200

XIII:

200

240

XIV:

240

280

XV:

280

 (\*2)

7.

Currency of contract(s)

(d)    Financial Terms and Conditions of the Official Export Credit Support

1.

Credit value; the actual value for notifications involving lines of credit and project finance transactions or for any individual transaction on a voluntary basis, or according to the SDR scale

2.

Currency of credit

3.

Down payment (percentage of the total value of the contracts supported)

4.

Local Costs (percentage of the total value of the contracts supported)

5.

Starting point of credit and reference to the applicable subparagraph of Article 10

6.

Length of the repayment period

7.

Interest rate base

8.

Interest rate or margin

II.   ADDITIONAL INFORMATION TO BE PROVIDED, AS APPROPRIATE, FOR NOTIFICATIONS MADE IN RELATION TO SPECIFIC PROVISIONS

(a)    Arrangement, Article 14(d)(5)

1.

Repayment profile

2.

Repayment frequency

3.

Length of time between the starting point of credit and the first repayment of principal

4.

Amount of interest capitalised before the starting point of credit

5.

Weighted average life of the repayment period

6.

Explanation of the reason for not providing support according to Article 14 paragraphs (a) through (c)

(b)    Arrangement, Articles 24, 27, 30 and 31

1.

Country risk classification of the obligor's country

2.

Selected buyer risk category of the obligor

3.

Length of the disbursement period

4.

Percentage of cover for political (country) risk

5.

Percentage of cover for commercial (buyer) risk

6.

Quality of cover (i.e below standard, standard, above standard)

7.

MPR based on the country risk classification of the obligor's country absent any third party guarantee, involvement of a multilateral/regional institution, risk mitigation and/or buyer risk enhancements

8.

Applicable MPR

9.

Actual premium rate charged (expressed in MPR format as a percentage of the principal)

(c)    Arrangement, Article 24(c)

1.

Accredited CRA foreign currency rating(s) of the obligor/guarantor

2.

Accredited CRA foreign currency rating(s) of the sovereign

3.

Corresponding TCMB MPR based on the best available Accredited CRA foreign currency rating of the obligor/guarantor

4.

Corresponding TCMB MPR based on the best available Accredited CRA foreign currency rating of the sovereign, where the risk classification proposed for an obligor/guarantor equals or exceeds the best available Accredited CRA rating for the sovereign

5.

In the case of classifying an obligor/guarantor at a rating better than the best rating available by an Accredited CRA or equal to or better than the best rating for the sovereign available by an Accredited CRA, the notification shall provide a justification for the classification

6.

In the case of syndicated loan/guarantee pricing, a detailed description of the methodology used to derive the premium based on the all-in pricing

7.

In the case of loan benchmark, a detailed description of the methodology used to derive the premium based on all-in pricing

8.

In the case of Name Specific bond or CDS pricing, a detailed description of the methodology used to derive the pricing, detailed information on why the pricing is relevant, including whether the pricing relates to the actual obligor or a Related Entity, and if the later, outline how the criteria of a Related Entity have been met

(d)    Arrangement, Article 27(e)

1.

Selected buyer risk category of the obligor

2.

Accredited CRA foreign currency rating(s)

3.

Rationale for buyer risk category better than accredited CRA rating

(e)    Arrangement, Article 30

1.

Country risk mitigation technique used

2.

Confirmation that the criteria listed in Annex XIII have been met

3.

For Technique 1, the applicable country risk classification resulting from the use of the technique.

4.

For Technique 2:

—

the local currency used

—

the value of the LCF applied

(f)    Arrangement, Article 31

1.

The BRCE(s) applied

2.

The CEF applied for each credit enhancement

3.

The total CEF to be applied

(g)    Arrangement, Articles 49 and 50

1.

Form of tied aid (i.e development aid or premixed credit or associated finance)

2.

Overall concessionality level of the tied and partially untied aid financing calculated in accordance with Article 40

3.

DDR used for concessionality calculation

4.

Treatment of cash payments in the calculation of the concessionality level

5.

Restrictions on use of credit lines

(h)    Annex I, Article 5(e)

1.

Indication of:

—

The date of the first payment of interest, if later than six months after the starting point of credit

—

The frequency of payment of interest, if less frequent than every six months

(i)    Annex II, Article 8

1.

Enhanced description of the export contract, i.e new nuclear power station, modernisation of an existing nuclear power plant, supply of nuclear fuel and enrichment, or provision of spent fuel management.

2.

Repayment of principal and payment of interest according to: Article 3(a)(1), Article 3(a)(2) or Article 3(c) of Annex II.

3.

Where official support is provided in accordance with Article 3(c) of Annex II, please provide:

—

Repayment profile

—

Repayment frequency

—

Length of time between the starting point of credit and the first repayment of principal

—

Amount of interest capitalised before the starting point of credit

—

Weighted average life of the repayment period

—

Explanation of the reason for not providing support in accordance with Articles 3(a) and (b) of Annex II.

4.

Minimum interest rate applied in accordance with Article 4 of Annex II.

(j)    Annex IV, Article 10

1.

Enhanced description of the project:

—

New renewable energies and water plant, or modernisation of an existing renewable energies and water plant, including the specific sector as listed in Appendix I of Annex IV, or

—

If a hydro-power project, whether a new large hydro-power project (as defined in Appendix IV of Annex IV), or

—

For projects falling in the Project Classes listed in Appendix II of Annex IV, a demonstration of how the project complies with the criteria for support, as set out in Article 2(b) of Annex IV, or

—

For projects supported in conformity with Appendix III of Annex IV:

—

An enhanced description of the project in order to demonstrate how the project complies with the criteria for support, as set out in Article 3(b) or (c) respectively of Annex IV, and

—

Access to the outcome of the independent third-party review required in Appendix III of Annex IV.

2.

Repayment profile of principal and payment of interest according to: Article 6(a)(1), Article 6(a)(2) or Article 6(c) of Annex IV.

3.

Where official support is provided in accordance with Article 6(c) of Annex IV, please provide:

—

Repayment profile

—

Repayment frequency

—

Length of time between the starting point of credit and the first repayment of principal

—

Amount of interest capitalised before the starting point of credit

—

Weighted average life of the repayment period

—

Explanation of the reason for not providing support in accordance with Articles 6(a) and (b) of Annex IV.

4.

Minimum interest rate applied in accordance with Article 7 of Annex IV.

(k)    Annex V, Article 5

1.

Comprehensive explanation for the terms and conditions of the official support provided, including:

—

Explanation of why the Rail Infrastructure terms and conditions are being provided

—

How the repayment terms offered do not exceed the useful life of the rail infrastructure financed

2.

For transactions in Category I countries:

—

Total debt syndication amount for the project, including official and private lenders

—

Total amount of the debt syndication from private lenders

—

Percentage of the debt syndication provided by the Participants

—

Confirmation that the Participant is involved in a loan syndication with private financial institutions that do not benefit from official export credit support, whereby (i) the Participant is a minority partner with pari passu status throughout the life of the loan and (ii) official export credit support provided by the Participants comprises less than 50 % of the syndication

—

Specific data on pricing to explain how premium rates charged for official support do not undercut available private market financing and are commensurate with the corresponding rates being charged by other private financial institutions that are participating in the syndication.

(l)    Annex VI, Article 4

1.

Indicate that an evaluation of less carbon-intensive energy alternatives has been carried out and such alternatives are demonstrated as not viable, and

2.

