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PRIME MINISTER

GUANGDONG NUCLEAR POWER PROJECT

At EX on 29 February Peter Rees and I undertook to:

a) prepare a revised estimate of the UK content of the GEC bid;

b) examine the basis of the allowances for cost escalation and contingencies in the bid; and

c) establish how many United Kingdom jobs would be maintained or created by the contract.

When we discussed this project GEC proposed a price structure in which provisions for escalation were to be agreed subsequently with the Chinese. However, at the beginning of March, in response to Chinese pressure, GEC decided to enter a fixed price. This decision has delayed completion of the work requested by EX.

... 2 The attached note has been agreed by officials in my Department, the Treasury and the No 10 Policy Unit. The principal conclusions, summarised at paragraph 26 are:

- excluding GEC's inflation allowance, the contract is estimated to be worth £322m at today's prices (para 5);

- the UK content (which includes all goods and services for which payment accrues to the UK) is £317m at today's prices (para 5);

- GEC's inflation allowance of 20 per cent is reasonable for this contract, which will take at least 6½ years to complete (paras 7-9);

- GEC's profit and contingencies are pitched at a reasonable level, given the degree of risk associated with this project (para 11);

- the figure of 25,000 man years of work in the project in my memorandum to EX was based on estimates derived from GEC's own labour costings, extrapolated for subcontractors; an independent estimate by DTI economists suggests a somewhat lower figure of 18,000-21,000 man years (paras 21-25).

I belive these figures are reliable at this stage. However, I must warn that the final scope of GEC's supply has yet to be settled and the sub-contractors who will undertake the major part of the work have yet to be appointed.

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3 At EX we agreed that officials should seek to secure the contract within an overall subsidy limit of 25 per cent of the UK content of GEC's bid. Following GEC's decision to offer a fixed price, we can now make a firmer estimate of the absolute cost of support. The standard methodology for measuring the rate of subsidy is to express the Net Present Value (NPV) of the subsidies expected to be paid as a result of the concessionary financing terms as a percentage of the NPV of the UK content of the contract. The maximum rate of subsidy on this project will be 25%. On the basis of the NPV of the contract which is £293 million (para 20) the NPV of the subsidy that may be paid to secure the project is about £73 million.

4 GEC have now put forward their initial bid, supported as we agreed by a financing offer which matches the French. We shall now have to see how the negotiations develop in June and July. The strength of the competition was stressed to Paul Channon when he visited Beijing earlier this month, and GEC will certainly come under pressure to reduce their price. Officials from DTI and ECGD will be present for financial negotiations and they will ensure that HMG is not put in the position of making sacrifices to preserve GEC's margins. They will keep Treasury officials informed.

5 I am copying this minute to the members of EX Committee, and to the Secretaries of State for Northern Ireland and Energy.

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27 March 1984

Department of Trade and Industry

GUANGDONG NUCLEAR POWER STATION : NOTE BY OFFICIALS

INTRODUCTION

1. At discussions at EX on 29 February, the Secretary of State for Trade and Industry was asked, in consultation with the Chief Secretary:

(a) to prepare a revised estimate of UK content of the GEC bid;

(b) to examine further the basis of the allowances for cost escalation and contingencies in the bid;

(c) to establish the number of UK jobs created or maintained by the contract.

This note, which has been agreed between DTI, Treasury and No 10 Policy Unit officials, responds to these three requests.

UK CONTENT: GEC PRICE

2. The UK content is defined as that part of the contract for which payment accrues to the UK, either because the goods or services originate in the UK or, in the case of work outside the UK, where those responsible are themselves UK based. This is the definition of UK content used by ECGD in calculating the UK content of contracts they support.

