



UK Export
Finance

Public Consultation on Foreign Content Policy

Publication Date: 3 April 2019
Closing Date for Responses: 3 May 2019

General Information

How to respond

Email to: consultation@ukexportfinance.gov.uk

When responding, please state whether you are responding as an individual or representing the views of an organisation.

Data protection and confidentiality

UKEF will publish all the responses to the consultation alongside the Government's Response.

If you would like your response to be anonymised when published please instruct us to do so in your response but be aware that we cannot guarantee confidentiality in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not be regarded by us as a confidentiality request.

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Consultation details

Enquiries: If you have any enquiries about the consultation, please email consultation@ukexportfinance.gov.uk

Please note we will publish all emails and our responses on the consultation webpage and alongside the Government's Response.

Consultation reference: Foreign Content Consultation



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1. Consultation Document

- 1.1. Governments provide officially supported export credits through Export Credit Agencies (ECAs) in support of national exporters pursuing overseas contracts. Many countries in the world have an ECA. Their structures and mandates vary widely, but all use a combination of finance, guarantees and insurance (often in partnership with banks and financial institutions) to support exporters and therefore jobs.
- 1.2. UK Export Finance (UKEF), the operating name of the Export Credits Guarantee Department, is the UK's ECA. It is strategically and operationally aligned with the Department for International Trade (DIT) - reporting to the same Ministers - but remains a separate ministerial department. UKEF is also subject to several international agreements (including the OECD *Arrangement on Officially Supported Export Credits* and those emanating from the EU) and operates under the Consent of HM Treasury. UKEF's mission is to ensure that no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer.
- 1.3. UKEF helps UK companies of all sizes and in all sectors export by enabling them to:
 - 1.3.1. Win business; by providing attractive financing terms to their buyers;
 - 1.3.2. Perform contracts; by supporting bonds and working capital loans; and
 - 1.3.3. Get paid; by insuring against buyer default.
- 1.4. UKEF also provides insurance to UK investors investing in enterprises overseas against loss due to the occurrence of political risks such as war or expropriation. In UKEF's provision of insurance of this type under the Overseas Investment Insurance product, Foreign Content policy does not apply¹.

2. Introduction

- 2.1. UK Export Finance wishes to consult on proposed changes to its Foreign Content policy, which are set out in section 5 below. The proposed changes take into account three developments (more detail on these developments are outlined in Annex A):
 - 2.1.1. The first is UKEF's commitment in the Government's Export Strategy (a link to which can be found [here](#)) to review its products and policies to ensure they reflect the full breadth of its capabilities and the needs of business.
 - 2.1.2. The second is the emergence of increasingly globalised supply chains and the responses of other ECAs to this trend.

¹ In order to be eligible for Overseas Investment Insurance one must be carrying on business in the UK, not simply acting as a conduit for investment outside the UK. It would therefore be impractical to apply the Foreign Content policy to an investment which originates in the UK and must go into an overseas entity.

2.1.3. The third is amendments to the [Export and Investment Guarantees Act](#) (EIGA) that widen the ability of UKEF to support the exporting activities of firms carrying on business in the UK, those in exporting supply-chains or aspiring exporters.

2.2. [Annex B](#) includes a definition of Foreign Content and other relevant terms.

2.3. [Annex C](#) includes a summary of current Foreign Content policy (emanating from the Government Response to a public consultation in 2007).

3. Scope

3.1. The Department is not consulting upon the already established principle that it can support a contract where there is up to 80% Foreign Content for contracts consisting of a traditional one-buyer / one-supplier / one-contract model. The reasons for this requirement, as set out in the 2007 Consultation Response, remain valid ([Annex C](#)). This policy will be referred to in the remainder of this document as Principle One:

3.1.1. *“in all credit contracts, the maximum level of support for all Foreign Content will be 80% of the contract value where ECGD risk capacity is available, thus requiring a minimum 20% UK content”.*

3.2. Local Content rules, stating that ECAs cannot support local costs that exceed 30% of the Export Contract Value are governed at an international level by the *OECD Agreement on Officially Supported Export Credits* (the “Arrangement”) and are therefore out of the scope of this Consultation.

3.3. The proposed revised policy does not cover Airbus transactions which are subject to separate arrangements between the UK and the relevant EU ECAs.