Include a demonstration that the project is compatible with the host country's national energy policy and climate mitigation policy and strategy, which is supported by a targeted policy to expand renewables and/or to enhance energy efficiency.

3.

For projects qualifying under Footnote 2 of Annex VI, an explanation of how the supported project helps address energy poverty.

(m)    Annex VII, Article 5

1.

Explanation of why project finance terms are being provided

2.

Contract value in relation to turnkey contract, portion of sub-contracts, etc.

3.

Enhanced project description

4.

Type of cover provided prior to the starting point of credit

5.

Percentage of cover for political risk prior to the starting point of credit

6.

Percentage of cover for commercial risk prior to the starting point of credit

7.

Type of cover provided after the starting point of credit

8.

Percentage of cover for political risk after the starting point of credit

9.

Percentage of cover for commercial risk after the starting point of credit

10.

Length of the construction period (if applicable)

11.

Length of the disbursement period

12.

Weighted average life of the repayment period

13.

Repayment profile

14.

Repayment frequency

15.

Length of time between the starting point of credit and the first repayment of principal

16.

Percentage of principal repaid by the mid-point of credit

17.

Amount of interest capitalised before the starting point of credit

18.

Other fees received by the ECA, e.g commitment fees (optional, except in the case of transactions with buyers in High Income OECD Countries)

19.

Premium rate (optional, except in the case of projects in High Income OECD Countries)

20.

Confirmation (and explanation as necessary) that the transaction involves/is characterised by:

—

The financing of a particular economic unit in which a lender is satisfied to consider the cash flows and earnings of that economic unit as the source of funds from which a loan will be repaid and to the assets of the economic unit as collateral for the loan.

—

Financing of export transactions with an independent (legally and economically) project company, e.g special purpose company, in respect of investment projects generating their own revenues.

—

Appropriate risk-sharing among the partners of the project, e.g private or creditworthy public shareholders, exporters, creditors, off-takers, including adequate equity.

—

Project cash flow sufficient during the entire repayment period to cover operating costs and debt service for outside funds.

—

Priority deduction from project revenues of operating costs and debt service.

—

A non-sovereign buyer/borrower with no sovereign repayment guarantee.

—

Asset-based securities for proceeds/assets of the project, e.g assignments, pledges, proceed accounts.

—

Limited or no recourse to the sponsors of the private sector shareholders/sponsors of the project after completion.

(n)    Annex VII, Article 5, for projects in High Income OECD Countries

1.

Total debt syndication amount for the project, including official and private lenders

2.

Total amount of the debt syndication from private lenders

3.

Percentage of the debt syndication provided by the Participants

4.

Confirmation that:

—

In respect of participation in a loan syndication with private financial institutions that do not benefit from official export credit support, the Participant is a minority partner with pari passu status throughout the life of the loan.

—

The premium rate reported under item (m)19 above does not undercut available private market financing and is commensurate with the corresponding rates being charged by other private financial institutions that are participating in the syndication.

ANNEX IX

CALCULATION OF THE MINIMUM PREMIUM RATES

MPR Formula

The formula for calculating the applicable MPR for an export credit involving an obligor/guarantor in a country classified in Country Risk Categories 1-7 is:

MPR = {[(ai \* HOR + bi) \* max (PCC, PCP)/0,95] \* (1 – LCF) + [cin \* PCC/0,95 \* HOR \* (1 – CEF)]}\* QPFi \* PCFi \* BTSF

where:

—   ai = country risk coefficient in country risk category i (i = 1-7)

—   cin = buyer risk coefficient for buyer category n (n = SOV+, SOV/CCO, CC1-CC5) in country risk category i (i = 1-7)

—   bi = constant for country category risk category i (i = 1-7)

—   HOR= horizon of risk

—   PCC= commercial (buyer) risk percentage of cover

—   PCP= political (country) risk percentage of cover

—   CEF= credit enhancements factor

—   QPFi = quality of product factor in country risk category i (i = 1-7)

—   PCFi = percentage of cover factor in country risk category i (i = 1-7)

—   BTSF= better than sovereign factor

—   LCF= local currency factor

Applicable Country Risk Classification

The applicable country risk classification is determined according to Article 24(e) of the Arrangement, which in turn determines the country risk coefficient (ai) and constant (bi) that are obtained from the following table:

1

2

3

4

5

6

7

a

0,090

0,200

0,350

0,550

0,740

0,900

1,100

b

0,350

0,350

0,350

0,350

0,750

1,200

1,800

Selection of the Appropriate Buyer Risk Category

The appropriate buyer risk category is selected from the following table, which provides the combinations of country and buyer risk categories that have been established and the agreed concordance between buyer risk categories CC1-CC5 and the classifications of accredited CRAs. Qualitative descriptions of each buyer risk category (SOV+ to CC5) have been established to facilitate the classification of obligors (and guarantors) and are provided in Annex XII.

Country Risk Category

1

2

3

4

5

6

7

SOV+

SOV+

SOV+

SOV+

SOV+

SOV+

SOV+

SOV/CC0

SOV/CC0

SOV/CC0

SOV/CC0

SOV/CC0

SOV/CC0

SOV/CC0

CC1

AAA to AA-

CC1

A+ to A-

CC1

BBB+ to BBB-

CC1

BB+ to BB

CC1

BB-

CC1

B+

CC1

B

CC2

A+ to A-

CC2

BBB+ to BBB-

CC2

BB+ to BB

CC2

BB-

CC2

B+

CC2

B

CC2

B- or worse

CC3

BBB+ to BBB-

CC3

BB+ to BB

CC3

BB-

CC3

B+

CC3

B

CC3

B- or worse

CC4

BB+ to BB

CC4

BB-

CC4

B+

CC4

B

CC4

B- or worse

CC5

BB- or worse

CC5

B+ or worse

CC5

B or worse

CC5

B- or worse

The selected buyer risk category, in combination with the applicable country risk category determines the buyer risk coefficient (cin) that is obtained from the following table:

Buyer Risk Category

Country Risk Category

1

2

3

4

5

6

7

SOV+

0,000

0,000

0,000

0,000

0,000

0,000

0,000

SOV/CC0

0,000

0,000

0,000

0,000

0,000

0,000

0,000

CC1

0,110

0,120

0,110

0,100

0,100

0,100

0,125

CC2

0,200

0,212

0,223

0,234

0,246

0,258

0,271

CC3

0,270

0,320

0,320

0,350

0,380

0,480

n/a

CC4

0,405

0,459

0,495

0,540

0,621

n/a

n/a

CC5

0,630

0,675

0,720

0,810

n/a

n/a

n/a

Horizon of Risk (HOR)

The Horizon of Risk (HOR) is calculated as follows:

For standard repayment profiles (i.e equal semi-annual repayments of principal):

HOR = (length of the disbursement period \* 0,5) + the length of the repayment period

For non-standard repayment profiles:

HOR = (length of the disbursement period \* 0,5) + (weighted average life of the repayment period – 0,25)/0,5

In the above formulas, the unit of measurement for time is years.

Percentage of Cover for Commercial (Buyer) Risk (PCC) and Political (Country) Risk (PCP)

The Percentages of Cover (PCC and PCP) expressed as a decimal value (i.e 95 % is expressed as 0,95) in the MPR formula.

