

Appendices to the Final Preliminary Report

Appendices 1 - 4

Prepared by the Transport Accident Investigation Commission
for
The Royal Commission of Inquiry into the Sinking of the
MV Princess Ashika

15 February 2010

Original Review Provided to
Mynner Potts - Tonga after
1st visit to Fiji.
March 09

Princess Ashika IMO 385168
50m x 11m x 3.5 @ GT 680 tonnes 390 pax 15 crew 370 tonnes cargo
Survey December 2008 Valid to December 2010 - Fiji Marine Board - Rusiate Waga

ITEM	
Hull Plating	6 plates replaced in void 12/08 Dry Dock. Cleaned/painted.
Starboard	
Port	
Concrete Strengthening	Some inserts but generally limited rust.
Deck Plating	Good limited rust well painted throughout
Superstructure	
Doors, vents, hatch, port holes, watertightness	All areas water tight
Ramp	TBC Bow/Stern Stern ramp to be Spec for SCP, may need lengthening with flaps 1m Bow short
Ramp rubber seals.	Good condition
Ramp winch, wires etc.	Sealed at max level. Cargo hold partly open, need screens to protect from sea/weather. Plate insert or canvas.
Port hole rubber seals	Upper deck white, good condition, upper decks good. Hull reasonable
Paint Hull	Denuded and well painted
Paint Other	
Forepeak	Secure with seals and bolts in good condition
Manholes	Excellent condition with no rust.
Longitudinal, transverse framing, stiffeners, condition	OK
Bulkhead watertight	All replaced at survey
Anode condition	TBC Fuel water, sewage OK
**Tank condition	All OK
Superstructure	Good limited rust well painted throughout
Bulk heads, railings, cappings, doors	Good ventilation in all areas especially engine room, crew areas, aircon
Funels	
Vents	
Liferafts and davits.	
Ballast Tanks No.1.	
**Manholes, General condition, tanks, vents, pipes	TBC
Longitudinal, transverse framing, stiffeners, condition	All good
Anode condition	
Water tight	
No. 6 N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal, transverse framing, stiffeners, condition	
Anode condition	
Water tight	TBC
**Fresh Water Tank	
Manholes, General condition, tanks, vents, pipes	
Longitudinal, transverse framing, stiffeners, condition	
Anode condition	
Tank Cleanliness	
Water tight	
**No.2 Void Space	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal, transverse framing, stiffeners, condition	
Water tight	
Void Space Cleanliness	
Coffor Dam Between Water Tank/No.3 Fuel Tank-Sd N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal, transverse framing, stiffeners, condition	
Water tight	
Coffor Dam Cleanliness	
**Coffor Dam Between Water Tank/No.5 Fuel Tank- Pt	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal, transverse framing, stiffeners, condition	
Water tight	

Vessel Replacement

Appendix 1 "2008 survey checklist"

Coffer Dam, Cleanliness	
**Fuel Tank, Center	Confirm capacities condition good.
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Fuel Tank No 2	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Fuel Tank No 2 Wing Port N/A	2 service tanks/purifier/clarifier Mitsubishi centrifuge
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Fuel Tank No 2 Centre N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Fuel Tank No 4 Wing Starboard N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Fuel Tank No 2 N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Sewage Tank	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Starboard Main Engine -	TBC, 18 months O/H 2x Daihatsu 185 KW 6 cyl 2 x compressors
Engine Room	
**Port Main Engine-	Very good condition and excellent maintenance... PMP!!!
	TBC 12 months O/H
**Gearbox Starboard Couplings	TBC
**Gearbox Port Couplings	TBC
Storage	
Other Equipment	Excellent condition
**Auxiliary Generator Starboard	Pumps, shafts, bearings all O/H Dry Dock 12/08
**Auxiliary Generator Port	TBC 2x 4 Cyl Cummins
**Pumps	TBC
**Firework	TBC OK Recoverable from new equipment on Olovala
**All Blast Water Valves	TBC OK
**Ballast, Fire, Blue Pumps	TBC OK
**Ballast, Fire, Green Pumps	TBC OK
**Emergency Pumps	TBC OK
Fuel, Ballast, Domestic, scuppers, Sewage	TBC **Recoverable from new equipment on Olovala
**Winches	TBC
Dunnies N/A	
Wires, pin, cleaves, blocks N/A	
Cargo hatch cover, rubber seals N/A	
Cargo hold - Structural Floor	
Longitudinal transverse framing, stiffeners, condition	Cargo hold floor structural, sound with container fixing points
	Excellent condition

Appendix 1 "2008 survey checklist"

**Cargo Hold-General	Very Good need side curtains ** Steel Inserts/Curtains.
**Port anchor windlass/Mooring capstan	TBC
**Starboard anchor windlass/Mooring capstan	TBC
**Port Stern anchor windlass/Mooring windlass	TBC
Starboard Stern anchor windlass/Mooring windlass	TBC
Cables,Ropes,Chains	TBC
Switchboards	Good condition
Motor controls	Good
Alarm system	Good
Bridge/Engine controls	Good
**Winch Motors	TBC
Radars	New plotter,rdars OK
Radios	All OK MK HF SSB ICOM Marine R/T Fais
GPS	OK with plotter
Signalling	OK with plotter
Compasses	OK
ALS	
Others (Binoculars, sextant, pelorus etc)	
**Ship Batteries & Chargers	TBC
**Vent fans	TBC
Life rafts	Compliant 9x25 4x65 1x5 ** Recoverable from new equipment on Olovaha
Lifeboats	Compliant
Pyrotechnics	500 good condition ** Recoverable from new equipment on Olovaha
Life jackets	
Buoyant devices	
Transponder	
Hand held radios (and spare batteries)	Tait
**Portable Fire extinguishers	TBC ** Recoverable from new equipment on Olovaha
**Fire Hoses, Nozzles, Couplings, Hydrants	TBC ** Recoverable from new equipment on Olovaha
**Fixed fire fighting system Halon	TBC
**Emergency Fire pump (engine & motor)	TBC ** Recoverable from new equipment on Olovaha
**Breathing Apparatus	TBC ** Recoverable from new equipment on Olovaha
**Fireman's Outfit	TBC ** Recoverable from new equipment on Olovaha
**Cargo containers	TBC ** Hold dimensions

