Financing for Shipbuilding, Ship Repairs and Conversions

Canada has earned an international reputation for providing quality ship repairs, conversions and newbuilds. Export Development Canada (EDC) has developed a number of financing solutions specifically to meet the needs of owners wishing to undertake these types of jobs in Canada.

Who is EDC?

EDC is an agency of the Government of Canada that operates like a commercial financial institution, offering a full range of trade finance services to Canadian companies and their buyers in some 200 countries around the world.

EDC is able to offer competitive financing terms to foreign customers of Canadian shipyards, and add to the often limited capacity of conventional financial institutions.

EDC provides support in three areas:
- new construction
- overhauls and conversions of vessels
- ship repairs

Eligibility

EDC support is based on the credit worthiness of the borrower (e.g. ship owner). Its pricing and terms of the loan are based on commercial principles.

To be eligible for EDC financing, the proposed transaction should involve:
- shipyard(s) operating in Canada;
- a benefit to Canada; and
- vessels that operate on international routes.

However, if your transaction does not meet these requirements, EDC may still be able to provide a financing solution that meets your specific needs.

EDC and the OECD

Canada is a member of the OECD. As such, EDC financing complies with guidelines regarding officially supported export credits. EDC support is consistent with the OECD Shipbuilding Understanding as amended in 2004, which sets a maximum financing amount of 80% of the contract price and a repayment period not exceeding 12 years.

Financing for Ship Overhauls and Conversions

Two types of financing are available for overhauls and conversions: supplier credits (purchase of promissory notes) and buyer credits (direct loans to ship owners). EDC is prepared to offer appropriate financing terms, which reflect the commercial viability of the project. Usually, ship overhauls and conversions result in financing terms such as:
- up to $5 million US, or 80 per cent of the contract value (whichever is less)
- repayment terms between two and five years
- priced on a fixed or floating basis with rates as per market conditions

EDC is prepared to consider alternative terms and conditions in support of your commercial undertaking. Your specific transaction may necessitate terms and conditions different from those described above. For example, converting a tanker to an FPSO or a trawler to a cable layer would justify financing conditions similar to those available for new vessel construction.
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 EDC financing comes in.

Financing for New Ship Construction

Two types of financing are available through EDC for new ship construction: buyer credits (direct loans to ship owners) or lease structures. EDC is also willing to consider participation in syndication or co-financing arrangements. The following terms are available for these transactions:

- maximum loan/debt of 80 per cent of contract value
- repayment terms up to 12 years priced as per market conditions, on a fixed or floating rate.

In determining the financing terms, EDC will consider prevailing market conditions and international guidelines.

In the case of offshore equipment, EDC can consider up to 85% financing for up to 10 years, consistent with the OECD (Organization for Economic Co-operation and Development) guidelines.

The Ship Repair Financing Framework

The EDC Framework covers transactions which involve:

- ship repair contracts that require swift credit decisions;
- amounts of up to USD 1,500,000; and
- credit terms of up to 180 days.

If your transaction qualifies, EDC would purchase your promissory note(s) issued for the cost of the ship repairs. Your benefits are three-fold:

- you receive the financing you need, up to 80 per cent of the cost for the ship repairs,
- your financing is on a fixed-rate with up to six month repayment terms; and
- the documentation and administration process is straightforward.

The benefit to the Canadian shipyard is a cash sale upon receipt of the note(s) by EDC.

Who to contact?

If you think EDC’s Ship Repair Financing Framework is for you, or if you want more information on ship overhaul or new construction financing, please contact Irving Shipbuilding Inc, or the nearest EDC office directly.

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