Buyer Risk Credit Enhancements

The value of the credit enhancement factor (CEF) is 0 for any transaction that is not subject to any buyer risk credit enhancements. The value of the CEF for transactions that are subject to buyer risk credit enhancements is determined according to Annex XIII, subject to the restrictions set out in Article 31(c) of the Arrangement and may not exceed 0,35.

Quality of Product Factor (QPF)

The QPF is obtained from the following table:

Product Quality

Country Risk Category

1

2

3

4

5

6

7

Below Standard

0,9965

0,9935

0,9850

0,9825

0,9825

0,9800

0,9800

Standard

1,0000

1,0000

1,0000

1,0000

1,0000

1,0000

1,0000

Above Standard

1,0035

1,0065

1,0150

1,0175

1,0175

1,0200

1,0200

Percentage of Cover Factor (PCF)

The PCF is determined as follows:

For (max(PCC, PCP) ≤ 0,95, PCF = 1)

For (max(PCC, PCP) > 0,95, PCF = 1 + ((max(PCC, PCP) – 0,95)/0,05) \* (percentage of cover coefficient)

The percentage of cover coefficient is obtained from the following table:

Country Risk Category

1

2

3

4

5

6

7

Percentage of cover coefficient

0,00000

0,00337

0,00489

0,01639

0,03657

0,05878

0,08598

Better than Sovereign Factor (BTSF)

When an obligor is classified in the “better than sovereign” (SOV+) buyer risk category, BTSF = 0,9, otherwise BTSF = 1.

Local Currency Factor (LCF)

For transaction making use of local currency country risk mitigation, the value of the LCF may not exceed 0,2. The value of the LCF for all other transactions is 0.

ANNEX X

MARKET BENCHMARKS FOR TRANSACTIONS IN CATEGORY ZERO COUNTRIES

Un-covered Tranche of Export Credits or the non-ECA Covered Part of a Syndicated Loan

The price indicated by private banks/institutions with respect to the uncovered tranche of the export credit in question (or sometimes as the non-ECA covered part of a syndicated loan) may represent the best match to ECA cover. Pricing on such un-covered portions or non-covered parts should only be used if provided on commercial terms (e.g this would exclude IFI funded portions).

Name-Specific Corporate Bonds

Corporate bonds reflect name specific credit risk. Care should be used in matching in terms of the ECA contract characteristics, such as term of maturity, and currency denomination, and any credit enhancements. If primary corporate bonds (i.e all-in yield upon issuance) or secondary corporate bonds (i.e the option adjusted spread over the appropriate curve, which is usually the relevant currency swap curve) are used, those for the obligor should be used in the first instance; if not available, primary or secondary corporate bonds from Related Entities may be used.

Name-Specific Credit Default Swaps

Credit Default Swaps (CDS) are a form of protection against default. The CDS spread is the amount paid per period by the buyer of the CDS as a percentage of notional principal, and is usually expressed in basis points. The CDS buyer effectively buys insurance against default by making payments to the seller of the CDS for the life of the swap, or until the credit event occurs. A CDS curve for the obligor should be used in the first instance; if not available, CDs curves from Related Entities may be used.

Loan Benchmarks

Primary loan benchmarks (i.e pricing upon issuance) or secondary loan benchmarks (i.e the current yield on the loan expected by the financial institution purchasing the loan from another financial institution). All fees must be known for primary loan benchmarks so that the all-in yield can be calculated. If loan benchmarks are used, those for the obligor should be used in the first instance; if not available, those from related entities may be used.

Benchmark Market Curves

Benchmark market curves reflect the credit risk of a whole sector or class of buyers. This market information may be relevant when name specific information is not available. In general, the quality of the information inherent to these markets depends upon their liquidity. In any case, one should look for market instruments that provide the closest match in terms of the ECA contract characteristics, such as date, credit rating, term of maturity, and currency denomination.

ANNEX XI

CRITERIA AND CONDITIONS GOVERNING THE APPLICATION OF A THIRD PARTY REPAYMENT GUARANTEE AND THE CLASSIFICATION OF MULTILATERAL OR REGIONAL INSTITUTIONS

PURPOSE

This Annex provides the criteria and conditions that govern the application of third party repayment guarantees, including the repayment guarantee of a classified multilateral or regional institution according to Article 24(e) of the Arrangement. It also provides the criteria by which multilateral or regional institutions should be assessed when determining if an institution should be classified in connection with Article 28 of the Arrangement.

APPLICATION

Case 1: Guarantee for the Total Amount at Risk

When security in the form of a repayment guarantee from an entity is provided for the total amount at risk (i.e principal and interest), the applicable Country Risk Classification and Buyer Risk Category may be that of the guarantor when the following criteria are met:

—

The guarantee covers the entire duration of the credit.

—

The guarantee is irrevocable, unconditional and available on-demand.

—

The guarantee is legally valid and capable of being enforced in the guarantor country's jurisdiction.

—

The guarantor is creditworthy in relation to the size of the guaranteed debt.

—

The guarantor is subject to the monetary control and transfer regulations of the country in which it is located.

For classified Multilateral or Regional Institutions acting as guarantors, the following criteria apply:

—

The guarantee covers the entire duration of the credit.

—

The guarantee is irrevocable, unconditional and available on-demand.

—

The guarantor is legally committed for the total amount of the credit.

—

The repayments are made directly to the creditor.

If the guarantor is a subsidiary/parent of the guaranteed entity, Participants shall, on a case-by-case basis, determine whether: (1) in consideration of the relationship between the subsidiary/parent and the degree of legal commitment of the parent, the subsidiary/parent is legally and financially independent and could fulfil its payment obligations; (2) the subsidiary/parent could be affected by local events/regulations or sovereign ***intervention***; and (3) the Head Office would in the event of a default regard itself as being liable.

Case 2: Guarantee Limited in Amount

When security in the form of a repayment guarantee from an entity is provided for a limited amount at risk (i.e principal and interest), the applicable Country Risk Classification and Buyer Risk Category may be that of the guarantor for the portion of the credit subject to the guarantee, providing that all other criteria listed under Case 1 are met.

For the unguaranteed portion, the applicable Country Risk Classification and Buyer Risk Category is that of the obligor.

Classification of Multilateral or Regional Institutions

Multilateral and regional institutions shall be eligible for classification if the institution is generally exempt from the monetary control and transfer regulations of the country in which it is located. Such institutions shall be classified in Country Risk Categories 0 through 7 on a case-by-case basis according to an assessment of the risk of each on its own merits and in consideration of whether:

—

the institution has statutory and financial independence,

—

all of the institution's assets are immune from nationalisation or confiscation,

—

the institution has full freedom of transfer and conversion of funds,

—

the institution is not subject to government ***intervention*** in the country where it is located,

—

the institution has tax immunity, and

—

there is an obligation of all its Member countries to supply additional capital to meet the institution's obligations.

The assessment should also take into consideration the historical payment record in situations of country credit risks default either in the country where it is located or in an obligor's country; and any other factors which may be deemed appropriate in the assessment process.

The list of classified multilateral and regional institutions is not closed and a Participant may nominate an institution for review according to the above-listed considerations. The classifications of multilateral and regional institutions shall be made public by the Participants.