3. The DTI Memorandum to EX referred to an approximate total contract value to the UK of £435m. This figure was built up from a base contract price of £287m with additional provisional figures for certain items which could not at that stage be precisely costed, such as cost escalation, freight and insurance, and change orders arising from variations to the contract which might be required by the customer during construction. The provisional figures would have been substituted by actual figures as these became known. In particular, the structure of the price envisaged a contract where provision for inflation would not have been built into the base price but, in agreement with the Chinese, would have been calculated during the construction period based on labour and material cost movements as demonstrated by indices relevant to the industrial sectors involved. The inflation figure included did not therefore need at that stage to be precisely quantified, but was used to build the price to a likely maximum level to enable ECGD to calculate their likely exposure and the premium they should charge. However following the completion of the examination of the prices quoted by sub-contractors, and of the allowance for inflation made in their bids, GEC are now in a position to judge with more confidence what allowance to quote to the Chinese for inflation. GEC have therefore now decided to offer a fixed price, in recognition that the Chinese would prefer a fixed price contract, where a specific allowance is made for inflation in advance of the start of the project. This simplifies the price structure and avoids any open ended commitment by the Chinese, though conversely it increases the risk for GEC.

4. The analysis which follows is therefore based on GEC's revised fixed price bid. It is quite likely that, as GEC refine their price, for example as the result of discussions with their subcontractors, some of the base figures will change again. In the course of negotiation GEC also expect to have to give ground on price. But the current figure is the one which has been lodged with the Chinese in GEC's tender. The effect of any changes will be explained as necessary in the analysis which follows.

5. GEC's revised estimate of the total contract value is £366m. Annex A gives a breakdown of this figure and Annex B explains in detail its relationship to the previous price of £435m. GEC have told us that of this £366m about £4.8m currently represents goods from non-UK subcontractors and about £0.8 non-UK office costs at site, and packaging, shipping and erection costs. The remainder (£360m) is therefore regarded as UK content. These figures are cash figures ie they include GEC's allowance for inflation. The uninflated figure for the total contract value is £322m and for the present UK content of the bid is £317m. But as explained in paragraph 18 below it is the discounted value of the cash figure of £360m which is used to calculate the percentage subsidy limit.

6. Concern was expressed at the EX discussion that the figures for UK content included allowances for contingencies; GEC's profit target; export credit guarantees (ECGD premium); and administration and freight charges outside the UK. The allowance for contingencies and GEC's profit are themselves payments to GEC and thus to the UK. Whether or not they are set at reasonable levels is a separate question, addressed below, but they should be regarded as part of the UK content of the contract and are always accepted as such by ECGD. ECGD premium is also ultimately paid by the Chinese to the UK. Although payment does not go to GEC, it is a benefit received by the UK as a result of the contract won by GEC, and so is legitimately regarded as part of the UK content of the contract. Again ECGD would normally include this in their calculations of UK content. Erection supervisors would be GEC personnel in China. Their salaries would be paid into the UK. As for the costs of freight and insurance, the figures included in the GEC price are provisional. If freight and insurance are placed in the UK, the value of these services would count as part of the UK content; but if for example, the Chinese decided to use Chinese ships, it would not count as part of the UK content. It is also likely that the Chinese will seek to manufacture some items for the conventional island themselves. Any Chinese manufactured items would clearly not count as UK content. But GEC would be bound to notify ECGD if there were any reduction in UK content from its present level, and a reduction in UK content would restrict the financing concessions we could offer within the overall limit set by EX. The reasons for this are explained in paragraph 17 below.

COST ESCALATION

7. As shown in Annex A GEC's current price makes allowance of £44m for inflation over the lifetime of the contract. This represents a cost increase of 20%. GEC have reached this figure by

calculating an allowance for inflation on their projected cashflow on the project using price indices of 105 in year 1, 110 in year 2, 117 in year 3, 124 in year 4, 132 in year 5 and 140 in year 6. (equivalent to compound inflation rates of 5.0%, 4.8%, 6.4%, 6.0%, 6.5% and 6.1% respectively).

8. We have also discussed with GEC the cost escalation provisions made by their sub-contractors. A minority of these (representing about 25% by value of sub contract items) have so far offered a fixed price, the rest offering only a price to be adjusted for inflation at the time of purchase, according to different sectoral indices depending on the nature of the product. Nearly all those who have been prepared to offer fixed prices have asked for a greater inflation allowance than GEC have set themselves. GEC have calculated that if they had included equivalent inflation provisions, they would have had to propose an inflation allowance of 25.5%. GEC are also taking a risk with the manufacturers who have not quoted a fixed price that the various indexes will not rise at a higher rate than their own provision. GEC will certainly seek to reduce their sub-contractors prices, but they will of course themselves be subject to pressure from the Chinese to reduce the overall contract price.

