

Case study: Q-West Boat Builders

NZECO solution: Access Trade Finance

NZECO product: General Contract Bond Guarantee

Sector: Building & Transport (Marine)



Bond Guarantee assists performance bond requirements

The challenge

Wanganui-based Q-West Boat Builders won a contract to construct a 16 metre 'Harbour Cleaning Catamaran' for the NSW Maritime Authority. As part of the contract requirements, Q-West was required to provide a 10% performance bond during the manufacturing period and a 10% retention bond on completion of the build.

Bonds are typically on-demand bank guarantees which provide a buyer assurance that if an exporter doesn't perform their contract obligations, then payment of the bond value can be called upon by the buyer for reimbursement of their costs.

However, Q-West was at lending limits with their bank due to demands for foreign exchange and working capital facilities related to the NSW contract and other domestic boat building contracts they were performing at the time.

The process

Q-West Managing Director, Myles Fothergill, contacted NZECO seeking its support to underwrite the bonds in order to enable its bank to issue them. NZECO's underwriters undertook a comprehensive assessment of Q-West and their ability to perform. The assessment involved understanding Q-West's historical and forecasted financials, their technical and management abilities to perform this and other contracts, on-site visits, interviews with their bank, and a review of the contractual and bonding documentation.

The solution

As a result of this appraisal, NZECO offered its bond guarantee to Q-West bankers enabling them to issue the performance bond on behalf of Q-West. NZECO's guarantee helped Q-West to maintain headroom in their other bank facilities to help cashflow this project and other contracts on target.

After 11 months' solid work by Q-West the vessel underwent sea trials and was delivered to the NSW Maritime. The buyers were extremely happy with the working vessel, commenting that the boat was "a true example of marine engineering brilliance".

"This contract has been hugely important to Q-West, because it gives our company a foothold in the tough Australian market" said Myles Fothergill. "We are extremely pleased with the support that NZECO provided in helping us issue the bonds." www.q-west.com

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This document is available at www.nzeco.govt.nz

Treasury:3180138v1

NZECO case study – Published 15 Aug 2011