ANNEX XII

BUYER RISK CATEGORIES QUALITATIVE DESCRIPTIONS

Better than Sovereign (SOV+)

This is an exceptional classification. The entity achieving such a classification is one with an exceptionally strong credit profile which could be expected to fulfil its payment obligations during a period of sovereign debt distress or even default. International Credit Rating Agencies issue regular reports listing Corporate and Counterparty Ratings that exceed the Sovereign's Foreign Currency Rating. Except when the risk sovereign has been identified through the Sovereign Risk Assessment Methodology as being significantly higher than country risk, Participants proposing that an entity be classified as better than sovereign shall reference such better than sovereign ratings in support of their recommendation. In order to be classified as better than its host sovereign, an entity would be expected to display several or normally a majority of the following characteristics or equivalents:

—

A strong credit profile,

—

substantial foreign exchange earnings relative to its currency debt burden,

—

production facilities and cash generation ability from subsidiaries or operations offshore, especially those domiciled in highly rated sovereigns, i.e multinational enterprises,

—

a foreign owner or a ***strategic*** partner which could be relied on as a source of financial support in the absence of a formal guarantee,

—

a history of preferential treatment of the entity by the sovereign, including exemption from transfer and convertibility constraints and surrender requirements for export proceeds, and favourable tax treatment,

—

committed credit lines from highly rated international banks, especially credit lines without a material adverse change (MAC) clause which enable banks to withdraw committed facilities in the event of a sovereign crisis or other risk events, and

—

assets held offshore, especially liquid assets, often as a result of rules allowing exporters to trap and maintain cash balances offshore that are available for debt service.

Normally the SOV+ buyer risk category is not applicable to:

—

Publicly owned entities and utilities, sub-sovereigns as line ministries, regional governments, etc.,

—

financial institutions domiciled in the sovereign's jurisdiction, and

—

entities primarily selling to the domestic market in local currency.

Sovereign (SOV)

Sovereign obligors/guarantors are entities that are explicitly legally mandated to enter into a debt payment obligation on the behalf of the Sovereign State, typically Ministry of Finance or Central bank (43). A risk designated as sovereign is one where:

—

the obligor/guarantor is legally mandated to enter into a debt payment obligation on behalf of the Sovereign and thereby commits the full faith and credit of the sovereign, and

—

in the event of rescheduling of sovereign risk, the debt in question would be included in the rescheduling and payment obligations acquired by the sovereign by virtue of the rescheduling.

Equivalent to the Sovereign (CC0): Exceptionally Good Credit Quality

The “equivalent to sovereign” category embraces two basic types of obligors/guarantors:

—

Public entities where due diligence reveals that either the buyer has the implicit full faith and credit/support of the sovereign or that the likelihood of sovereign liquidity and solvency support is very high, both in relation to recovery prospects as well as default risk. Non-sovereign public entities equivalent to the sovereign would also include companies owned by the government with a monopoly or near monopoly on operations in a sector (e.g power, oil, gas).

—

Corporate entities with an exceptionally strong credit profile, displaying features in terms of both default and recovery prospects which indicate that the risk could be seen as being equivalent to sovereign. Candidates could include strong blue chip corporates or very important banks for which the likelihood of sovereign liquidity and solvency support is high.

Exceptionally good credit quality implies that the risk of payment interruption is expected to be negligible and that the entity has an exceptionally strong capacity for repayment and this capacity is not likely to be affected by foreseeable events. The credit quality is typically manifested in a combination of some, if not all, of the following characteristics of the entity's business and financial profile:

—

exceptionally good to very good cash and income generation

—

exceptionally good to very good liquidity levels

—

exceptionally low to very low leverage

—

excellent to very strong business profile with proven and very strong management abilities

The entity is also characterised by a high quality of financial and ownership disclosure, unless there is a very high likelihood of support from a parent (or sovereign) with a buyer risk classification that is equal to or better than what corresponds to this buyer risk category.

Depending on the classification of the country in which the obligor/guarantor is domiciled, it is likely that an obligor/guarantor classified in buyer risk category CC0 would be rated between AAA (Country Category 1) and B (Country Category 7) by accredited CRAs.

Very Good Credit Quality (CC1)

The risk of payment interruption is expected to be low or very low. The obligor/guarantor has a very strong capacity for repayment and this capacity is not likely to be affected by foreseeable events. The obligor/guarantor has a limited or very limited susceptibility to adverse effects of changes in circumstances and economic conditions. The credit quality is typically manifested in a combination of some, if not all, of the following characteristics of the business and financial profile:

—

very good to good cash and income generation

—

very good to good liquidity levels

—

very low to low leverage

—

very strong business profile with proven management abilities

The entity is also characterised by a high quality of financial and ownership disclosure, unless there is a very high likelihood of support from a parent (or sovereign) with a buyer risk classification that is equal to or better than what corresponds to this buyer risk category.

Depending on the classification of the country in which the obligor/guarantor is domiciled, it is likely that an obligor/guarantor classified in buyer risk category CC1 would be rated between AAA (Country Category 1) and B (Country Category 7) by accredited CRAs.

Good to Moderately Good Credit Quality, Above Average (CC2)

The risk of payment interruption is expected to be low. The obligor/guarantor has a good to moderately good capacity for repayment and this capacity is not likely to be affected by foreseeable events. The obligor/guarantor has a limited susceptibility to adverse effects of changes in circumstances and economic conditions. The credit quality is typically manifested in a combination of some, if not all, of the following characteristics of the business and financial profile:

—

good to moderately good cash and income generation

—

good to moderately good liquidity levels

—

low to moderately low leverage

—

moderately strong business profile with proven management abilities

The entity is also characterised by a high quality of financial and ownership disclosure, unless there is a very high likelihood of support from a parent (or sovereign) with a buyer risk classification that is equal to or better than what corresponds to this buyer risk category.

Depending on the classification of the country in which the obligor/guarantor is domiciled, it is likely that an obligor/guarantor classified in buyer risk category CC2 would be rated between A+ (Country Category 1) and B- or worse (Country Category 7) by accredited CRAs.

Moderate Credit Quality, Average (CC3)

The risk of payment interruption is expected to be moderate or moderately low. The obligor/guarantor has a moderate or moderately good capacity for repayment. There is a possibility of credit risk developing as the obligor/guarantor faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely payments. However, business or financial alternatives may be available to allow financial commitments to be met. The credit quality is typically manifested in a combination of some, if not all, of the following characteristics of the business and financial profile.

—

moderately good to moderate cash and income generation

—

moderately good to moderate liquidity levels

—

moderately low to moderate leverage

—

moderate business profile with proven management abilities

The entity is also characterised by an adequate quality of financial and ownership disclosure, unless there is a very high likelihood of support from a parent (or sovereign) with a buyer risk classification that is equal to or better than what corresponds to this buyer risk category.

Depending on the classification of the country in which the obligor/guarantor is domiciled, it is likely that an obligor/guarantor classified in buyer risk category CC3 would be rated between BBB+ (Country Category 1) and B- or worse (Country Category 6) by accredited CRAs.

Moderately Weak Credit Quality, Below Average (CC4)

The risk of payment interruption is expected to be moderately weak. The obligor/guarantor has a moderate to moderately weak capacity for repayment. There is a possibility of credit risk developing as the obligor/guarantor faces major ongoing uncertainties or exposure to adverse business, financial or economic conditions which could lead to inadequate capacity to meet timely payments. However, business or financial alternatives may be available to allow financial commitments to be met. The credit quality is typically manifested in a combination of some, if not all, of the following characteristics of the business and financial profile:

—

moderate to moderately weak cash and income generation

—

moderate to moderately weak liquidity levels

—

moderate to moderately high leverage

—

moderately weak business profile with limited track record of management abilities

The entity is also characterised by an adequate quality of financial and ownership disclosure, unless there is a very high likelihood of support from a parent (or sovereign) with a buyer risk classification that is equal to or better than what corresponds to this buyer risk category.