9. The inflation assumptions used by GEC envisage a gradual rise in inflation over time. But in the absence of any guarantee or insurance against a higher rate of inflation, (Cost Escalation Cover is no longer available) GEC appear to have set their inflation estimate at a reasonable level, particularly when many of their sub-contractors are building in higher allowances. In now proposing a fixed price contract, GEC will be carrying the full financial risk on the project, including any difference between their own estimate for inflation and the actual outcome - a combination of their own experience of cost inflation and their payments to subcontractors. In these circumstances, we feel that it would be wrong to challenge their commercial judgement or impose upon them different figures.

CONTINGENCIES, NEGOTIATING MARGIN AND PROFIT

10. The contingencies, negotiating margin and profit figures for the contract are as follows:

	£m	£m (inflated)	% of base price
General contingency	7.2	8.6	3.2%
Specific engineering contingency	4.3	5.2	1.9%
Profit	14.4	17.3	6.4%
Negotiating margin	6.0		2.2%

These figures are extracted from Annex A. The specific engineering contingency covers uncertainties related to the supply of mechanical and electrical equipment by subcontractors and is included in the contract materials figure in Annex A. Other companies in the GEC group will supply materials to GEC (Turbine Generators) on an arms length basis. They have included profit at an average rate of about 8% in the £34.8m of goods they are supplying to GEC(TG). However, they have not included a general contingency in their price as they usually would if quoting to an external customer.

11. The private sector financial advisers seconded to the DTI's Industrial Development Unit believe GEC's profit and contingencies are reasonable for a project of this size and difficulty. However, because GEC has catered in its price for full recovery of overheads, they would not be surprised if GEC were prepared to concede part of their profit and contingencies when pressed. Setting the negotiating margin must be a commercial matter for GEC. However, it is expected that GEC will give up its negotiating margin well before negotiations are concluded.

OVERHEAD AND COST RECOVERY

12. In their opening price GEC have provided for full recovery of factory and administrative overheads on the contract at their normal recovery rates; and for full recovery of their development expenditure on the innovative features of the contract. Their price also includes provisions standard to all GEC (Turbine Generator) contracts to set aside a small percentage of manufacturing and development costs to provide for standard non contract-specific development work and maintenance or alterations arising for instance from malfunctioning equipment. In all, these overhead and cost recoveries total £52.5m.

FREIGHT AND INSURANCE, CHANGE ORDERS, SUPERVISION OF ERECTION

13. GEC's contract is free on board (fob) and the costs of freight and insurance, if required by the Chinese, would be additional to their base price. For the purpose of calculating ECGD's likely maximum exposure, GEC have included provisions for freight, insurance and change orders within the total of £366m. Of these the freight and insurance, if paid by GEC, would be a simple transfer of funds by them from the Chinese to the shippers and insurers, involving no profit for GEC. GEC's estimate of £25m is probably the maximum cost and is based on their experience on a wide range of power plant contracts. On any change orders - ie changes to the specification or additional orders during manufacture - GEC would expect to make a profit at a rate approximately equal to their profit on the contract as a whole. Individual change orders may either increase or decrease the overall project value, and the final net effect cannot be known until the completion of the contract. The Chinese will naturally seek to keep this additional cost as low as possible, and GEC believe on past experience that £25m is likely to be ample provision. The price quoted for erection supervisors will comprise

payments to GEC staff who will be on site during the erection of the station. These staff will be paid at rates normally used by GEC on export contracts which will again include a profit element.

ECGD PREMIUM

14. The figure for ECGD premium of £39.5m represents the premium payable on the loan terms which will be offered initially, plus a provision of £5m as a contingency against the increase in premium which would be necessary if concessions on financing terms have to be made in the course of negotiations. However, if in the end it proved necessary to offer the maximum degree of concessionality agreed by EX of 25 per cent, the ECGD premium would need to be increased further. For example, the increase which would be necessary to cover an extension of the construction period to 8½ years and full capitalisation of precommissioning interest would be aproximately £15m. There would be a commensurate increase in ECGD's exposure.

CALCULATION OF THE SUBSIDY

15. Ministers agreed at EX a subsidy limit of 25% of the revised value of the UK content of the GEC bid. The following section explains how this is calculated.