1. Bow ramp ...can it be effectively sealed when closed.
2. Can 2 10 ft containers be located on the bow ramp area and be loaded easily from the wharf or ramp when parallel berthed.
Measure cargo hold
If side on to berth could they be loaded without using the stern ramp.
3. Side curtains or infill with plate in cargo hold. - Measure etc... complete in Fiji...
4. Measure stern ramp length...extension etc. Olovaha Ramp 7.5 Flaps 1.1 Hinge to water 1m
5. Can we put a small crane on the upper deck for loading the lighter.
6. Can we stow light weight water tanks on the upper deck
7. Extra 2 cabins behind bridge/masters cabin etc.
8. Extra bunks re crew below decks.
9. Fuel consumption at best performance.
- ****. Crew availability- delivery, chief long term>>>>

Sale of equipment- Genset plus spare 275 Kva 220DFBE CPL 1381 50hz@1500RPM 3PH KW 220

Audit completed 6-8 April 2009

Audit of the Princess Ashika.

Audit completed by :

David Shaw – Shaw Diesel Services – Auckland

(David completed the review of main, auxillary, compressors and electric motors)

Kerry Bennett – Consultant to Express Diesel Services – Auckland

(Kerry completed the review of gearboxes,clutches, shafts ,steerage).

A general structural,tank,void spaces, and operation review was completed in transit under normal operational procedures.)

John Jonesse – SCP Tonga (John reviewed all documentation relating to historic, dry-dock etc PMP and general maintenance and all mandatory documenation)

Carried out enroute from Natovi Landing Fiji to Levuka and return.

Audit Documentation.

Current Marine Survey – Fiji 01/09- 01/11 (2years)

ITC International Tonnage Certificate

Cargo Safety Radio Certificate

Load Line Certificate

Bare Boat Registry Certificate

Dry Docking schedule 12/08

(Available to Marine and Ports Tonga)

Marine Analysis Documentation

All mechanical work is carried out by Dennis Arnott of Sydney (A respected marine engineering company) who has managed the PMP for over 6 years and supervised Dry Docking. All receipts and reports were available for review by John Jonesse.

Discussion between the Audit Team and the Master,Mate,Bosun (10years) Chief Engineer (14 years).

These discussions were not pre-empted by management.

Vessel Operation Audit - Broken into Structural, and Mechanical.

Defect Evaluation

Engine Room/Steerage

*Heat exchangers on both Cummins Gen sets were in poor condition and not repairable (Agreed that these would be replaced at their expense.)

*Audible knock on No6 Cylinder at cold start. (This was identified as poor timing after the fitting of new injectors and was rectified in transit. All timing is to be checked by their Australian consultant who will be in Fiji on another job)

*5% higher temperature on Port Gear Box well within accepted limits. (Most likely filters or contaminated gearbox oil) All filters to be checked by their Australian consultant who will be in Fiji on another job)

*Leak from starboard prop shaft gland. (This was repacked during Dry Docking along with new shaft bearings and had not been tightened correctly. All gland packings to be checked by their Australian consultant who will be in Fiji on another job, this may require Dry Docking at their expense and under their recent warranty.)

The Marine Survey completed in 01/09 showed no major defects. There were no engine room defects of significance (1 unsecured floor plate, bilge discharge records were not updated from the last current sailing)

The VHF radio was not working at the time of the 1st Inspection. The GPS antennae mounting brackets needed attention.

A log-book was not kept for all radio transmissions sent or received so a licence was not issued until updated.

A Safe Manning Certificate was issued for correct crewing and for equipment carried for the designated numbers. Survival equipment exceeds maximum needs.

Notes

The information provided by the Owners, Operations Manager and Crew was provided completely and openly and all ships documentation was available on the Bridge and in the Engine Room and at the registered offices in Suva.

Defect reports are evaluated and actioned weekly and are subject to review by their consultants .

While built in '72' in Japan the Princess Ashika is an example of good preventative maintenance. The vessel's 'easy' design has enabled excellent engine room management on a 'day to day' basis. While rust is expected in a vessel of any age the rust has been minimized in all structural areas and painting is ongoing. The Hull Thickness Test at Dry Docking showed 86% well within acceptable limits, all anodes were replaced at Dry Docking.

With continued PMP all mechanical areas should be within expected performance with no major overhauls required in the timeframe of operation in Tonga. If the vessel was to operate for 3 years after the Dry Docking she would need underwater or Dry Dock hull attention but it is unlikely that plates would need replacement as 6 plates were replaced in the Void area at last Dry Dock.

Audit Completed with accompanying Check Sheets.

