Structured Financing Facility (SFF)

Canada has earned an international reputation for providing quality ship repairs, conversions and newbuilds. Industry Canada has developed a number of financing solutions specifically to meet the needs of owners wishing to undertake these types of jobs in Canada, under the SFF programme.

Background

SFF is a key component of the policy framework for the Shipbuilding and Industrial Marine sector focused on taking advantage of market opportunities, promoting investments to complement Canadian competencies in areas of market opportunity, and assisting innovation in key technologies.

SFF responds to requests from industry to modify the tax regulations to permit the use of specific tax provisions in situations where Canadian vessels are sold to leasing companies rather than operators.

SFF provides an equivalent benefit to purchasers of Canadian built ships in such circumstances, including Canadian and foreign buyers/lessees and is an alternative to the accelerated capital cost provision in the tax regulations.

SFF is a market based tool, administered by Industry Canada, that is intended to address some of the competitive gap between Canadian and foreign shipyards. a portion of a loan or lease to acquire Canadian built vessels.

Objective

The objective of the SFF is to stimulate demand for new Canadian built vessels in existing Canadian shipyards, by providing financial benefits to Canadian and foreign buyers/lessees.

SFF Elements

SFF has 2 elements:

- **Interest Rate Support (IRS)** which provides an interest rate buy-down of up to 15% of the purchase price of a new Canadian built vessel on a present value basis. The support is in the form of a non-repayable contribution.

- **Credit (loan / lease) Insurance** - that will insure a portion of a loan or lease to acquire Canadian built vessels.

The credit insurance element of the program is intended to provide a greater availability of credit, if required. Although the cost to the program of a combination of these two elements can be up to 15% of the price of a vessel on a present value basis, the maximum direct benefit to a purchaser is 10%.

The 2 elements can be combined but the credit insurance provision may reduce the interest rate support portion due to the level of contingent liability incurred.

Industry Canada charges a one percent guarantee fee on the value of any insurance provided.

Participation in the SFF rescinds an applicant’s (purchaser / lessee) right to Accelerated Capital Cost Allowance (ACCA) as provided in Class 41 (33.3%) and limits its Capital Cost Allowance to the lower conventional rates in Class 7.

Eligible Applicants

An applicant can be a purchaser or lessee of a vessel. An applicant can propose that the contribution for interest rate buy-down be provided to a recipient who can be a purchaser, lender or lessee.

Eligible Products

New vessels or marine structures and existing vessels and marine structures undergoing major refurbishment constructed in Canada, primarily intended for use in commercial operation, service or venture and shall include, but not be restricted to:
Like its long tradition of supplying quality ship repairs, Canada is also recognized as a builder of the world's finest marine vessels. Yet, the shipping market is extremely cyclical and world markets offer different degrees of support to shipbuilders. Canadian shipbuilders need a place to turn to facilitate their export sales. That’s where the Structured Financing Facility comes in.

- Canadian owned vessels, offshore or other marine structures designed and used for commercial purposes without regard to the method of propulsion;
- Foreign owned vessels, offshore or other marine structures designed and used for commercial purposes without regard to the method of propulsion;
- Passenger vessels, ferries, dry-bulk vessels, self-unloading vessels, tankers, container vessels, roll-on roll-off vessels, tugs, tow boats, barges, dredges, vessels for oceanographic research, pollution abatement, ice breaking, anchor handling and offshore supply, oil drilling, oil exploration, fishing, floating industrial plants and search and rescue;
- Major conversions or structural alterations that change the end-use of the vessel or significantly renew the structure or capacity of the vessel or increase its useful life by at least five years (such as fore-body conversion of Great Lakes vessels); and
- Any other vessel or marine structure, the financing support of which under this Facility, will in the opinion of the Minister, contribute to the achievement of the Facility’s Objectives.

- Pleasure craft as defined in the Canadian Shipping Act are not included.

**Application Process**

An applicant provides a Project Outline to Industry Canada with the following information:

- Company Information - name of company, address, contact person, preferred language of communication;
- Company Profile - ownership and organization (legal status), brief summary of company history, nature of business, most recent financial statements;
- Proposed Project - what type of vessel is being purchased from which Canadian yard, overall costs, proposed financing arrangements, proposed contracts for use and destination of vessel, customer(s), timing;
- Market - where will the vessel be used;
- Competition - who is the Canadian shipyard competing against, what is the price differential between a Canadian and foreign source for the vessel, why is support under the SFF required;
- Benefit to Canada - outline benefits such as jobs created in Canada both in the construction of the vessel and in its use, identify any design or development that may be required, technology transfers, etc.

The Minister of Industry Canada shall have the sole discretion to determine the acceptability of an applicant, a recipient or a lender, a lessor and a shipyard, the Minister may, from time to time, make policies regarding acceptability.

Industry Canada will assess the above information and provide the applicant within a few weeks with an indication of whether the proposed project appears to be eligible under the SFF. If the project appears to be eligible, the department will inform the applicant of any additional information that may be required in order for the department to proceed with a full analysis and obtain the appropriate approval authorities.

If the project is approved, the recipient will be requested to submit data, schedules, plans and reports in sufficient detail to enable the Minister to:

- Assess the progress of the project;
- Carry out the post-completion monitoring called for in the contribution agreement.

**For More Information, Contact:**

For more information, please contact Irving Shipbuilding Inc, or Industry Canada directly:

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