4. Background

4.1. Under the [Export and Investment Guarantees Act 1991](#) (EIGA) as amended the Secretary of State (SoS) may make arrangements that the SoS *“considers are conducive to supporting or developing (whether directly or indirectly) supplies or potential supplies by persons carrying on business in the United Kingdom of goods, services or intangible assets (including intellectual property) to persons carrying on business outside the United Kingdom.”*

4.2. The Small Business, Enterprise and Employment Act 2015 enables UKEF to assist and support firms carrying on business in the UK that are, or wish to become involved, in exporting supply chains. It also enables UKEF to take a more flexible approach when supporting UK exports, in particular, where there are complex contracting chains and financing arrangements.

5. Proposals on which UKEF is seeking Respondents’ views

- 5.1. Developments both in global trade and UKEF's statutory powers have led UKEF to review the extent to which its current Foreign Content policy reflects the breadth of UKEF's capabilities and the needs of UK business. UKEF has concluded that its Foreign Content policy needs to evolve to cater for scenarios that do not directly relate to a specific export contract, but which would be conducive to supporting UK exports more broadly, further to [UKEF's mission](#) to ensure that no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer.
- 5.2. It is intended that these proposed changes, or any changes subsequently adopted, will apply to all UKEF's products subject to the Foreign Content policy.
- 5.3. UKEF proposes supplementing existing Foreign Content policy (Principle One) – see section 3 above, which is out of the scope of this consultation, with Principles Two and Three to enable a consideration of the context surrounding the business UKEF is being asked to support.
- 5.4. Applications will be assessed against each Principle individually and in turn. If not falling within or failing the requirements of Principle One, the application will be assessed against Principle Two. If failing the requirements of Principle Two, UKEF may consider if it can provide support under Principle Three.

Principle Two: If Principle One is not met:

- 5.5. The proportions of Foreign Content to UK Content set out in Principle One (the current 80:20 rule) will apply to the value of UKEF's participation in the financing of a contract or a project, which may consist of multiple contracts.
- 5.6. This Principle will enable UKEF to take into account the amount of UK Content contained within related (but not directly financed or supported) contracts or projects when forming a view about a specific contract or provide support for a share of a contract where there is a specified amount of UK content.
- 5.7. This Principle may also enable UKEF to more easily support transactions that fall outside of a traditional one-buyer / one-supplier / one-contract model, where UK content is distributed across multiple contracts within related projects, by facilitating the aggregation of UK Content relative to a financing tranche.
- 5.8. The application of this principle will continue to take into account the fact that UKEF would normally support no more than 85% of a contract, in accordance with current OECD Arrangement rules.

Example A

A UK exporter has a contract with an overseas buyer worth £100m, containing £10m UK content.

UKEF could consider providing up to £50m of support to reflect the level of UK goods and services in the contract. Considering UKEF would normally support no more than 85% of a contract, this may mean maximum support available for contractual amounts is capped at £42.5m.

The outstanding proportion of the contract could be financed in a variety of ways, for example, by equity investment, by the support of another ECA or by uncovered commercial lending or similar.

Example B

There are two contracts that are supporting an overall project, but which are not contractually linked.

The first contract, consisting of design, project management, engineering etc, has £19 million of UK Content and a contract value of £20 million. This contract is being funded by commercial financing. The second contract has UK Content of £1 million but a larger contract value of £100 million. This contract is experiencing greater difficulties in obtaining commercial financing due to its complexity and size. Without financing for the second contract the project would not go ahead putting the total £20 million of UK content at risk.

UKEF would consider providing support for all or a proportion of the second contract on the basis that it would be conducive to UK supply in the first contract and proportional to the total level of UK goods and services within the overall project.

Principle Three: If the proposal cannot be supported under Principles One and Two:

- 5.9. UKEF may provide support if it can be demonstrated that the proposal is conducive to supporting or developing UK exports.
- 5.10. When providing support under this Principle, in order to demonstrate such support or development, UKEF may impose additional measures, such as incentivisation mechanisms, whereby the level of support available from UKEF will be directly linked to current or future supply chain spend or commitments made by the applicant to increase the benefit to the UK and UK exports. Examples of this could include increasing future production in the UK, increasing the value or proportion of spend in the UK supply chain in the future, or increasing the number of jobs created in the UK in the future.
- 5.11. A decision under this principle will involve a statement by the applicant justifying the application of this Principle, which in UKEF's determination justifies UKEF's provision of support.

Example C

A large international company operating in multiple sectors, has a significant UK supply chain, with research facilities, manufacturing facilities and employees based in the UK.