By:

David Shaw - for Shaw Diesel Services Limited

Kerry Bennett - Consultant to Express Diesel Services Limited

John Jonesse – Managing Director for Shipping Corporation of Polynesia Limited

9th April 2009
At Suva Fiji

Appendix 2 'audit report' (2 versions)

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Notes

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Defect reports are evaluated and actioned weekly and are subject to review by their consultants.

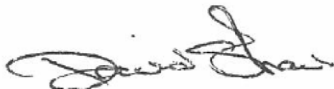
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John Jonesse - Managing Director for Shipping Corporation of Polynesia Limited



9th April 2009

At Suva Fiji

Review added to initial
review document.
After visit to Fiji
6 April 09 →

Rob 22

100/0

Princess Ashika IMO 385168	
50m x 11m x 3.5 @ GT 680 tonnes	
Survey December 2008 Valid to December 2010 - Fiji Marine Board - Rustiate Waga 6 monthly survey due 5-7 May 2009	
Vessel Operation	ITEM
Hull Plating	6 plates replaced in void 12/08 Dry Dock. Cleaned/painted.
Starboard	Paint required. Fluted hull reduces wave turbulence.
Port	Paint required. Fluted hull reduces wave turbulence.
Concrete Strengthening	Some inserts but generally limited rust.
Deck Plating	Good/limited rust well painted throughout
Superstructure	All areas water tight
Doors, vents, hatch, port holes, watertightness	Bow/Stern ramps to be lengthened with flaps 1m.
Ramp	Good condition
Ramp winch, wires etc.	Sealed at pax level. Cargo hold partly open, need light weight removable sheet steel screens to protect from sea/weather.
Port hole rubber seals	Upper deck white, good condition, upper decks good. Hull reasonable.
Paint Hull	Well painted generally
Paint Other	All OK
Superstructure	Good/limited rust well painted throughout
Bulk heads, railings, cappings, doors	Good ventilation in all areas especially engine room, crew areas, aircon
Funnels	
Vents	
Ballast Tanks	
Manholes, General condition, tanks, vents, pipes	Seals OK, generally good condition
Longitudinal, transverse framing, stiffeners, condition	OK, generally good condition
Anode condition	Replaced at DD
Water tight	OK
Fresh Water Tank	25 tonnes
Manholes, General condition, tanks, vents, pipes	Seals OK, generally good condition
Longitudinal, transverse framing, stiffeners, condition	OK, generally good condition
Anode condition	Replaced at DD
Tank Cleanliness	OK
Water tight	OK
Void Space	Plates replaced at DD.
Manholes, General condition, tanks, vents, pipes	Seals OK, generally good condition
Longitudinal, transverse framing, stiffeners, condition	OK, generally good condition
Water tight	OK
Void Space Cleanliness	OK
Cofferdam Between Tanks	
Manholes, General condition, tanks, vents, pipes	Seals OK, generally good condition
Longitudinal, transverse framing, stiffeners, condition	OK, generally good condition
Water tight	OK
Cofferdam Cleanliness	OK
Fuel Tank Center No 1	
Manholes, General condition, tanks, vents, pipes	7.5 tonnes
Longitudinal, transverse framing, stiffeners, condition	Seals OK, generally good condition
Anode condition	OK, generally good condition
Water tight	Replaced at DD
Tank Cleanliness	OK
Fuel Tank No 2	
Manholes, General condition, tanks, vents, pipes	7.5 tonnes
Longitudinal, transverse framing, stiffeners, condition	Seals OK, generally good condition
Anode condition	OK, generally good condition
Water tight	Replaced at DD
Tank Cleanliness	OK
Storage Tank	
Manholes, General condition, tanks, vents, pipes	All fresh water systems so limited rust. Olvynha all salt water systems.
Longitudinal, transverse framing, stiffeners, condition	Seals OK, generally good condition
Anode condition	OK, generally good condition
Water tight	OK
Tank Cleanliness	OK

