

## **Enterprise Finance Guarantee (EFG) Sectoral Restrictions Review February 2009**

EFG is subject to sectoral restrictions arising from the EU De Minimis Aid rules, the Industrial Development Act 1982 (which provides the statutory basis for EFG) and also for national policy reasons. BERR has reviewed the EFG sectoral restrictions in the light of recent changes in the De Minimis Aid rules and in line with a desire for EFG to be available to as many viable businesses as possible. Where appropriate these changes have been agreed with the relevant sponsoring Government Departments.

All individual decisions on the use of EFG, including application of the sectoral and other eligibility criteria, are made by the participating lenders based on the information provided by potential borrowers. After making the commercial decision to lend according to their own criteria, all lenders use a web portal provided by BERR to administer the eligibility criteria.

From 1 March 2009, BERR will be lifting the remaining restrictions on the following sectors:

- Authors, music composers and own-account artists
- Automotive
- Betting and gambling
- Medical and Health services
- Postal services
- Shipbuilders
- Steel
- Synthetic fibres
- Ticket Agents
- Tied Public Houses
- Veterinary Services

Restrictions will remain on:

- Agriculture
- Banking, finance and associated services
- Commission agents
- Export transactions
- Fisheries
- Forestry
- Formal Education
- Owning and dealing in real estate
- Professional sports players and sporting organisations
- Transport

The following sectors are excluded:

Coal

Insurance and Associated Services

Public administration, national defence, and compulsory social security

BERR has agreed with participating lender that these changes will take effect from 1st March 2009.

The attached Annexes provide further details with respect to the current position in each sector.

### **Enterprise Finance Guarantee – an overview of Sectoral restrictions to be lifted**

The following restrictions will be lifted as businesses in these sectors should be treated as any other business which approaches their lender for a loan with a business plan. Developments in these sectors have taken place since the restrictions were last reviewed and meant that the rationale for these restrictions no longer apply and/or can be made by the lender on a case by case basis.

#### **Authors, music composers and certain other own-account artists**

- Self-employed artists, authors, composers, playwrights, musicians, actors, theatrical companies, etc, are now eligible.
- Commercial and graphic artists are eligible.

#### **Betting and gambling**

- Betting shops, totalisers, casinos, lotteries, bingo halls and amusement halls are now eligible.

#### **Medical and health services**

- All activities where registered and unregistered medical or other healthcare personnel use their skills to treat patients by the private / independent sector providers are now eligible. This includes all alternative therapies.
- Rest or convalescent homes, nursing homes and fitness and health clinics and firms offering health advice are eligible.

#### **Postal services**

- The collection, transport and delivery of letters and mail-type parcels and packages by courier, parcel and messenger service are eligible.

#### **Ticket agents**

- All ticket agents including those who block book tickets are now eligible.

#### **Tied public houses**

- Public houses where a brewery or drinks supplier owns or leases the premises, gives financial support, has any control or offers any incentive to the applicant to stock their product were previously not eligible. This restriction has now been lifted and tied public houses should be treated as any other independent business.

#### **Veterinary Services**

- Veterinary professionals and practices are now eligible for EFG.

**Other Sectors**

The following sectors are no longer excluded from De Minimis aid and therefore are eligible for EFG:

**Automotive****Steel****Shipbuilders****Synthetic fibres**

### **Enterprise Finance Guarantee – an overview of eligible sectors with partial restrictions**

#### **Aid for Export, using EFG funding abroad, and the preferential use of domestic over imported goods**

- The financing of export orders, aid financing the establishment and operation of a distribution network in outside the UK, and aid contingent upon the use of domestic over imported goods is ineligible for EFG.
- However, companies which happen to export as part of their business may be eligible for EFG.

#### **Agriculture**

1) Activities related to primary agricultural production is now eligible but the maximum eligible loan amount is in the region of €56,250 (varies according to loan term and value).

Exception:

- When the amount of aid is fixed on the basis of the price or quantity of products put on the market.

2) Loans for the processing and marketing of agricultural products (beyond simply preparation for sale and packaging) are eligible for EFG.

Exceptions:

- When the amount of the aid is fixed on the basis of the price or quantity of such products purchased from primary producers or put on the market by the undertakings concerned
- When the aid is conditional on being partly or entirely passed on to primary producers.

#### **Banking, finance and associated services**

- Any activity that involves granting of finance or a financial service to clients is ineligible, such as banks, deposit takers and building societies; companies involved in granting loans, mortgages, hire purchase or credit services; mortgage brokers; venture capitalists; seed corn finance companies and stockbrokers.
- Accountants, auditors, management service companies such as bookkeeping firms, tax advisers, management consultants, business advisers and companies that lend support to small firms on financial matters without actually supplying funds are eligible.

### **Commission Agents**

- Those primarily engaged in acting as intermediaries between sellers and buyers or in conducting business on another company's behalf are not eligible, where:
  - The type of activity excluded is one where the agent merely puts the seller in contact with a buyer without buying and reselling the products themselves and without adding value to the product or service.
  - The agent acts for a single principal or single group of companies.
- Firms that provide a business service to a range of clients but take their fee as a proportion of the business passing through, such as shipping and export agents or employment agencies, are eligible.

### **Education**

- Formal education is excluded.
- Businesses offering courses that lead to vocational qualifications and skills (i.e. those skills and qualifications directly usable in a job) are eligible, as are nursery schools, day schools and playgroups for young children and sports coaching.

### **Forestry**

- Forestry, as defined by EU guidelines, is the production of standing timber as well as the extraction and gathering of wild growing forest materials including products which undergo little processing, such as wood for fuel and industrial use
- Activities aimed at directly contributing to maintaining and restoring the ecological, protective and recreational function of forests, biodiversity and healthy forest ecosystem may now be eligible for EFG subject to the relevant EU guidelines.

### **Fisheries**

Activities related to the production, processing and marketing of fisheries products is now eligible for EFG but the maximum eligible loan amount is in the region of €225,000 (varies according to loan term and value).

Exceptions – when the aid:

- Amount is fixed on the basis of price or quantity of products put on the market.
- Increases fishing capacity, expressed in terms of tonnage or power, unless it concerns aid for modernisation and improving safety standards.
- Is for the purchase or construction of fishing vessels

### **Owning and dealing in real estate**

- Land and estate owners, property investment companies and those that derive their income from owning and letting property are not eligible, nor is dealing in land or property for speculative gain.
- Building firms that buy land or property and then sub-contract firms to do the work are property developers and are not eligible.
- Building firms that buy land or property to develop or refurbish and who employ the building workers themselves are eligible.

### **Professional sports players and sporting organisations**

- Sports instruction and sports facilities are eligible.
- Organisations that involve activities to promote sport in general are not eligible.
- Aid to Professional Sports Clubs is considered to constitute State Aid and therefore is not eligible for EFG.

### **Transport**

- Rail, water and air transport are now fully eligible
- Road transport sector is now eligible, but with restrictions:  
The road freight and passenger sector - is eligible but the maximum eligible loan amount is in the region of €750,000 (will vary according to loan term and value)
- The acquisition of road freight transport vehicles is excluded under De Minimis aid rules

**Enterprise Finance Guarantee – an overview of excluded sectors**

**Coal**

This sector is specifically excluded from the De Minimis aid rules and is therefore ineligible for EFG.

**Insurance and associated services**

Companies and societies primarily engaged in transacting all types of insurance business, including brokers and agents, are not eligible.

**Public administration, national defence and compulsory social security**

All publicly owned bodies and companies are ineligible.