Due to modern and complex manufacturing methods, the UK involvement in the company's export contracts is spread throughout the supply chain. This means under Principle One and Principle Two, UKEF would be unable to recognise the full extent of the UK value added.

In order to access UKEF support, the company is willing to increase the future level of spend with the UK supply chain. Under Principle Three, UKEF may be able to provide an amount of support for the company's export contracts across a variety of sectors proportional to the UK supply chain spend, supporting the development of future exports.

Example D

A large non-UK domiciled international company has won a £100m contract to complete a major project overseas. In order to complete this project this company wishes to sub contract £20m to various UK companies in order to utilise their goods and services to in various phases of the project.

UKEF may, in order to encourage UK companies' involvement within global supply chains and facilitate the development of UK exports, be able to provide up to £85m of support in line with the Department's policy on the amount of spend by the international company on the UK subcontracts and the OECD Arrangement.

Secretary of State's Discretion

- 5.12. Providing support for UK exports by assisting their financing or the financing of related contracts involves the Secretary of State's discretion under s.1 (1) of the EIGA. Therefore, where appropriate, UKEF may, with the consent of the Treasury, depart from the outlined Principles if it is concluded that it is rational and within its statutory powers to do so.

Additional question

- 5.13. The Department would welcome examples of scenarios from Respondents that might not be supported by UKEF in our current approach but that may be eligible for support under the Principles as described in sections 5.5. - 5.11. to enable the Department to assess the potential for increased support to UK business.

6. Future changes

- 6.1. UKEF will continue to use the Department's statutory powers, the scope provided by the Arrangement and adaptations in internal policy to address changes in global trade to support goods and/or services exported from the UK. UKEF expects the Foreign Content policy to evolve in the future to ensure the Department is best placed to utilise its support flexibly, and to accomplish its mission to ensure that no viable UK export fails for lack of finance or insurance.
- 6.2. UKEF makes it clear that the Department will determine whether, to what extent, and how it should consult on any changes to its Foreign Content policy. This will be in accordance with applicable government guidelines (including currently, and specifically, the Consultation Principles published by the Cabinet Office in 2018, a copy of which can be found [here](#)). Therefore, and irrespective of past practice, that is the basis on which UKEF intends to make consultation decisions going forward. There should be no expectation that UKEF will always consult on changes to Foreign Content policy; or indeed any other expectation beyond that UKEF will consider any such change on a case by case basis in line with then current guidelines.

ANNEX A: Recent Developments

1. Changes in Global Trade and ECAs responses to this trend

- 1.1. Since 2007, global supply chains have become increasingly complex. Major transactions increasingly include multiple supply/buyer contracts with different supply chains that each address various phases of a project. Overseas buyers are seeking to source elements of a project from various countries to utilise the specialisation of domestic economies when considering the cost and quality of the goods and/or services being procured.
- 1.2. UKEF is increasingly being asked to support projects and transactions that include a considerable amount of UK exports but may also involve multiple foreign contracts or non-standard contract structures. Examples of such scenarios include:
 - 1.2.1. Two contracts supporting one project, but which are not contractually linked. The first contract, consisting of design, project management, engineering etc, has a large amount of UK Content but a lower contract value. The second contract has little or no UK Content but a larger contract value. UKEF has been asked to consider supporting the financing for the second contract, which may experience greater difficulties in obtaining commercial financing due to the size or complexity of the overall project. This support is requested on the basis that unless finance for the second contract can be secured, the first contract will not go ahead and therefore put the significant UK content within the first contract at risk.
 - 1.2.2. Two or more closely connected contracts require financing to support an overall project. In this scenario, only one contract contains the current UK Content required for UKEF support, but none of the contracts will go ahead without the financing of the overall project. Support is requested on the basis that unless the overall project is financed, the contract with the UK content will not go ahead and therefore put the UK content at risk.
 - 1.2.3. Support for a tranche of finance for a contract or project where the UK Content calculated as a proportion of the Total Contract Value is less than 20%. Support would be provided based on multiplying the UK Content by a factor of up to five, resulting in UK Content as a proportion of the UKEF financed tranche being at least 20%.
 - 1.2.4. Aggregating the level of supply chain spend in the UK by an overseas company and using this as a baseline to size support for specific contracts to which the UK supply chain spend may not have contributed. Alternatively, the UK supply chain spend may have contributed to the specific contract, but by less than 20% of the value of the contract.