Starboard Main Engine -	18 months O/H 2x Daihatsu 185 KW 6 cyl 2 x compressors
Own Infector eating equipment on-board regular maintenance	General P&P well controlled by Australian Engineering Consultants
Engine Room	12 x 1000 litre fuel tanks
Port Main Engine-	OK and excellent maintenance
Gearbox Starboard	OK and excellent maintenance
Gearbox Port	OK and excellent maintenance
Steering	Temperature up 5% filters to be cleaned OK and Spiraflex couplings OK
Other Equipment	Excellent condition
Auxiliary Generator Starboard	Pumps shafts bearings all O/H Drx Deck 12/08
Auxiliary Generator Port	2x 4 Cyl Cummins Replace Heat exchangers
Pumps	Replace Heat exchangers
Pneumatics	OK Recoverable from new equipment on Olova
All Bilge Water Valves	OK
Other Auxiliary Power Supply	OK Deck 400 volt portable genset for welding
Hydraulic Pumps	OK Steering
Emergency Pumps	Recoverable from new equipment on Olova
Winches	OK
Cargo hold - Structural Floor	Cargo hold floor structurally sound with container fixing points
Longitudinal structural framing stiffeners condition	Excellent condition
Cargo Hold-Ground	Very Good need side curtains Steel Inners/Curtains
Port forward anchor windlass/Mooring capstan	OK
Starboard forward anchor windlass/Mooring capstan	OK
Port Aft anchor windlass/Mooring winch	Not used
Starboard Aft anchor windlass/Mooring winch	Not used
Cables/Ropes/Chains	All good condition
Switchboards	Good condition
Motor controls	Good
Alarm system	Good
Bridge/Engine controls	Good
Radar	New planar radar OK
Radars	All OK MK HF SSB ICOM Marine RT Tais
GPS	OK with plotter
Signalling	OK
Compasses	OK
Ship Batteries & Chargers	OK
Vent fans	Good air venting on the vessel especially important in engine room
Life rafts	Compliant 9x25 4x65 1x5 Recoverable from new equipment on Olova
Life Jacks	500 good condition Recoverable from new equipment on Olova
Hand held radios (and spare batteries)	Tail
Fire Hoses, Nozzles, Couplings, Hydrants	Recoverable from new equipment on Olova
Fixed fire fighting system	C02 Engine room
Emergency fire pump (engine & motor)	Recoverable from new equipment on Olova
Breathing Apparatus	Recoverable from new equipment on Olova
Fireman's Outfit	Recoverable from new equipment on Olova
1. Bow ramp - can it be effectively sealed when closed. ** No need for seals as the ramp closure is well above water level unlike Olova	
2. Can 2 10 ft containers be loaded on the bow ramp area and be loaded easily from the wharf or ramp when parallel berthed. OK	
3. Side curtains or inft with plate in cargo hold. ** Inft light weight inft plate held on	
4. Measure stern ramp length - extension etc. 5.5m	
5. Can we put a small crane on the upper deck for loading the lighter. ** Flaps 1.1 Hinge to water 1m	
6. Can we stow light weight water tanks on the upper deck. ** OK	
7. Extra 2 cabins behind bridge/masters cabin etc. OK Masters cabin can be split for 2 officers. ** OK	
8. Extra bunks re crew below decks. ** OK	
9. Fuel consumption at best performance. 10.5 knots good seas Olova 6-8 knots	
10. Crew availability - delivery, chief long term. Chief Engineer available for up to 2 months, Master for delivery assistance. AB for 1 month familiarity.	
11. Need VVY for delivery. Master Class Ocean Going. ** OK	
12. VVY was an employee of SCP as Technical Manager now at TMPI	
Vessel delivery compliance ** Master Class 1 ex SCP ** OK	
Chief Mate 2 weeks familiarisation in Fiji on-board & Delivery	
AB/OS 2 weeks familiarisation in Fiji on-board & Delivery	
Motorman 2 weeks familiarisation in Fiji on-board & Delivery	
Chief Engineer to deliver vessel & stay with vessel for 2 mths	
Motorman Delivery only From the vessel ex Fiji	
** OK Expense Airfares to Suva/1 day's accom	
** OK Expense Airfares to Suva	
** OK Expense Airfares to Suva	
** OK Expense Airfares to Suva	
** OK Expense Airfares to Suva	
** OK Expense Airfares to Suva -returning	

Rec'd from Busby Kautoke
24/08/09
by Sgt W.

CONFIDENTIAL

No.300

P.-11a

MEMORANDUM23rd April 2009

To: Hon. Cabinet Members
Secretary for Finance
Secretary for Public Enterprises
Secretary for Transport
Private Secretary to His Majesty

With reference to Vessel Purchase to Replace the MV Olovaha.

(MAR 2/2/2 V5)

I have the honour to inform you that His Majesty's Cabinet Decision on 23rd April 2009
was as follows:-

1. That the report from Ministry of Transport on the Vessel to Replace the MV Olovaha be noted.
2. That the Hon. Minister for Transport, assisted by the Hon. Attorney General & Minister for Justice to proceed with the arrangements to do with MV Princess Ashika and because of the urgency of this matter, that necessary deposit and other financial arrangements be finalised with the Hon. Minister for Finance, National Planning and Information, who is hereby authorized to endorse or otherwise the proposed transaction, and a report be later tabled in Cabinet.
3. That discussions with the Government of Japan to continue to ascertain that there are no further delays on the delivery of the new ferry to replace the MV Olovaha.



Busby Kautoke
Chief Secretary & Secretary to Cabinet

Memorandum to Cabinet.

20th April, 2009.

Vessel Purchase to Replace the M.V. Olovaha.

The mechanical state of the M.V. Olovaha has been of increasing concern over the past six months.

While the ship remains seaworthy it is becoming increasingly difficult to maintain any reliability in its service to the outer islands.

The delivery of the new ferry to be provided by grant aid from the Government of Japan will not be before late 2010. In the meantime it is estimated that up to TOP 800,000 needs to be spent on the existing M.V. Olovaha to keep it in service. The attached financial summary (attachment one) from the Shipping Corporation of Polynesia and the Ministry of Public Enterprises and Information compares the cost of continuing services with the existing ship against the cost of purchasing a ship that has been sourced in Fiji. It is clear that the financial outlay for a replacement ship to fill the gap until the arrival of the new ferry is the preferred option as there is also the residual value of the replacement ship once the new ferry arrives.

The Ministry of Transport has sought full technical data to allow for due diligence to be completed on the replacement vessel, the M.V. Princess Ashika (some detail is provided as attachment two).

In summary, the vessel is surveyed to carry 390 passengers and 370 tonnes of cargo (c.p. Olovaha, 400 passengers and 140 tonnes of cargo). It has both bow and stern loading capability, cruises at 10 knots (Olovaha 8 knots), has similar draft to the Olovaha to allow safe entry and exit to all ports (it is suggested that the vessel can also service 'Eua though this is to be substantiated) and burns 30 per cent less fuel. The vessel is both bow and stern loading and is of the "roll on, roll off" (Ro-Ro) type. While the vessel is older than the Olovaha it has been very well maintained and has come out of a December 2008 survey. An Australian engineering company is preparing the vessel for sale to ensure full serviceability.