16. Under an international agreement, the Consensus, subsidy may be paid to support exports by reducing the interest rate paid on credit. The current Consensus interest rate for China is 9.5%. The subsidy payable is the difference between receipts from the Chinese at this rate and the cost of funds from commercial sources. The total amount of the subsidy paid will therefore depend on the size of the loan and the terms on which the credit is provided, such as the repayment period.

17. To enable comparison between one project and another subsidy payable on an export is expressed as a proportion of the value to the UK of the exports, ie the UK content as defined in paragraph 2 above. Foreign goods and services are excluded from the definition of the UK content although they may be part of the contract and covered by the credit. ECGD are usually prepared to offer a limited amount of cover for local costs (incurred in the customer's country) and third country costs. Any such foreign content will reduce the headroom to offer financing concessions within the 25% subsidy limit agreed by EX. For example, if the UK content were reduced from 100% to 95% of the value of a particular contract, the percentage concessionality of any given financing offer would automatically increase by a factor of 100÷95. The 25% limit on subsidy in this case will thus provide GEC with every incentive to keep the foreign content to the minimum.

18. The subsidy expressed as a proportion of UK content therefore highlights what price has been paid by the Government to secure the benefit of the export, in this case a maximum of 25%, and what different concessions on the credit terms will cost. Since the export subsidy will be paid over the whole life of the loan, in this case 23 years, and because the benefits of the exports will also accrue over time as GEC are paid for work done, the flows of

cash, both of the subsidy and the payments made to GEC, are discounted to produce a net present value both of the UK content of the contract and the subsidy. The payments made to GEC are detailed in Annex C, which gives the profile of the drawdown of the loan. The present drawdown profile reflects GEC's expectations of the rate at which work will proceed. The precise drawdown may be further revised in the course of negotiations with the Chinese on the construction period they ultimately set for the project, and the timing of delivery of equipment to site. A change in the drawdown profile would alter the amount of interest payable and it would be necessary to recalculate the subsidy (the relative costs of commercial and concessionary loans), based on the revised drawdown, to assess what loan terms may be offered within the 25% limit set by EX.* Once the contract has been signed, any request by the Chinese to GEC for further changes in the drawdown profile could not take place without the agreement of ECGD. To calculate the subsidy in the Guangdong project a discount rate of 10.92% was used, reflecting the current view of relevant long term commercial interest rates. This is the normal method of measuring subsidy on export credit. However, since in this case other assistance is proposed to help secure this contract up to a maximum of £3.4 million from the Support for Innovation Scheme (SFI) and up to a further £1.5 million from the Northern Ireland Industrial Development Board, these payments are included along with the export credit subsidy in the calculation of total subsidy payable in support of this project.

19. The export credit subsidy therefore benefits both the exporter and the customer over the life of the contract. The customer through the cheap finance, and the exporter because the cheap finance has helped secure him the sale. The customer will not be aware of the 25% limit and for him to know how we value concessions in credit terms he would also have to know the market and discount rates we have used. He will rather be interested in the cost to him of the project as a whole, the credit being but one item. The Chinese will be guided in this part of the appraisal of their project by China Light and Power who are well experienced in this. They will also be able to compare the terms we offer with those offered by the French for their part of the project.

MAXIMUM SUBSIDY

20. Although this is a negotiated contract, the fact that the French could supply the conventional island and the reductions sought in negotiation by the Chinese will maintain downward pressure on GEC's price, and therefore on the overall size of the subsidy. It is therefore unlikely that the total contract figure of £366m will be exceeded. If exceptionally, the contract figure were to be significantly exceeded, GEC would need to apply to ECGD for guarantees in excess of £366m and ECGD would in turn have to consult the Treasury. Accordingly we believe there is no danger of any uncontrolled increase in the size of the concessionary loan offered for this project. On the basis of the calculations described above, the likely maximum UK content expressed in net present value terms is £293m and the likely maximum subsidy is therefore £73m in npv terms.

* A longer draw-down would limit the financing concessions available within the 25% limit.