Depending on the classification of the country in which the obligor/guarantor is domiciled, it is likely that an obligor/guarantor classified in buyer risk category CC4 would be rated between BB+ (Country Category 1) and B- or worse (Country Category 5) by accredited CRAs.

Weak Credit Quality (CC5)

The risk of payment interruption is expected to be high to very high. The obligor/guarantor has a moderately weak to weak capacity for repayment. The obligor/guarantor currently has the capacity to meet repayments but a limited margin of safety remains. However, there is a likelihood of developing payment problems as the capacity for continued payment is contingent upon a sustained, favourable business and economic environment. Adverse business, financial, or economic conditions will likely impair capacity or willingness to repay. The credit quality is typically manifested in a combination of some, if not all, of the following characteristics of the business and financial profile:

—

moderately weak to weak to very weak cash and income generation

—

moderately weak to weak liquidity levels

—

moderately high to high leverage

—

weak business profile with limited or no track record of management abilities

The entity is also characterised by a poor quality of financial and ownership disclosure, unless there is a very high likelihood of support from a parent (or sovereign) with a buyer risk classification that is equal to or better than what corresponds to this buyer risk category.

Depending on the classification of the country in which the obligor/guarantor is domiciled, it is likely that an obligor/guarantor classified in buyer risk category CC5 would be rated between BB- (Country Category 1) and B- or worse (Country Category 4) by accredited CRAs.

ANNEX XIII

CRITERIA AND CONDITIONS GOVERNING THE APPLICATION OF COUNTRY RISK MITIGATION TECHNIQUES AND BUYER RISK CREDIT ENHANCEMENTS

PURPOSE

This Annex provides detail on the use of country risk mitigation techniques listed in Article 30(a) of the Arrangement and the buyer risk credit enhancements listed in Article 31(a) of the Arrangement; this includes the criteria, conditions and specific circumstances which apply to their use as well as the impact on the MPRs.

COUNTRY RISK MITIGATION TECHNIQUES

1.    Offshore Future Flow Structure Combined with Offshore Escrow Account

Definition:

A written document, such as a deed or a release or trustee arrangement, sealed and delivered to a third party, i.e a person not party to the instrument, to be held by such third party until the fulfilment of certain conditions and then to be delivered by him to the other party to take effect. If the following criteria are satisfied subject to consideration of the additional factors listed, this technique can reduce or eliminate the transfer risks, mainly in the higher risk country categories.

Criteria:

—

The escrow account is related to a foreign exchange-earning project and the flows into the escrow account are generated by the project itself and/or by other offshore export receivables.

—

The escrow account is held offshore, i.e located outside of the country of the project where there are very limited, transfer or other country risks (i.e in a High Income OECD country or High Income Euro Area country).

—

The escrow account is located in a first class bank which is not directly or indirectly controlled by interests of the obligor or by the country of the obligor.

—

The funding of the account is secured through long-term or other appropriate contracts.

—

The combination of the sources of revenues (i.e generated by the project itself and/or the other sources) of the obligor flowing through the account are in hard currency and can reasonably be expected to be collectively sufficient for the service of the debt for the entire duration of the credit, and come from one or more creditworthy foreign customers located in better risk countries than the country in which the project is located (i.e normally High Income OECD countries or High Income Euro Area countries).

—

The obligor irrevocably instructs the foreign customers to pay directly into the account (i.e the payments are not forwarded through an account controlled by the obligor or through its country).

—

The funds which have to be kept within the account are equal to at least six months of debt service. Where flexible repayment terms are being applied under a project finance structure, an amount equivalent to the actual six months debt service under such flexible terms are to be kept within the account; this amount may vary over time depending on the debt service profile.

—

The obligor has restricted access to the account (i.e only after payment of the debt service under the credit).

—

The revenues deposited in the account are assigned to the lender as direct beneficiary, for the entire life of the credit.

—

The opening of the account has received all the necessary legal authorisations from the local and any other appropriate authorities.

—

The escrow account and contractual arrangements may not be conditional and/or revocable and/or limited in duration.

Additional Factors to be taken into Consideration:

The technique applies subject to a case-by-case consideration of the above characteristics and, inter alia, with regard to:

—

the country, the obligor (i.e either public or private), the sector, the vulnerability in relation to the commodities or services involved, including their availability for the entire duration of the credit, the customers,

—

the legal structures, e.g whether the mechanism is sufficiently immune against the influence of the obligor or its country,

—

the degree to which the technique remains subject to government interference, renewal or withdrawal,

—

whether the account would be sufficiently protected against project-related risks,

—

the amount which will flow into the account and the mechanism for the continuation of appropriate provision,

—

the situation with regard to the Paris Club (e.g possible exemption),

—

the possible impact of country risks other than the transfer risk,

—

the protection against the risks of the country where the account is located,

—

the contracts with the customers, including their nature and duration, and

—

the global amount of the expected foreign earnings in relation to the total amount of the credit.

Impact on the MPR

The application of this country risk mitigation technique may result in a one category improvement in the applicable country risk classification for the transaction, except for transactions in Country Risk Category 1.

2.    Local Currency Financing

Definition:

Contract and financing negotiated in convertible and available local, other than hard, currencies and financed locally that eliminates or mitigates the transfer risk. The primary debt obligation in local currency would, in principle, not be affected by the occurrence of the first two country credit risks.

Criteria:

—

The ECA liability and claims payment or the payment to the Direct Lender are expressed/made throughout in local currency.

—

The ECA is normally not exposed to the transfer risk.

—

In the normal course of events, there will be no requirement for local currency deposits to be converted into hard currency.

—

The borrower's repayment in his own currency and in his own country is a valid discharge of the loan obligation.

—

If a borrower's income is in local currency the borrower is protected against adverse exchange rate movements.

—

Transfer regulations in the borrower's country should not affect the borrower's repayment obligations, which would remain in local currency.

Additional Factors to be taken into Consideration:

The technique applies on a selective basis in respect of convertible and transferable currencies, where the underlying economy is sound. The Participant ECA should be in a position to meet its obligations to pay claims expressed in its own currency in the event that the local currency becomes either “non-transferable” or “non-convertible” after the ECA takes on liability. (A Direct Lender would however carry this exposure.)

Impact on the MPR

The application of this risk mitigation technique may result in a discount of no more than 20 % to the country credit risk portion of the MPR (i.e a local currency factor [LCF] with a value of no more than 0,2).

BUYER RISK CREDIT ENHANCEMENTS

The following table provides definitions of the buyer risk credit enhancements that may be applied, along with their maximum impact on the applicable MPRs through the CEF in the MPR formula.

Credit Enhancement

Definition

Maximum CEF (Country Risk Category 1-7)

Maximum CEF (Market Benchmark)

Assignment of Contract Proceeds or Receivables

In the event a borrower has contracts with strong off-takers, whether offshore or local, a legally enforceable assignment of the contract provides rights to enforce the borrower's contracts and/or make decisions under major contracts in the place of the borrower after a default under the loan. A direct agreement with a third party in a transaction (a local government agency in a mining or energy transaction) allows Lenders to approach a government to seek remedies for expropriation or other violation of contractual obligations related to the transaction.

