

Written Submission from Robert Trythall following 24 October 2023 evidence session with FMPG – 2 November 2023

DOCUMENT ONE

Sir
H801/802 Valuation

NZETC meeting of Tues 24 Oct 2023.

David Tydeman (DT) CEO of Ferguson Marine Port Glasgow Ltd. (FMPG) gave 'evidence 'under Item 3.

I comment as follows:-

VALUATION

David Tydeman (DT)CEO (FMPG) offered a valuation of £70m . This valuation requires clarification, as it is not clear from the official report if this valuation was based on SG-TS-CMAL calling a tender, now, for a H801/802 look-a-like, with delivery say in 2026, or if it was a valuation H801/802 **As-Is** ie an open market valuation.

By way of background I am a retired shipbroker. Whilst not a specialist S&P broker I am cogniscant of the new-build market ,and current global shipbuilding costs

If DT's valuation of £70m was based on SG-TS-CMAL calling a tender now for a H801/802 look-a-like with delivery say in 2025-26 I am in broad agreement.

But this is academic and irrelevant. Subsequent ferry orders at CEMRE, including CMAL's ,confirm:-

- **CMAL would no longer order such a ferry**
- **No ferry company, in the global RoRO ferry market,would be likely to order such a ferry .**

If DT's valuation of £70m was an As-Is /Open -Market valuation for either H801 or H802, **then I strongly disagree .**

The market understanding re **As-Is** has long been that , *'in the context of ship sale and purchase and otherwise, that the terms "as is" or "as is where is" require a buyer to take a ship in the condition and state in which she is to be found at the*

point in time defined in the contract, all faults included, without any warranty as to quality or condition'

VALUE of H801

She was launched in Nov 2017 . She has been on the water since, and has suffered steel degradation ,and propulsion component corrosion . More than 40 tons of mussels had to be scraped from her hull in a recent DD . The main propulsion components have been removed and replaced with stored propulsion units for H802 . (see FMPG March 2023 quarterly update to NZETC) .LNG is no longer attractive to the RoRO ferry market. Since 2017 Norway abandoned LNG and commenced a retrofit programme of LNG ferries to electric/electric hybrid . H801's dimensional parameters are a one-off, hence unattractive to the open market . A history of a flawed build with serious warranty issues consequently dictate that any market interest in H801 would be at a significant discount . I estimate **H801's market value @ ca £35m .**

Any buyer may have to consider an engine retrofit to meet IMO 2050 zero emissions . In such case H801 value would be reduced to ca £25m .

VALUE of H802

Yet to be launched, but considerable part of hull section has been exposed to the elements since 2016 . H802 has less of a history of a flawed build,but will be delivered with re-conditioned propulsion components and obvious warranty issues (see March 2023 quarterly update) . **I estimate H802's market value @ best a notional premium to H801 The pivotal crux of the valuation issue of these ferries,will be the value agree for voted loan purposes when, SG-TS as the contractual party with FMPG takes delivery of H801/802, and in turn ,as 'seller' , delivers H801/802 to CMAL, as buyer .**

VALUATION MODUS OPERANDI

SG-TS Our Reference: 202200292657 Your Reference: Ferries :Audit Scotland report with partic reference to 'Arrangements to deliver H801/80225 August 2022) stated:

With regards to a transfer market value and how that is assessed CMAL will commission an independent qualified and experienced ship broker to assess the fair market value (FMV) of the vessels at time of their completion.

SG-TS' current proposed single broker valuation modus operandi is seriously flawed and not fit for purpose . I subsequently made several submissions on this issue to both SG-TS and Audit Scotland. Replies have been inconsistent.

SG-TS' most recent response (2 March 2023) not only confused the issue but contradicted SG-TS Aug 2022 response .
(attached)

To meet due diligence criteria, the shipping market valuation modus operandi to secure an accurate valuation is:-

- **To appoint a panel of three (3) specialist S&P brokers with one appointed as the umpire in the event of no agreement.**

(see Gram Car Carriers IPO Prospectus 2022) (LINK REMOVED)

DOCUMENT TWO

Letter from Transport Scotland – 2 March 2023

Dear Robert Trythall,

Thank you for your email of 30 March 2023.

Regarding the parties involved in the process I can confirm that it is a decision for CMAL to make regarding the valuation. A final decision has not been made regarding the valuation process and which companies will be involved.

The fair market value assessment will determine the price paid and will recognise the valuation of the new vessels.

As Hulls 801 and 802 will be delivered at different points in time then each vessel will be assessed just prior to delivery. Current delivery dates were provided to the Scottish Parliament by the then Deputy First Minister on 16 March 2022.

If you have any further queries regarding the process please contact CMAL directly at info@cmassets.co.uk

Yours sincerely

[REDACTED]

TS : Ferries Unit

DOCUMENT THREE

LNG installation issues

DT's 'evidence' confirms it was not rocket science to design, and install, a LNG dual - fuel engine system in H801/802.