JOBS MAINTAINED OR CREATED BY THE PROJECT

21. The total of 25,000 man years of work associated with the project quoted in the DTI Memorandum to EX was based on GEC's appriasal of the detailed contract specification and their long experience of major power station projects. GEC (Turbine Generators) estimated that the factory loadings within their own plants for their scope of supply would require 2.3 million direct productive hours. GEC also estimated that 3 million productive hours of engineering design and R&D effort would be necessary. Applying GEC's standard ratios of direct to indirect labour and productive to clocked hours the total GEC in-house effort was estimated at 7,050 man years.

22. GEC (Turbine Generators) are responsible for 30% of the work on the project. If all the subcontractors work at the same rates as GEC, work on the overall project would be 23,500 man years. Although GEC have no details of productivity levels of their subcontractors it is reasonable to assume that some at least of the smaller ones are more labour intensive, though other subcontracted activities such as basic steelmaking are no doubt more capital intensive. Accordingly it does not appear unreasonable to assume that a broad estimate of the work likely to be generated by the project can be extrapolated from GEC's own estimates of the man hours of work they themselves would undertake.

23. Another approach is to examine the relation between UK labour costs and the UK contract value. The total labour costs in a contract represent the sum of the labour costs at each point in the manufacturing chain, from the production of metals from low cost ores to semi finished materials such as forgings to the finished turbine. In a contract such as this a high proportion of the cost of all materials and services will represent UK labour costs, though adjustments must be made for the proportion of costs attributable to return on capital and the proportion attributable to imported materials.

24. DTI economists have conducted an analysis on these lines for this project. In the case of GEC's own costs, the economists have drawn on the information gathered by the private sector financial advisors seconded to the Department in the course of examining GEC's contract price. However, it should be borne in mind that the detailed pattern of subcontracting has yet to be determined, and that wage rates for subcontractors could only be estimated, as could the proportion of the costs of materials and subcontractors costs representing return on capital and imported materials. Inevitably, therefore this analysis is also an estimate, although prepared by a different method from that adopted by GEC.

25. The result of this exercise is a figure of 21,000 man years. This figure may include some over-estimation of the employment content of overhead costs, freight and insurance and change orders, and supervision of erection (and the decisions the Chinese eventually take on these latter items will of course affect UK employment generated by the contract). However, in the absence of further information, it is not possible to quantify the degree of over-estimation, though it is unlikely to be more than 2,000 to 3,000 man years of work. This method therefore estimates the man years of work associated with the project as not less than 18,000 and possibly as high as 21,000.

CONCLUSIONS

26. The principal conclusions of this analysis are:-

(a) The estimated maximum cash value of the contract is £366m. Of this UK content is estimated at £360m.

(b) The value of the contract, excluding GEC's allowance for inflation, is £322m. Estimated UK content is £317m.

(c) The value of the UK content of the contract, discounted for subsidy purposes, is £293m.

(d) Accordingly, within the subsidy limit of 25% of the UK content of GEC's bid agreed by EX, the maximum value of the subsidy which could be offered would be £73m in net present value terms.

(e) GEC have made an allowance of 20% for inflation. This seems reasonable, given the project's extended construction period. The profit and contingencies included in their bid are set at reasonable levels for a project of this size, although it is likely GEC will have to give ground on these in negotiations with the Chinese.

(f) GEC's decision to offer a fixed price contract increases their own risk but reduces the uncertainty about the size of the project to be supported. Given negotiating pressure on all aspects of the price, it is unlikely that the total contract value for which concessionary financing is required will exceed the present estimate of £366m.

(g) Only broad estimates of the man years of work generated by the project can be made at this stage in the project when the scope of supply has yet to be settled and subcontractors appointed. GEC's estimate of the man years of work created or maintained by the project based on their own labour costings and extrapolated to their subcontractors is 23,500. An independent assessment by DTI economists based on the likely UK labour content in the GEC contract produces a figure of 18,000-21,000 man years.