An existing company operating in a difficult market or sector may have receivables related to the sale of production with a company or companies located in a more stable environment. Receivables would generally be in a hard currency but may not be the subject of a specific contractual relationship. Assignment of these receivables could provide asset security in the accounts of the Borrower, giving the Lender a preferential treatment in the cash flow generated by the Borrower.

0,10

N/A

Asset Based Security

Control of an asset shown by:

(1)

mortgage on very mobile and valuable piece of property and

(2)

property that has entire value in itself.

An asset based security is one that can be reacquired with relative ease such as a locomotive, medical equipment or construction equipment. In valuing such a security, the ECA should take into consideration the legal ease of recovery. In other words, there is more value when the security interest in the asset is perfected under an established legal regime and less value where the legal ability to recover the asset is questionable. The precise value of an asset-based security is set by the market, with the relevant “market” being deeper than a local market because the asset can be moved to another jurisdiction. NOTE: The application of an asset based security credit enhancement applies to the buyer risk, where the asset based security is held internally within the country in which the transaction is domiciled.

0,25

0,15

Fixed Asset Security

A fixed asset security is most typically component equipment which may be constrained by its physicality such as turbine or manufacturing machinery integrated into an assembly line. The intent and value of the fixed asset security is to provide the ECA with more leverage over the use of the asset in recouping losses in the event of default. The value of a fixed asset security varies dependent on economic, legal, market and other factors.

0,15

0,10

Escrow Account

Escrow accounts involve debt service reserve accounts held as security for the lenders or other forms of cash receivable accounts held as security for the lenders by a party not controlled or sharing common ownership with the buyer/obligor. The escrowed amount must be deposited or escrowed in advance. The value of such security is nearly always 100 % of the nominal amount in such cash accounts. Permits greater control over use of cash, ensures that debt is serviced before discretionary spending. NOTE: The application of an escrow account credit enhancement applies to the buyer risk, where the escrow account is held internally within the country in which the transaction is domiciled. Cash security significantly diminishes the risk of default for the covered instalments.

escrowed amount as % of credit up to a maximum of 0,10

escrowed amount as % of credit up to a maximum of 0,10

ANNEX XIV

CHECKLIST OF DEVELOPMENTAL QUALITY

CHECKLIST OF DEVELOPMENTAL QUALITY OF AID-FINANCED PROJECTS

A number of criteria have been developed in recent years by the DAC to ensure that projects in developing countries that are financed totally or in part by Official Development Assistance (ODA) contribute to development. They are essentially contained in the:

—

DAC Principles for Project Appraisal, 1988,

—

DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance, 1987, and

—

Good Procurement Practices for Official Development Assistance, 1986.

CONSISTENCY OF THE PROJECT WITH THE RECIPIENT COUNTRY'S OVERALL INVESTMENT PRIORITIES (PROJECT SELECTION)

Is the project part of investment and public expenditure ***programmes*** already approved by the central financial and ***planning*** authorities of the recipient country?

(Specify policy document mentioning the project, e.g public investment ***programme*** of the recipient country.)

Is the project being co-financed with an international development finance institution?

Does evidence exist that the project has been considered and rejected by an international development finance institution or another DAC Member on grounds of low developmental priority?

In the case of a private sector project, has it been approved by the government of the recipient country?

Is the project covered by an intergovernmental agreement providing for a broader range of aid activities by the donor in the recipient country?

PROJECT PREPARATION AND APPRAISAL

Has the project been prepared, designed and appraised against a set of standards and criteria broadly consistent with the DAC Principles for Project Appraisal (PPA)? Relevant principles concern project appraisal under:

(a)

Economic aspects (paragraphs 30 to 38 PPA).

(b)

Technical aspects (paragraph 22 PPA).

(c)

Financial aspects (paragraphs 23 to 29 PPA).

In the case of a revenue ***producing*** project, particularly if it is ***producing*** for a competitive market, has the concessionary element of the aid financing been passed on to the end-user of the funds? (paragraph 25 PPA).

(a)

Institutional assessment (paragraphs 40 to 44 PPA).

(b)

Social and distributional analysis (paragraphs 47 to 57 PPA).

(c)

Environmental assessment (paragraphs 55 to 57 PPA).

PROCUREMENT PROCEDURES

What procurement mode will be used among the following? (For definitions, see Principles listed in Good Procurement Practices for ODA).

(a)

International competitive bidding (Procurement Principle III and its Annex 2: Minimum conditions for effective international competitive bidding).

(b)

National competitive bidding (Procurement Principle IV).

(c)

Informal competition or direct negotiations (Procurement Principles V A or B).

Is it envisaged to check price and quality of supplies (paragraph 63 PPA)?

ANNEX XV

LIST OF DEFINITIONS

For the purpose of the Arrangement:

(a)    Commitment : any statement, in whatever form, whereby the willingness or intention to provide official support is communicated to the recipient country, the buyer, the borrower, the exporter or the financial institution.

(b)    Common Line : an understanding between the Participants to agree, for a given transaction or in special circumstances, on specific financial terms and conditions for official support. The rules of an agreed Common Line supersede the rules of the Arrangement only for the transaction or in the circumstances specified in the Common Line.

(c)    Concessionality Level of Tied Aid : in the case of grants the concessionality level is 100 %. In the case of loans, the concessionality level is the difference between the nominal value of the loan and the discounted present value of the future debt service payments to be made by the borrower. This difference is expressed as a percentage of the nominal value of the loan.

(d)    Decommissioning : closing down or dismantling of a nuclear power plant.

(e)    Export Contract Value : the total amount to be paid by or on behalf of the purchaser for goods and/or services exported, i.e excluding local costs as defined hereafter; in the case of a lease, it excludes the portion of the lease payment that is equivalent to interest.

(f)    Final Commitment : for an export credit transaction (either in the form of a single transaction or a line of credit), a final commitment exists when the Participant commits to precise and complete financial terms and conditions, either through a reciprocal agreement or by a unilateral act.

(g)    Initial Fuel Load : the initial fuel load shall consist of no more than the initially installed nuclear core plus two subsequent reloads, together consisting of up to two-thirds of a nuclear core.

(h)    Interest Rate Support : an arrangement between a government and banks or other financial institutions which allows the provision of fixed rate export finance at or above the CIRR.

(i)    Line of Credit : a framework, in whatever form, for export credits that covers a series of transactions which may or may not be linked to a specific project.

(j)    Local Costs : expenditure for goods and services in the buyer's country that are necessary either for executing the exporter's contract or for completing the project of which the exporter's contract forms a part. These exclude commission payable to the exporter's agent in the buying country.

(k)    Market Benchmark Transaction : transaction involving ultimate obligors/guarantors in Category 0 countries, High Income OECD countries and High Income Euro Area countries.

(l)    Minimum Actuarial Premium : is the annualised average default rate (derived from cumulative default rates published by the main Accredited CRAs) for a given rating and total term (WAL of the whole transaction) adjusted by an assumed loss given default and a costs loading factor as per agreed conventions by the Participants.

(m)    Name Specific Bond or CDS : a Name Specific Bond or CDS is limited to those market benchmark instruments that belong to the exact identical obligor/guarantor as in the transaction being supported.

(n)    Pure Cover : official support provided by or on behalf of a government by way of export credit guarantee or insurance only, i.e which does not benefit from official financing support.