1.2.5. Establishing a line of credit within which there are multiple contracts with multiple buyers, aggregating UK Content across the line and calculating it as a proportion of the line

1.3. The global ECA environment is becoming increasingly competitive. Changes in global supply chains have led to other ECAs adopting more flexible approaches to Foreign Content to be proactive in ensuring their exporters are at the forefront of international trade². For instance, since 2007:

1.3.1. Some national ECAs, such as France and Sweden, have lowered their minimum national content requirement

1.3.2. Some ECAs, such as Sweden, Norway, Finland, Italy, Japan and Germany have adopted a two-level approach when evaluating Foreign Content. This involves incorporating both minimum national content levels, alongside mechanisms to consider proposals where national content levels may be far lower, on a national interest basis. The national interest criteria of these ECAs, while differing slightly, centralise upon the following considerations:

1.3.2.1. How the proposal will impact the ECA's domestic economy's employment;

1.3.2.2. Whether the company has a significant presence in, or originates from, the ECA's domestic economy;

1.3.2.3. What the research and development implications are for the ECA's economy; and / or

1.3.2.4. There is a requirement imposed by the buyer on sourcing, or it is impossible to source certain content from the ECA's economy.

1.3.3. Denmark meanwhile takes a 'Danish Economic Interest' approach, which means that support is given to a transaction if a ratio of 'Danish Economic Interest' to credit risk is satisfied. If the transaction does not satisfy this ratio, then a transaction may still be supported if the company itself is a contributor to the 'Danish Economic Interest'. This is measured primarily by aggregating the following:

1.3.3.1. The company's wages paid in Denmark;

1.3.3.2. Research and investment in Denmark;

1.3.3.3. The amount of corporate tax payed; and

1.3.3.4. The value of goods/services sourced from Denmark.

² US Export-Import Bank of the United States, *Report to the U.S. Congress on Global Export Credit Competition June 2018* (EXIM Export-Import Bank of the United States: Washington DC)

- 1.3.4. Countries, which are not participants to the Arrangement are expanding their ECA presence with different criteria for support, including taking a purely national interest approach in strategic sectors or markets. This allows them to be very flexible in their considerations of when to provide support and can include support for contracts comprised of wholly Foreign Content.
- 1.3.5. In this context, sponsors of large projects are looking to limit the number of ECAs involved in transactions for the ease of negotiation and select only those that have flexible Foreign Content policies. As a result, UK participation (i.e. the award of roles and contracts) in major transactions may increasingly depend on the willingness of UKEF as the UK's ECA, to consider the context of the project or transaction we are being asked to support and consider UK Content beyond the specific contract we are supporting.

ANNEX B: Definitions

Foreign Content:

1. The cost to the applicant of purchasing from suppliers or subcontractors any non-UK goods or non-UK services (inclusive of Local Content) which are to be supplied under that contract or those contracts. (See Annex D for rules relating to second hand goods, equipment leases)
2. With an overseas applicant this is the Total Contract Value minus UK content.

UK Content: In the 2007 Consultation response UK content was defined as meaning the price of goods and services supplied under that contract or those contracts which are produced or performed by the UK exporter or by sub-suppliers or sub-contractors carrying on business in the UK. However, this definition did not reflect UKEF's practice regarding the calculation of UK content and no change to that practice has been proposed in this consultation. The definition currently being used is:

1. For a UK applicant Total Contract Value minus the cost to the applicant of purchasing Non-UK goods or Non-UK services which are to be supplied under that contract or those contracts
2. With an overseas applicant this will be the cost to the buyer of purchasing goods and services to be supplied under that contract or contracts by UK exporters, sub-suppliers and sub-contractors carrying on business in the UK.

Local Content: The cost to the applicant of purchasing goods and services which are to be supplied under the UKEF-supported supply contract(s) but which are provided by sub-suppliers or sub-contractors in the buyer's country. These costs may include import duties if the relevant contract stipulates that they will be payable by the applicant on behalf of the buyer.

Total Contract Value: The contract value including all UK and Foreign Content. Where UKEF's premium is to be financed from the loan, UKEF's position is that this will not be considered part of the Total Contract Value.

Non-UK goods: Non-UK goods are goods which are manufactured outside the UK and are either (1) shipped directly to the overseas buyer, or (2) shipped to the supplier in the UK but do not undergo further industrial processing in the UK. Where such goods do undergo further industrial processing in the UK or are used as components in equipment assembled in the UK, they may be regarded as constituting UK goods. The determining factor is whether the finished product would be eligible to receive a UK Country of Origin Certificate from the UK exporter's local Chamber of Commerce. It is for the applicant to confirm the source of contract amounts (be it UK, Foreign or Local), albeit UKEF retains the right to carry out audit checks to verify.