The SCP has put in a purchase option to expire at the end of this month for FJD 600,000 (this is now TOP 580,000) and has sourced cargo to cover the costs of positioning the ship in Tonga.


Both the Ministry of Transport and the Ministry of Public Enterprises and Information recommend that the ship be purchased by the Government of Tonga and leased to the Shipping Corporation of Polynesia and that this be effected without delay once all the necessary documentation is completed. The ship can enter service in Tonga during May, 2009, in time for the major Church conferences. This vessel can also be used to test new scheduling and loading procedures in readiness for the entry of the new ferry from Japan in late 2010. The total funding to be sought is expected to be within TOP 750,000.

2.


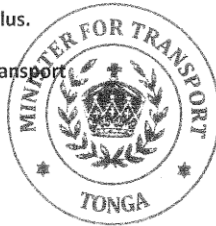
Recommendations:-

1. That the Ministry of Transport complete due diligence on the technical suitability and sea worthiness of the M.V. Princess Ashika.
2. That, subject to the successful completion of (1.) above, the Ministry of Finance and National Planning source funding for the purchase of the vessel and for any requirements to ensure rapid deployment into service.
3. That, subject to the successful completion of (2.) above, the Ministry of Public Enterprises and Information and the Ministry of Transport determine the ownership and on-lease of the vessel to the Shipping Corporation of Polynesia.

For your consideration.


Hon. Paul Karalus.

Minister for Transport


Hon. O. Afu'alo Matoto.

Minister for Finance and National Planning.



Minister for Public Enterprises and Information.



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✓
Hon. Paul Karalus
Minister for Transport
P.O. Box 845
Nuku'alofa

cc Bruce McQueen
c/o Ministry of Public Enterprises
Railway Road
Nuku'alofa

Dear Minister,

With regards to the proposal for the replacement of the MV Olovaha.

Earlier discussions looked at the alternatives of retention of the Olovaha under certain operational constraints, or her replacement.

The issues with regards to mechanical uncertainty, poor scheduling and customer service and the Nuias considerations make the first option untenable.

The replacement vessel currently under evaluation with regards to purchase by the Government of Tonga and leased to the Shipping Corporation of Polynesia is after thorough and independent survey, both from a mechanical and from the financial aspect a sensible and financially viable option given the timeframe to the delivery of the new vessel from Japan.

The opportunity is enhanced by availability and delivery and the beneficial currency circumstance.

In reviewing the summaries prepared with the assistance of the Ministry of Public Enterprises, the question is what is the ownership/lessee structure likely to be.

It is clear that Ownership by Government is the best option with a lease arrangement that reflects the position of SCP, the debts incurred by SCP in operating what was a Government owned vessel and the serious disadvantages that SCP has had to accept.

We believe that taking the Insurance aspect into consideration (normally the owners responsibility) the additional lease figure is realistic at 2% p.a of turn-over.
SCP's outlays include delivery and crewing considerations and of course the ongoing operational costs.

While no consideration has been given for the disposal of the Olovaha and the ongoing use of the replacement vessel after the 2 year interim domestic service, there are likely beneficial scenarios. If the Olovaha is disposed of at current scrap value there is a potential recovery opportunity yet to be proven and a sale value of at least 50% of purchase price if no other options were available.

All aspects of an International vessel sale have been considered including the NMOU, Flag status, Survey considerations etc.

Yours sincerely,

John Jonesse
Managing Director for Shipping Corporation of Polynesia Limited
17th April 2009

Investment and Scenario Analyses
Retain Olovaha Versus
Buy Replacement Vessel

Lease Arrangement 16% of TOP\$580,000

			Net Present Value (NPV) TOP\$ (13% Discount Rate)	Year 1	Year 2
Option No.	1	Buy Replacement Vessel at TOP\$ 580,000			
		Net Annual Cash Inflows	642,957	385,442	385,442
		Acquisition Cost of Replacement Vessel	0		
		NPV (After Deducting Cost of Replacement Vessel)	642,957		
	2	Retain Olovaha	-3,266,542	-2,035,851	-1,870,536
Net Advantage of "Buy Replacement Vessel" Over "Retain Olovaha"			3,909,499		

Key Assumptions

Option 1 Buy Replacement Vessel

- a) Buy replacement vessel for TOP\$ 580,000 from Fiji (Fiji \$ 600,000/1.0343);
- b) Will serve Niua routes;
- c) No resale value for replacement vessel;
- d) Sell as scrap Olovaha in Fiji at net TOP\$80,000; easier to transport Olovaha to Fiji)

Option 2 Retain Olovaha

- a) Repair Olovaha for TOP\$ 400,000 per year or total of TOP\$ 800,000;
- b) Drop Niua routes;
- c) Drop passenger business;
- d) More expensive workshop costs of TOP\$150,000
- e) Government has to pay subsidy of TOP\$400,000 to another party to cover Niua;
- f) Reduce freight volume market share from 60% to 50%

Buy-Replacement Vessel
Financing Other Parameters

Investment Analysis

Purchase Cost of Replacement Vessel	580,000
Add Delivery Charges	28,000
Less Freight Revenues from Fiji to Tonga	-28,000
Vessel Delivery Insurance	0
Estimated GOT Acquisition Cost	580,000
Additional Acquisition Costs by GOT but Assumed by SCP	
Hull Insurance (SCP)	70,000
Other Insurance	32,000
Total GOT Costs Assumed by SCP	102,000
Total Acquisition Costs for GOT if Insurance not Assumed by SCP	682,000

