

## **SG / CBC Meeting, 20 March 2019**

**Present:** Roy Brannen, Liz Ditchburn, Chris Wilcock, [Redacted] , Jim McColl

### *Opportunities for the business*

- [Redacted]
- The yard has won new work to construct a hoverbarge, work boats for fish farms and fishing vessels for a Shetland firm. The latter order cannot proceed until 75% bonds can be secured (CBC/FMEL cannot get further bonds from HCCI while the contract dispute remains unresolved and they have approached the British Business Bank as an alternative).
- The yard is in two of three consortia bidding for the T31e frigate contract with [Redacted] and [Redacted]. The preferred bidder will be announced in Q4 2019.
- Hydrogen propulsion technologies: (i) Work on HySeas III continues and the project is attracting international attention and (ii) the yard is involved in another project that concerns the blending of hydrogen and marine diesel fuel in existing combustion engines.
- The yard is also working with an Indonesian business to supply naval architecture services.
- FMEL/CBC are exploring work with another marine engineering business around the retrofit of scrubber technologies. Jim said they have signed an NDA to explore the potential of this market with a business who he said have secured a very substantial pipeline of orders for retrofits.
- Jim also mentioned potential sub-contracting work on the new Dunoon ferry via a company [Redacted]
- [Redacted]: CBC are still working on the pre-acquisition diligence though their exclusivity period will end this month (CBC want to extend it).

### *CBC's investment commitment [Redacted]*

- CBC has options to meet its commitment to SG either (i) as envisaged in the existing agreement or (ii) as part of larger transaction involving [Redacted]. The larger transaction would not proceed with SG unless there is movement on the price dispute.

### *Challenges*

- The yard is still challenged by its cash flow position and, according to FMEL management, by the knock-on consequences of unforeseen circumstances and changes in specification / interference by the client (CMAL).
- Jim outlined a couple of examples: (i) the changed position of the point of LNG fuelling from mid ships to the stern, (ii) movement of passenger seating and (iii) the requirement for the vessels to operate in more ports than originally envisaged (from 3 to 17).
- We heard these examples caused substantial rework and difficulties in getting approval from Lloyds Register.
- Jim felt these issues could be best resolved by the involvement of third-party expert with FMEL and CMAL.
- Jim also said the yard had met and been comparing experiences with the Canadian ship (Davie) who had completed a similar LNG ferry order which had experienced lengthy delays and cost overruns.

*Delivery dates and costs to complete*

- Jim indicated his view that 801 would not be completed until March 2020. He said that that estimate was not necessarily the yard management's view as the programme had not been reforecast.
- Jim could not estimate the costs to complete or the cash flow requirement.
- Would FMEL be commencing action via the Commercial Court? Jim did not confirm that course but he restated his strong opposition to nationalisation and his belief in FMEL's claim for higher costs.