Non-UK Services: Non-UK services are services which are rendered by persons ordinarily resident outside the UK. Software and related services including

intellectual property originating in the UK and exported electronically, where no Certificate of Origin is available, can be treated as UK content.

Export Contract Value: This is the total amount to be paid by or on behalf of the purchaser for goods and/or services exported. This therefore excludes Local Content. This is an internationally defined term in the OECD Arrangement.

OECD Arrangement: The Arrangement provides a framework for the orderly use of officially supported export credits and applies 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.

ANNEX C: Current Foreign Content policy

1. The 2007 Public Consultation.

1.1. The objective of the 2007 Consultation was to outline a simplified evidence-based Foreign Content policy that reflected both the aims of the Foreign Content policy and then recent developments in global trade.

1.1.1. The export contracts supported by UKEF may often include the supply of certain non-UK goods or non-UK services as a result of a need to source some of the goods and services in the buyer's country or from other countries outside the UK, in order to achieve the right mix of price and technology necessary to be awarded that contract. This practice has existed for many years.

1.1.2. UKEF's willingness to support Foreign Content enables it to provide cover for the whole contract under a single insurance policy, guarantee or loan.

1.1.3. In particular, multi-sourcing had meant that the UK's capability to export manufactured capital goods had declined while capability in service provision and high technology items had grown. This occurred while emerging economies built up their own industrial base and there was a growing requirement for some goods within a UK export contract to be sourced from around the world.

2. Government Response to this Consultation:

2.1. The 2007 Consultation offered three options:

2.1.1. UKEF to retain its existing policy;

2.1.2. UKEF to adopt a policy based on broad "national interest"³ principles; and

2.1.3. UKEF to adopt a policy based on guideline maximum levels of UK and Foreign Content, around which there would be flexibility to support more or less Foreign Content. It was proposed that the guideline would be 50% maximum Foreign Content for Credit Contracts, with the Cash Contract policy remaining unchanged. It was also proposed to remove the distinction between EU / Japanese and non-EU / non-Japanese content.

2.2. A number of responses to the Consultation argued the UKEF proposal of 50% max Foreign Content did not go far enough. The suggested figures for the new guideline ranged from 65% - 90% max Foreign Content. Some

³ "National Interest" was defined as "a broad range of qualifying criteria. Decisions are taken on a case-by-case basis on the principle that, if there is an advantage to the domestic economy in supporting a particular contract, the Foreign Content in that contract should be included in that support."

respondents argued for UKEF to take a “national interest” approach. Submissions from trade unions and NGOs were concerned that any reduction in the required UK Content may lead to work that could be done in the UK being moved abroad, and that UKEF should satisfy itself that this would not be an unintended consequence of any policy change.

3. The Government’s decision, and policy since the 2007 Response to the Consultation, was to remove the distinction between credit contracts above or below £10m and bring credit contracts in line with the policy for cash contracts. This policy can be expressed as:

- 3.1. *“in all credit contracts, the maximum level of support for all Foreign Content will be 80% of the contract value where ECGD risk capacity is available, thus requiring a minimum 20% UK content”.*

- 3.2. In addition:

- 3.2.1. The differentiation between EU / Japanese and non-EU / non-Japanese Content was removed;
- 3.2.2. Software and related services originating in the UK and exported electronically would be treated as UK Content;
- 3.2.3. UK Content status would not be conferred on goods manufactured in foreign countries by subsidiaries of a UK registered applicant;
- 3.2.4. The maximum level of support for Local Content in all contracts would be determined in accordance with the OECD Arrangement;
- 3.2.5. The revised policy would continue to not apply to Airbus transactions, which were, and remain, subject to separate arrangements between the relevant EU Governments⁴;
- 3.2.6. The rules would apply to limited recourse and structured finance transactions provided that UKEF’s requirement for risk sharing with other ECAs or other parties was not undermined.
- 3.2.7. UKEF’s ability to support any Foreign Content would be informed by its risk appetite. There was no change to UKEFs risk policy and pricing policy as a result of these decisions.