**Buy Replacement Vessel
Projected Cash Flow
Year 1 to Year 2**

Investment Analysis

	<i>Year 0</i>	<i>Yr 1</i>	<i>Yr 2</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
<i>Net Income (Loss) from Operations After Tax</i>	0	385,442	385,442
Add (Deduct)			
(Increase) Decrease in Current Assets			
Trade and other receivables		0	0
Inventories		0	0
Increase (Decrease) in Current Liabilities			
Trade and other payables		0	0
Borrowings		0	0
Income tax payable		0	0
Other liabilities and charges		0	0
Add (Deduct) Non-Cash Costs or Income			
Provision for Bad Debts			
Depreciation & Amortization		0	0
Net Cash Flows (Used) from Operating Activities		<u>385,442</u>	<u>385,442</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Net Cash from Olovaha Sale			
Net Acquisition Cost of Replacement Vessel	0		
Sale of Replacement Vessel			
Shareholder Investment	0		
Net Cash Flow from Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>
CASH FLOW FROM FINANCIAL ACTIVITIES			
Investment from GOT			0
Proceeds from Bank Loan			0
Payment of Interest on Bank Loan		0	0
Payment of Bank Loan		0	0
Net Cash Flow from Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
Net Increase/Decrease in Cash and Equivalents	<u>0</u>	<u>385,442</u>	<u>385,442</u>
Add: Opening Cash		0	385,442
Cash balance, end	<u>0</u>	<u>385,442</u>	<u>770,884</u>

Buy Replacement Vessel
Projected Income Statement
Year 1 to Year 2

Investment Analysis

	Yr 1	Yr 2
Passenger Revenues		
Standard		647,463
Niuas	115,728	115,728
Total Passenger Fares	763,191	763,191
Canteen Sales	50,000	50,000
Total Passenger Revenues	813,191	813,191
Freight Revenues		
Standard	1,729,027	1,729,027
Niuas	387,829	387,829
Total Freight Revenues	2,116,856	2,116,856
Total Vessel Revenues	2,930,047	2,930,047
Government Subsidy	400,000	400,000
TOTAL SALES	3,330,047	3,330,047
COST OF SALES		
<i>Fuel and Lubrication</i>		
Bunker Fuel - Steaming	1,316,177	1,316,177
Bunker Fuel-On Port (52,000 th liters per year)	57,530	57,530
Lubricant	20,000	20,000
Annual Lease Rental	177,137	177,137
Total Fuel - Vessel	1,570,844	1,570,844
Other Vessel Costs	767,000	767,000
Workshop Costs	60,000	60,000
TOTAL COST OF SALES	2,397,844	2,397,844
GROSS PROFIT	932,203	932,203
ADMINISTRATIVE EXPENSES	403,000	403,000
NET INCOME (LOSS) FROM OPERATIONS	529,203	529,203
Gain (Loss) from Sale of Replacement Vessel		0
Gain (Loss) from Sale of Olovaha	0	0
NET GAIN (LOSS) FROM SALE OF FIXED ASSETS	0	0
NET PROFIT BEFORE INTEREST EXPENSE	529,203	529,203
INTEREST EXPENSE	0	0
INCOME BEFORE INCOME TAX	529,203	529,203
INCOME TAX EXPENSE	143,761	143,761
NET PROFIT AFTER TAX	385,442	385,442
NET OPERATING PROFIT (LOSS) AFTER TAX ---BEFORE EXTRAORDINARY GAIN (LOSS) & INTEREST EXPENSE	385,442	385,442

Option 1 (GOT Desired Lease Rental):

Purchase Price of the Replacement Vessel	580,000
Estimated Life of the Replacement Vessel	5
Interest Rate	16%
Annual Lease Rental	-177,137
Monthly Lease Rental	-14,104

Option 2 (SCP Desired)

Percent of Gross Revenues	2%
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**Buy Replacement Vessel
Projected Balance Sheets
Year 1 to Year 2**

Investment Analysis

	<i>Year 0</i>	<i>Yr 1</i>	<i>Yr 2</i>
ASSETS			
Current Assets			
Cash and cash equivalents	0	385,442	770,884
Trade and other receivables			
Inventories			
<i>Total Current Assets</i>	<u>0</u>	<u>385,442</u>	<u>770,884</u>
Non-current assets			
Property, Plant & Equipment (Net Book Value)	0	0	0
<i>Total Non-Current Assets</i>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS	<u>0</u>	<u>385,442</u>	<u>770,884</u>
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables			
Borrowings			
Income Tax Payable			
Other liabilities & charges			
<i>Total Current Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>
Non-current Liability			
Deferred Tax Liability			
Bank Loan	0	0	0
<i>Total Non-current Liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL LIABILITIES	<u>0</u>	<u>0</u>	<u>0</u>
Equity			
Issued and paid-up	0		
Retained earnings, beg			385,442
Net income (loss)		385,442	385,442
Retained earnings, end		385,442	770,884
TOTAL EQUITY	<u>0</u>	<u>385,442</u>	<u>770,884</u>
TOTAL LIABILITIES & EQUITY	<u>0</u>	<u>385,442</u>	<u>770,884</u>
		0	0

