Case study: Southern Spars

NZEC solution: Secure Export Sales / Access Trade Finance

NZEC product: General Contract Bond Guarantee

Sector: Building & Transport

New Zealand Export Credit's (NZEC) Bond Guarantee helps Southern Spars with NZD 30m+ contract

Need: NZD $2.0m advanced payment bond in return for receiving a NZD $2.0m advance payment.

Solution: NZEC provided the ASB with a Contract Bond Guarantee so they could provide a NZD $2.0m advance payment bond to Southern Spars' buyer.

New Zealand Export Credit's Bond Guarantee for NZD $1.6m supports ASB to provide a bond for Southern Spars for a NZD $30m+ contract

In 2012 Auckland based Southern Spars (industry leader in the design, construction and installation of carbon fibre masts, booms and rigging for high-performance super yachts and racing yachts) won a contract to supply masts and rigging for an 85m ketch (a two-masted yacht) that is being constructed in Europe.

The masts and booms are designed and manufactured in New Zealand. The rigging was designed by an associated company, Composite Rigging in Rhode Island, USA. For Southern Spars, there is approximately 10,000 hours of design time for the masts and booms, and 82,000 hours for manufacture.

The contract is expected to take 28 months from design to installation. Southern Spars were paid a $2m advance payment on contract signing for which they were required to issue an advance payment bond from ASB in return. This bond was partially guaranteed by NZEC to enable Southern Spars' bank to provide the bond, allowing the company to receive this large milestone payment in advance, ensuring it had the immediate cash available to progress this large project.

"This project is the largest rig package the company has built to date. Accordingly our customer needed to have confidence we were in a position to see this project through to completion. With the assistance of NZEC we were able to provide the required bond and importantly demonstrate we had the support of the NZ Government.", said Samuel Watson, Group Chief Financial Officer.

Southern Spars was established in 1989, and they have an estimated 90% market share of all carbon fibre rig packages sold to super yachts around the world. An estimated 95% of production is for overseas yacht builders or for local builders building yachts for overseas clients.

The company employs over 200 staff in New Zealand at its facility in Auckland with operations in Rhode Island (design), and in Denmark, Cape Town and Sri Lanka.

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