LNG's legacy with Classification Societies goes back to 1926 (LR). Leading naval architects and Classification Societies (Lloyds/DNV/BV have embraced LNG installations in Ro Ro ferries since LNG's introduction in the early 2000's . Norway had its 1st LNG RoRO ferry in 2001

Lloyds claim to be the first classification society to develop and issue rules for use of LNG as fuel for marine main propulsion systems as applied on the LNG fueled ROPAX, Viking Grace, delivered in 2013 from STX Turku (Finland)

The distinction between 2013(Lloyds) vs 2001(DNV) is possibly Norway's 1st in 2001 was an electricity driven propulsion system in contrast to the Viking Grace, which has a comparable Wartsila LNG dual fuel propulsion package to H801 /802

By 2009 Remontowa (Poland)was the established global leading shipyard for LNG dual-fueled RoRO ferries .

Remontowa's LNG Ro RO ferry builds since 2009, prior to the H801/802 tender ,comprised 2 double-enders (165 cars) for Norled, 4 double-enders (125 cars) for Fjord 1, 4 X Landegode Class (120 cars) for Torghatten , 3X Salish class(135 cars) for BC Ferries , and one double-ender ferry (160 cars) for SAMSØ Kommune (DK) ie 14 total.

How FMEL's zero LNG build expertise was factored into the quality matrix of the tender process, to allow FMEL to leap frog Remonotowa's bid, remains a major puzzle in the H801/802 tender. It defies commercial logic

Of Norway's Ro RO LNG ferries the Landegode Class design is comparable to CHFS BIG ferries ie similar to H801/H802

LANDEGODE Class (120 cars /390 pax) DNV Class /LMG Marin design

[IMAGES REMOVED]

H801's LNG Tank [149 cum /20m long / 4.5 metres high] as below

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The image below shows the confined installation space in a Ro Ro ferry (Landegode class), for such a LNG tank.

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Landegode Class (120 cars /390 pax)

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Landegode Class The 4xLandegode class were ordered @ Rementowa in May 2010 .The 4th unit was delivered by Dec 2012(ie 30 months) . It incorporated many RoRO Ferry features which CHFS ferry design has yet to embrace. It is a route specific design [Bodo-Moskenes (Lofoten)] on what is Norway's sole significant

open-water route, in contrast to Norway's broadly standardised RoRo ferry design. In contrast, prior to CMAL's 4 ferries @ CEMRE, CHFS ferry design, SG-TS' entrenched ferry myopia, had not embraced standardisation,

The Salish Class (145 cars/390pax) Lloyds Class /Rementowa design

BC Ferries ordered 3XSalish Class ferries at Rementowa in July 2014 (before H801/802 tender)

[IMAGES REMOVED]

Built to Lloyds Class ie same as H801/802 with comparable dimensions and similar Wartsila LNG dual fuel engine and propulsion package Estimated build cost \$165m. First ferry delivered ex yard Gdansk Nov 2016 , ie ca 30 months from order to delivery . The 3rd ferry delivered ex yard April 2017. A 4th sister ferry was ordered in Nov 2019 and delivered in Dec 2021 ie ca 24 months . FMEL took 24 mos from order to launch H801, and the rest is history.

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The LNG tank (130cum) is positioned centrally, and internally, above the double bottom hull

The LNG tank space is confined, as with the Langedode Class, and similar RoRO . H801/802 is not exceptional

The constricted internal space for LNG tanks in RoRO ferries contrasts to the generous external space on the poop deck of this 200000 DWT Bulkcarrier

[IMAGES REMOVED]

Himalaya Shipping(Norway) has ordered 12 of the above (China), with each ship being delivered on a monthly basis. Howzat for productivity !!

Conclusion

H801/802 were /are not a 'first' . Other than UK build there was no ferry exceptionalism.

FMEL/CBC [REDACTED] misinformation, in this regard, in my opinion, was to rationalise their H801/802 failure The design legacy of LNG fueled ships stretches back to the 1970s and with Ro Ro ferries from early 2000.

In ca 2007 LMG Marin(Norway) designed 4XLNG dual fuel (125 cars/390 Pax) RoRO ferries for Fjord1(Norway) Ordered at Remontowa ca 2007/2008, and

delivered in 2009/2010 LMG Marin also designed the Landegode Class Ro Ro ferries(2009)

Note;- CMAL has appointed LMG Marin to support the design development for the replacement vessel for MV LoTI Since 2009 the major classification societies ,incl Lloyds, have successfully delivered LNG dual fuel RoRO ferries .

Any design issues to install LNG dual fuel systems in RoRO ferries ,similar to H801/802 , had been addressed and successfully resolved,by naval architects and shipbuilders long before before H801/802 were ordered(2015)

FMEL/CBC ,at the outset, lacked any LNG dual fuel RO RO design, build, and production planning experience.

How FMEL/CBC 's lack of any LNG dual-fuel build experience was factored into a Quality Matrix which allowed FMEL/CBC to leap-frog over all other tenderers, incl Remontowa, has yet to be explained.

Notwithstanding the number of inquiries into the H801/802 bourach, no one has asked this very obvious question.

FMEL/CBC management was deficient a/o unwilling to embrace a/o adopt LNG dual fuel RoRO build experience from other yards ,notwithstanding Classification Societies (incl Lloyds) LNG dual fuel RoRO ferry expereience and synergy.

Subsequent evidence,in abundance, confirms FMEL /CBC as [REDACTED] shipbuilders. H801/801, in extremis , are the Ships of Theseus.