Buy, Replacement Vessel
Projected Other Vessel Costs
Year 1 to Year 2

	Yr 1	Yr 2
Replacement Vessel		
Other Vessel Costs		
Port Expenses	230,000	230,000
Crew Costs	230,000	230,000
Regular Vessel Maintenance	76,000	76,000
Dry Dock Maintenance		
Other Maintenance Costs	9,000	9,000
Vessel Insurance Costs	102,000	102,000
Canteen Cost	50,000	50,000
Sundry Vessel Operating Cost	60,000	60,000
Provision for ILO Rate	10,000	10,000
Depreciation - Replacement Vessel	0	0
Total	767,000	767,000

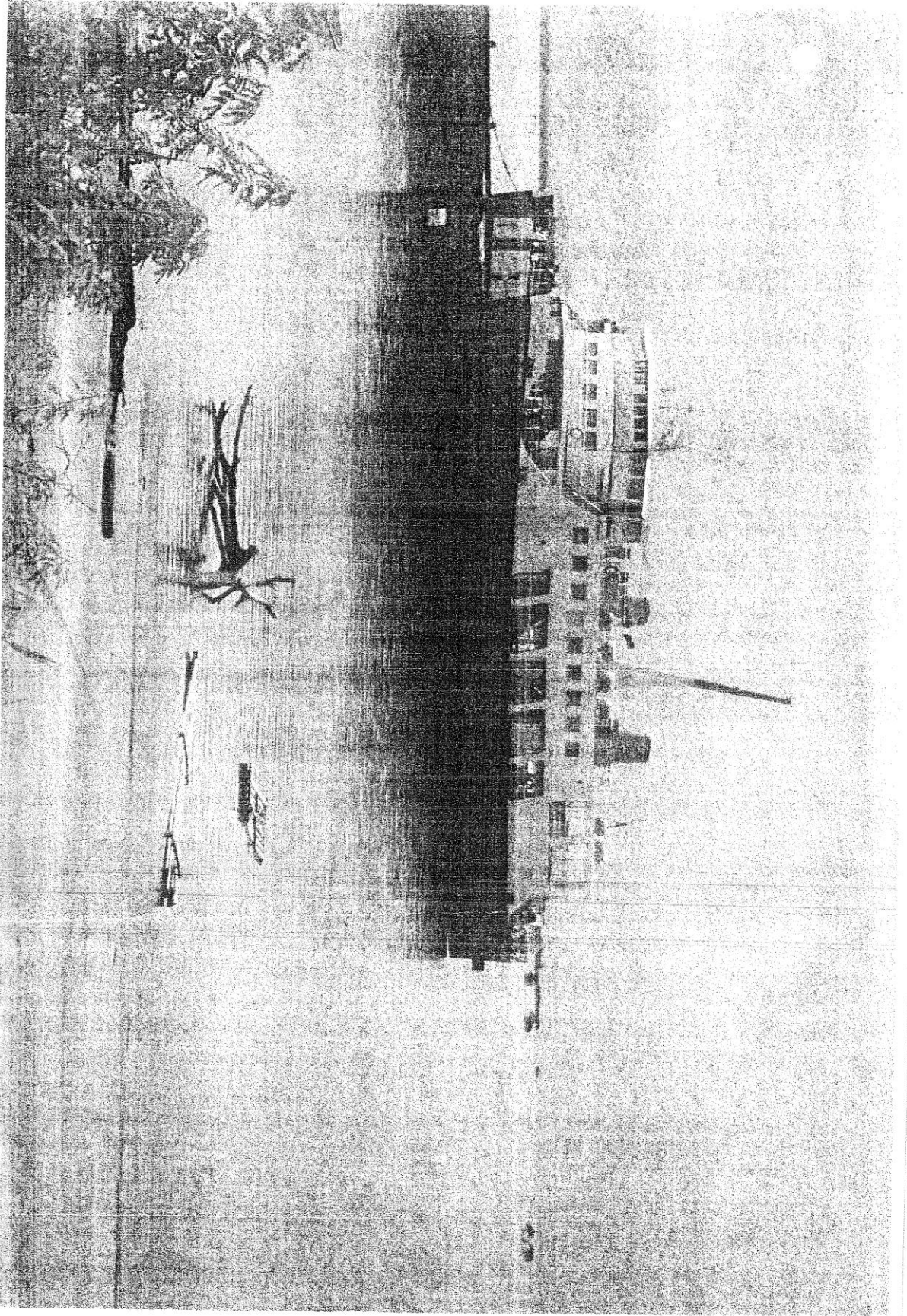
Note: Replacement Vessel will be operational by July 1, 2009

Buy Replacement Vessel
 Projected Administrative Expenses
 Year 1 to Year 2

Investment Analysis

	<i>Yr 1</i>	<i>Yr 2</i>
	<i>Replacement Vessel</i>	
Wage and Benefits-Administration	183,000	183,000
Professional Fees	45,000	45,000
Repairs & Maintenance	30,000	30,000
Heat Light and Fuel	40,000	40,000
Communications	55,000	55,000
Insurance Buildings & Contents	15,000	15,000
Property Rental & Lease Costs	5,000	5,000
General Expenses	30,000	30,000
Depreciation		0
Total Administrative Expenses	403,000	403,000