(o)    Related Entity : Related Entity references are benchmark instruments of a related borrower rather than the exact identical borrower in the supported transaction. In the case where the obligor has no quoted bonds or CDSs, and there exists within the obligor's organisational structure a parent, subsidiary or sister company with Name Specific Bonds or CDSs outstanding in the market, then with regard to Article 24(c), those Name Specific Bonds or CDSs may be used as if they had been issued by the obligor itself if:

(1)

The parent, subsidiary, or sister company has the same issuer CRA rating as the obligor/guarantor; or

(2)

All of the following criteria are met:

(i)

The Participant's internal rating of the obligor/guarantor corresponds with the CRA rating of the related entity.

(ii)

The obligor/guarantor is the main operating company of the parent/holding, being a key and integral part of the group's business.

(iii)

The CRA rating is based on the core business of the group.

(iv)

The obligor/guarantor provides a significant part of the group's earnings by providing either some of the group's core products/services to core clients or it owns and operates a major portion of the parent's assets.

(v)

The sale of the obligor/guarantor from the group is very hard to conceive, and the disposal would significantly alter the overall shape of the group.

(vi)

A default of the obligor/guarantor would constitute a huge reputational risk to the group, damage its franchise and could threaten its viability.

(vii)

A high level of management and operational integration exists where capital and funding is typically provided by the parent company or a finance subsidiary via intercompany loans and where parent support is unquestioned.

(p)    Repayment Term : the period beginning at the starting point of credit, as defined in this Annex, and ending on the contractual date of the final repayment of principal.

(q)    Starting Point of Credit :

(1)

Parts or components (intermediate goods) including related services: in the case of parts or components, the starting point of credit is not later than the actual date of acceptance of the goods or the weighted mean date of acceptance of the goods (including services, if applicable) by the buyer or, for services, the date of the submission of the invoices to the client or acceptance of services by the client.

(2)

Quasi-capital goods, including related services — machinery or equipment, generally of relatively low unit value, intended to be used in an industrial process or for productive or commercial use: in the case of quasi-capital goods, the starting point of credit is not later than the actual date of acceptance of the goods or the weighted mean date of acceptance of the goods by the buyer or, if the exporter has responsibilities for commissioning, then the latest starting point is at commissioning, or for services, the date of the submission of the invoices to the client or acceptance of the service by the client. In the case of a contract for the supply of services where the supplier has responsibility for commissioning, the latest starting point is commissioning.

(3)

Capital goods and project services — machinery or equipment of high value intended to be used in an industrial process or for productive or commercial use:

—

In the case of a contract for the sale of capital goods consisting of individual items usable in themselves, the latest starting point is the actual date when the buyer takes physical possession of the goods, or the weighted mean date when the buyer takes physical possession of the goods.

—

In the case of a contract for the sale of capital equipment for complete plant or factories where the supplier has no responsibility for commissioning, the latest starting point is the date at which the buyer is to take physical possession of the entire equipment (excluding spare parts) supplied under the contract.

—

If the exporter has responsibility for commissioning, the latest starting point is at commissioning.

—

For services, the latest starting point of credit is the date of the submission of the invoices to the client or acceptance of service by the client. In the case of a contract for the supply of services where the supplier has responsibility for commissioning, the latest starting point is commissioning.

(4)

Complete plants or factories — complete productive units of high value requiring the use of capital goods:

—

In the case of a contract for the sale of capital equipment for complete plant or factories where the supplier has no responsibility for commissioning, the latest starting point of credit is the date when the buyer takes physical possession of the entire equipment (excluding spare parts) supplied under the contract.

—

In case of construction contracts where the contractor has no responsibility for commissioning, the latest starting point is the date when construction has been completed.

—

In the case of any contract where the supplier or contractor has a contractual responsibility for commissioning, the latest starting point is the date when he has completed installation or construction and preliminary tests to ensure it is ready for operation. This applies whether or not it is handed over to the buyer at that time in accordance with the terms of the contract and irrespective of any continuing commitment which the supplier or contractor may have, e.g for guaranteeing its effective functioning or training local personnel.

—

Where the contract involves the separate execution of individual parts of a project, the date of the latest starting point is the date of the starting point for each separate part, or the mean date of those starting points, or, where the supplier has a contract, not for the whole project but for an essential part of it, the starting point may be that appropriate to the project as a whole.

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For services, the latest starting point of credit is the date of the submission of the invoices to the client or the acceptance of service by the client. In the case of a contract for the supply of services where the supplier has responsibility for commissioning, the latest starting point is commissioning.

(r)    Tied Aid : aid which is in effect (in law or in fact) tied to the procurement of goods and/or services from the donor country and/or a restricted number of countries; it includes loans, grants or associated financing packages with a concessionality level greater than zero percent.

This definition applies whether the “tying” is by formal agreement or by any form of informal understanding between the recipient and the donor country, or whether a package includes components from the forms set out in Article 34 of the Arrangement that are not freely and fully available to finance procurement from the recipient country, substantially all other developing countries and from the Participants, or if it involves practices that the DAC or the Participants consider equivalent to such tying.

(s)    Untied Aid : aid which includes loans or grants whose proceeds are fully and freely available to finance procurement from any country.

(t)    Weighted Average Life of the Repayment Period : the time that it takes to retire one-half of the principal of a credit. This is calculated as the sum of time (in years) between the starting point of credit and each principal repayment weighted by the portion of principal repaid at each repayment date. ’

(1)  As defined in Article 5 of the OECD Convention.

(2)  Defined by the World Bank on an annual basis according to per capita GNI.

(3)  The status of a country in terms of: (1) whether it is a High Income country (as defined by the World Bank on an annual basis according to per capita GNI), (2) membership in the OECD and (3) whether it is part of the Euro Area is reviewed on an annual basis. The designation of a country under Article 25(c) as a High Income OECD country or a High Income Euro Area country as well as the removal of such designation will only come into effect after the country's income classification (High Income or otherwise) has remained unchanged for two consecutive years. A change in a country's designation as a High Income OECD country or a High Income Euro Area country as well as the removal of such designation related to a change in OECD membership or being part of the Euro Area will come into effect immediately at the time of the annual review of countries' status.

(4)  To qualify as an asset-backed transaction, there must be a first priority security interest on the asset being financed; and, in the case of a lease structure, assignment and/or a first priority security interest in connection with the lease payments.

(5)  To qualify as a project finance transaction, the transaction must meet the Basic Criteria set forth in Appendix 1 to Annex VII of the Arrangement.

(6)  Notwithstanding this threshold, for transactions in Market Benchmark countries using terms and conditions provided under Annex V (rail) or Annex VII (project finance), the relevant minimum commercial loan participation rules applicable under those Annexes shall apply.

(7)  This portion of the 25 % criterion may be met where the non-cash payment portion of a transaction involving a single bank receiving ECA cover includes an uncovered portion of at least 25 %. Such transactions must meet all of the other criteria of subparagraph 1, including the pari passu provisions of this tiret.

(8)  Where the obligor/guarantor is rated by more than one Accredited CRA, the CRA rating is the best available foreign currency rating on a senior unsecured basis for the obligor (or guarantor). The Secretariat shall compile and maintain a list of such accredited CRAs.

(9)  In the event that a relevant Name-Specific market pricing entity is not rated by an Accredited CRA, then the resulting market pricing shall be considered to be below the corresponding TCMB rate and be subject to prior notification in accordance with Article 48.

(10)  The premium rates charged for transactions with a third party guarantee provided by an obligor in a High Income OECD country or a High Income Euro Area country are subject to the requirements set out in Article 24(c).