4. Overseas applicants

- 4.1. In 2015, the EIGA was amended to enable UKEF to provide support that is *“conducive to supporting or developing (whether directly or indirectly)*

⁴ The “workshare” in each aircraft/engine type is determined in part by the relative levels of content and launch aid, etc.

supplies” from a UK entity to an overseas entity. This made a clearer line to consider support for a project where the contracting chains might be complex, for example, support for contracts with an overseas buyer won by non-UK domiciled applicants, where their contract contained goods and/or services originally sourced from the UK.

- 4.2. UKEF will on a case by case basis accept an application from an overseas applicant, such as when the contracting structure demands it or when the applicant’s home ECA cannot provide support and there is significant UK interest in UKEF doing so.
- 4.3. In determining the level of UK content for an overseas applicant, UKEF current practice is to aggregate the value of the UK sub-contracts within the overseas contract to determine whether these contracts constitute at least 20% of the contract value.
- 4.4. This contrasts with the position for a UK main applicant, who must declare the level of UK content on the basis of total contract value minus the cost to the UK exporter of purchasing from overseas suppliers or sub-contractors any non-UK goods or non-UK services (inclusive of Local Costs) which are to be supplied under that contract.
- 4.5. The rationale behind the approach to overseas applicants is to encourage the procurement of goods and services from UK companies in line with the EIGA and therefore to support or develop (whether directly or indirectly) supplies from a UK entity to the overseas entity.
 - 4.5.1. In line with the approach on UK main applicants, UKEF requires declarations from the overseas applicant in relation to the level of UK content within their contract (taking into consideration the definition outlined in para 4.3.).
 - 4.5.2. Introducing additional scrutiny of sub-contract tiers beyond that outlined in 4.3 and in line with that outlined in 4.4. may have the unintended consequence of reducing the attractiveness of the UK supply chain to the overseas main applicant as a result of additional administrative measures. For example, in large and complex projects, an overseas applicant may have dozens of UK sub-contracts. It would be burdensome on the applicant to provide declarations in relation to all those UK sub-contracts.
 - 4.5.3. In addition, overseas applicants may regard this additional requirement as a policy which adversely impacts either the amount or availability of UKEF support. This could mean that from the outset applicants source goods/services from elsewhere to gain an assured amount of financing

support from another ECA without this requirement. This may increase the barriers to entry SMEs face when wishing to enter global supply chains.

5. Foreign Content in Second hand goods and equipment leases

- 5.1. In order to avoid giving its support for sales of foreign produced second-hand equipment by intermediaries (including brass plate companies established in the UK merely to access the availability of UKEF support), UKEF does not normally provide support for exports of second-hand goods which were manufactured outside the UK unless, as at the time at which UKEF is about to commit to provide any support in relation to any such goods, those goods (i) have been imported into the UK (and cleared inwards through UK Customs) at least one year previously and (ii) for the whole of the immediately preceding period of 12 months, they have been owned by a person, or a series of persons, carrying on business in the UK. Where these conditions are satisfied, the cost to the UK exporter of purchasing the goods will not be deemed to be Foreign Content for the purposes of UKEF's Foreign Content Policy.
- 5.2. In the case of sales of second-hand aircraft, the above practice is consistent with the OECD Aircraft Sector Understanding, which contemplates that Export Credit Agencies may provide support for sales of second-hand aircraft which are more than one year old. Such exports are deemed to be UK origin in line with paragraph 5.1 above.
- 5.3. The principle set out in paragraph 5.1 above will also apply where UKEF is asked to support the supply by a UK exporter of any goods manufactured outside the UK which have not been used by the UK exporter but simply held as stock for at least one year after being imported into the UK
- 5.4. The policies in paragraphs 5.1 and 5.3 above do not affect UKEF's policy that, if goods or materials which are imported into the UK and subsequently lose their identity in a manufacturing process carried out in the UK and if the product of that process would be eligible for a certificate of UK origin from a UK Chamber of Commerce, the cost of those goods or materials will not be regarded as Foreign Content.

6. Foreign Content in equipment leases

- 6.1. Where UKEF is requested to provide support for contracts under which a exporter leases equipment to a person outside the UK:

- 6.2. if the exporter leases the equipment from an owner or superior lessor outside the UK under a head lease, the payments which the exporter makes under that head lease during the term of the lease granted by the exporter will represent Foreign Content of that lease; or
- 6.3. if the exporter owns the equipment, but it has been manufactured outside the UK, the principle in paragraph 5.1 above will be applied in order to calculate the Foreign Content of the lease.