Note 1: 2008 Admin Expenses of SCP1 presented as bases for SCP2



Princess Ashika IMO 385168	
50m x 11m x 3.5 @ CT 680 tonnes 390pa 15crew 370 tonnes cargo	
Survey: December 2008 Valid to December 2010 - Fiji Marine Board - Rutiate Waga	
Vessel Operation	ITEM
Hull Plating	6 plates replaced in void 12/08 Dry Dock. Cleaned/painted.
Starboard	
Port	
Concrete Strengthening	Some inserts but generally limited rust.
Deck Plating	Good, limited rust well painted throughout
Superstructure	
Doors, vents, hatch, port holes, watertightness	All areas water tight
Ramp	TBC Bow/Stern Stern ramp to be Spec for SCP, may need lengthening with flaps 1m Bow short
Ramp rubber seals	
Ramp winch, wires etc.	Good condition
Port hole rubber seals	Sealed at port level. Cargo hold partly open, need screens to protect from sea/weather. Plate insert or canvas
Paint Hull	Upper deck white, good condition, upper decks good. Hull reasonable.
Paint Other	Deck and well painted
Forepeak	
Manholes	Secure with seals and bolts in good condition
Longitudinal transverse framing, stiffeners, condition	Excellent condition with no rust
Bulkhead watertight	OK
Anode condition	All replaced at survey
**Tank condition	TBC Fuel water sewage OK
Superstructure	
Bulk heads, railings, cappings, doors	All OK
Funnels	Good, limited rust well painted throughout
Vents	Good ventilation in all areas especially engine room, crew areas, aircon
Lifeboats and davits	
Ballast Tanks No.1.	
**Manholes, General condition, tanks, vents, pipes	TBC
Longitudinal transverse framing, stiffeners, condition	All good
Anode condition	
Water tight	
No 6 N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
**Fresh Water Tank	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Tank Cleanliness	
Water tight	
**No2 Void Space	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Water tight	
Void Space Cleanliness	
Cofferdam Between Water Tank/No5 Fuel Tank-Sd N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Water tight	
Cofferdam Cleanliness	
**Cofferdam Between Water Tank/No5 Fuel Tank- Pt	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Water tight	

Coffer Dam, Cleanliness	Confirm expected condition good
**Fuel Tank Center	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	TBC
**Fuel Tank No 2	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
Fuel Tank No 2 Wing Port N/A	2 service tanks/purifier/clarifier, Milaghabali centrifuge
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
Fuel Tank No 3 Centre N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
Fuel Tank No 5 Wing Starboard N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
Fuel Tank No 5 N/A	
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
**Sewage Tank	TBC
Manholes, General condition, tanks, vents, pipes	
Longitudinal transverse framing, stiffeners, condition	
Anode condition	
Water tight	
Tank Cleanliness	
**Starboard Main Engine -	TBC, 18 months O/H 2x Daihatsu 185 KW 6 cyl 2 x compressors
Engine Room	
**Port Main Engine-	Very good condition and excellent maintenance. PMPI!!
	TBC 12 months O/H
**Gearbox Starboard Couplings	TBC
**Gearbox Port Couplings	TBC
Storage	Excellent condition
Other Equipment	Pumps shafts bearings all O/H Dry Dock 1208
**Auxiliary Generator Starboard	TBC 2x 4 Cyl Cummins
**Auxiliary Generator Port	TBC
Pumps	TBC OK Recoverable from new equipment on Olvaha
**Dry Dock	TBC OK
**All Ballast Water Valves	TBC OK
**Ballast Fire Bilge Pumps	TBC OK, Deck acid mount 400 volt portable genset **Recoverable from new equipment on Olvaha
**Hydraulic Pumps	TBC
**Emergency Pumps	TBC **Recoverable from new equipment on Olvaha
Fuel, Ballast, Domestic, scuppers, Sewage	TBC
**Winches	TBC
Derricks N/A	
Wires, pin, sheaves, blocks N/A	
Cargo hatch cover, rubber seals N/A	
Cargo hold - Structural Floor	Cargo hold floor structurally sound with container fixing points
Longitudinal transverse framing, stiffeners, condition	Excellent condition

**Cargo Hold-General	Very Good need side curtains ** Steel Inerts/Curtains
**Port anchor windlass/Mooring capstan	TBC
**Starboard anchor windlass/Mooring capstan	TBC
**Port Stern anchor windlass/Mooring windlass	TBC
Starboard Stern anchor windlass/Mooring windlass	TBC
Cables/Ropes/Chains	Good condition
Switchboards	Good
Motor controls	Good
Alarm system	Good
Bridge/Engine controls	Good
**Winch Motors	TBC
Radars	New plotter/dials OK
GPS	All OK MK HF SSB ICOM Marine R/T This
Signalling	OK with plotter
Compasses	OK with plotter
Compasses	OK
Others (Binoculars, sextant, pelorus etc)	TBC
**Ship Batteries & Chargers	TBC
**Vent fans	Compliant 9x25 4x65 1x5 ** Recoverable from new equipment on Olovaha
Life rafts	Compliant
Lifeboats	500 good condition ** Recoverable from new equipment on Olovaha
Pyrotechnics	
Life jackets	
Buoyant devices	
Hand held radios (and spare batteries)	TBC
**Portable Fire extinguishers	TBC ** Recoverable from new equipment on Olovaha
**Fire Hoses, Nozzles, Couplings, Hydrants	TBC ** Recoverable from new equipment on Olovaha
**Fixed fire fighting system, Halon	TBC ** Recoverable from new equipment on Olovaha
**Emergency Fire pump (engine & motor)	TBC ** Recoverable from new equipment on Olovaha
**Breathing Apparatus	TBC ** Recoverable from new equipment on Olovaha
**Fireman's Outfit	TBC ** Recoverable from new equipment on Olovaha
Repairs and maintenance cargo containers	