(11)  In the case of a third party guarantee, the applicable country risk classification and buyer risk category must be related to the same entity, i.e either the obligor or the guarantor.

(12)  For administrative purposes, some countries that are eligible to be classified into one of the eight Country Risk Categories may not be classified if they do not generally receive officially supported export credits. For such non-classified countries, Participants are free to apply the country risk classification which they deem appropriate.

(13)  Rules related to the classification of buyers should be understood to stipulate the most favourable classification that can be applied, e.g a sovereign buyer may be classified in a less favourable buyer risk classification.

(14)  The MPRs associated with the Better than Sovereign (SOV+) buyer risk category are 10 % lower than the MPRs associated with the Sovereign (CC0) buyer risk category.

(15)  Where the non-sovereign borrower is rated by more than one accredited CRA, notification is only required where the buyer risk rating is more favourable than the most favourable of the CRA ratings.

(16)  With respect to buyer risk, classified multilateral and regional institutions shall be classified in Buyer Risk Category SOV/CC0.

(17)  Based on the annual review by the World Bank of its country classification, a per capita Gross National Income (GNI) threshold will be used for the purpose of tied aid eligibility; such threshold is available on the OECD website ([*http://www.oecd.org/trade/xcred/country-classification.htm*](http://www.oecd.org/trade/xcred/country-classification.htm)).

(18)  However, in cases where the buyer of the switchyard is the same as the buyer of the power plant and the contract is concluded in relation to the original switchyard for that power plant, the terms and conditions for the original switchyard shall not be more generous than those for the nuclear power plant.

(19)  Article 1(a)(1) refers.

(20)  Articles 1(a)(2) to (4) refer.

(21)  An explanation shall be provided where the proposed risk-rating of a buyer/borrower exceeds the risk rating of the host sovereign.

(22)  For transactions with an export contract value of less than USD 5 million, a Participant not wishing to follow the risk classification procedure set out in Articles 6 to 8 of this Appendix shall apply the risk classification “8” for the buyer/borrower which is the subject of the transaction and shall notify the transaction in accordance with Article 24(a) of this Sector Understanding.

(23)  For transactions with an export contract value of less than USD 5 million, a five working-day period shall apply.

(24)  Together with information regarding any involvement (provided with due respect for confidentiality duties).

(25)  Together with information regarding any involvement (provided with due respect for confidentiality duties).

(26)  For the purposes of this questionnaire the “State” is the country that is being proposed for addition to the Cape Town Convention List under Appendix II, Section 2 II of the ASU. Where appropriate, these questions shall also be answered in respect of the laws of the particular “territorial unit” of the State in which the relevant operator of an aircraft (or other relevant body as set out in Article 37(b) Appendix II) is located and “national law” shall be read as including a reference to the relevant local law.

(27)  For the purposes of this questionnaire, “national law” refers to all national legislation of a State, including but not limited to, the Constitution and its Amendments, any federal, state and district law or regulation.

(28)  For example, that (i) treaties prevail over other law as a matter of constitutional or similar framework law in State X, or (ii) legislation is required in State X, and has been enacted expressly setting out the priority of the Cape Town Treaty and/or superseding such other law, or (iii) the Cape Town Treaty or its implementing legislation is (a) more specific than other law (lex specialis derogat legi generali), and/or (b) later in time than such other law (lex posterior derogat legi priori), and as a result of (a) and/or (b) prevails over such other law.

(29)  For example, is there any reason why the rights and remedies granted to creditors under the Convention, including those granted under the QDs, would not (a) be recognised as being effective or (b) be sufficient by themselves, to enable such rights and remedies to be validly exercised in the State?

(30)  An example of an administrative action for the purposes of this question might be the failure by the State to put in place any procedures or resources to give effect to a provision of the Convention or a Qualifying Declaration. Another example would be the failure by a State to put in place proper procedures in its aircraft registry for recording IDERAs.

(31)  Please include in your analysis any precedent/decision relating to the recognition of rights of creditors, including ECAs, when relevant.

(\*1)  Indicate the number of USD 300 million multiples in excess of USD 2 000 million.

(32)  It is understood that the 2012 Recommendation applies equally to projects that are not eligible for these financial terms and conditions.

(33)  The maximum repayment term for jack-up rigs used in the installation of wind turbines shall be 12 years.

(34)  In the case of a plant fuelled by natural gas, significantly lower carbon intensity is expected to be achieved.

(35)  Boiler (or steam generator) energy conversion efficiency = (Net heat exported by the steam/heat or calorific value (LHV) provided by the fuel) (× 100 %).

(36)  Gasifier efficiency = (Calorific value of gas per kg of fuel used/average net calorific value (LHV) of 1 kg of fuel) (× 100 %).

(37)  IPCC Fourth Assessment Report: Climate Change 2007, [*http://www.ipcc.ch/publications\_and\_data/ar4/wg3/en/ch4s4-3-5.html*](http://www.ipcc.ch/publications_and_data/ar4/wg3/en/ch4s4-3-5.html)

(38)  The total system efficiency (ηo) of a CHP system is the sum of the net useful power output (WE) and net useful thermal outputs (ΣQTH) divided by the total fuel input (QFUEL), as shown below:

Formula

(39)  Where eligible for official support, an additional two years repayment term is allowed for project finance transactions consistent with paragraph (d) below, subject to the maximum repayment terms in Article 2 of Annex VII.

(40)  To help address energy poverty, ten year export credit support may be provided in all countries where the National Electrification Rate (as per the most current IEA World Energy Outlook Electricity Access database) is reported as 90 % or below at the time the relevant completed application for export credit is received.

(41)  Export credit support may be provided in non-IDA-eligible countries for geographically isolated locations, where, (1) the alternatives analysis referred to in Article 4(b)(1) of this Sector Understanding deems that less carbon-intensive alternatives are not viable and (2) the physical/geographic and existing grid features (including inability to connect to a larger grid) justify the proposed project's efficiency category as the best available technology. In cases where the project is not located on a physical island, the interested Participant shall seek the consent of all Participants through the use of a Common Line procedure in accordance with Articles 58 to 63 of the Arrangement.

(42)

(a)

The financial terms and conditions set out in Articles 2 and 3(d) shall apply to transactions for which a final commitment is issued on or before 31 December 2017.

(b)

After 31 December 2017, the financial terms and conditions set out in Articles 2 and 3(d) shall be discontinued unless the Participants agree otherwise.

(c)

If discontinued, the provisions of Articles 2 and 3(d) will be replaced by the following:

Article 2 — The maximum repayment term is 14 years, except when official export credit support provided by the Participants comprises more than 35 % of the syndication for a project in a High Income OECD country, the maximum repayment term is 10 years.

Article 3(d) — The weighted average life of the repayment period shall not exceed seven-and-a-quarter years, except when official export credit support provided by the Participants comprises more than 35 % of the syndication for a project in a High Income OECD country, the weighted average life of the repayment period shall not exceed five-and-a-quarter years.

(\*2)  Indicate the number of SDR 40 million multiples in excess of SDR 280 million, e.g SDR 410 million would be notified as Category XV + 3.

(43)  Most typically this would be a risk on the central bank or Ministry of Finance. For central government entities other than the finance ministry, due diligence shall be undertaken to affirm that the entity commits the full faith and credit of the sovereign.

**Load-Date:** February 19, 2018

**End of Document**