ANNEX A

GEC TURBINE GENERATORS LIMITED - GUANGDONG NUCLEAR POWER STATION
FIXED CONTRACT PRICE

	GEC Group Costs £m	Non-GEC Group Costs £m	Total £m
Manufacturing costs	26.2	15.9	42.1
Contract development expenditure	14.5	-	14.5
Contract materials (note 1)	34.8	76.1	110.9
Recoveries of costs:			
- standard development	3.4	-	3.4
- Maintenance and complaints provision	6.3	-	6.3
- commercial and administration	8.3	-	8.3
Packaging, shipping and erection	2.2	0.4	2.6
Bonds and unfair calling	-	4.3	4.3
Spares (provisional sum) (note 2)	1.0	2.0	3.0
Local office costs (at site)	3.0	-	3.0
	99.7	98.7	198.4
General contingency			7.2
Profit			14.4
			220.0
Inflation allowance			44.0*
			264.0
Negotiating margin			6.0*
BASE PRICE			270.0
Freight and insurance			25.0
Change orders			25.0
Supervision of erection			6.9*
ECGD premium			39.5*
TOTAL (note 3)			366.4

Notes:

1. The GEC Group figure for contract materials of £34.8m represents the involvement of GEC group companies other than GEC (Turbine Generators) in the contract.

2. The total of £3m has been split notionally pro-rata to the contract materials split as the exact division between GEC and non-GEC is not presently available.

3. This total represents the likely maximum value of the contract (see paragraph 5 of the paper).

*indicates items changed from GEC's previous price structure. See Annex B for detailed explanation of changes.

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Annex B

RECONCILIATION OF GEC'S ORIGINAL PRICE OF £435m AND PRESENT PRICE OF £366m

The difference between these two prices arises primarily from GEC's decision to change the structure of their quote from a base price, to which would be added inflation calculated during the life of the contract according to agreed indices, to a fixed price including inflation. The size of the ECGD premium has also decreased; this is discussed in detail below. There has not been any change in the underlying manufacturing costs.

The items which have altered are asterisked at Annex A. The reconciliation of these alterations may be considered numerically as follows:-

	£m	£m
Original contract price		435.0
Inflation allowance		
- original provision	85.0	
- revised estimate	(44.0)	
- decrease in allowance		(41.0)
ECGD premium		
- original worst case estimate	62.0	
- revised estimate	(39.5)	
- decrease in premium		(22.5)
Erection supervisors		
- original provision	10.0	
- revised fixed price	(6.9)	
- decrease in price		(3.1)
Firming of negotiating margin		1.0
Roundings included in previous price		(3.0)
Revised total contract price		366.4

The reason for the difference in the allowance for inflation is that the £85m was a figure included by GEC for the purposes of indicating to ECGD the likely maximum contract value, before they were able to assess the inflation provisions made by their own subcontractors. This figure of £85m was provisional. If the contract had gone ahead on the basis of GEC's original price structure, this figure would have been substituted by inflation figures calculated by reference to an agreed series of sectoral price indices. In a contract of that structure, GEC would not have needed to make a detailed estimate for inflation before putting forward their bid. Now they have decided to offer a fixed price, GEC have had to make a judgement in advance of what allowance should be made for inflation over the life of their contract, taking account of the inflation provisions their sub contractors have made and what the Chinese might be expected to accept. Their inflation allowance of £44m is of course considerably lower than the provisional sum of £85m, but, as explained above, this does not of itself mean that the earlier figure would have allowed GEC to make extra profits.

The ECGD premium has been reduced for two reasons. The first is the reduction in the estimated total value of the contract. The second is that GEC have been able to calculate, in consultation with ECGD, the premium which would be payable on their initial bid, now that the export credit financing terms which will accompany the offer have been settled. The previous premium figure of £62m was an estimate of the maximum figure likely to be payable on the contact if major concessions were given on financing terms in the course of negotiation. The revised figure of £39.5m is composed of a premium of £34.5m which would be payable on the opening financing offer plus a provision of £5m as a contingency against the increase in premium payable if concessions have to be made on financing terms. However if it were eventually to prove ncessary to offer, say, a construction period of 8½ years and full capitalisation of pre-commissioning interest a larger increase in premium would be necessary. But this is unlikely to exceed the £39.5m built into GEC's preent estimate of the total contract value by more than a further £15m.

In reaching final decisions on their opening price, GEC have also decided to increase their negotiating margin from £5m to £6m. The negotiating margin must be a matter for GEC's commercial judgement, and we would not seek to challenge this.

Finally, GEC have also decided to offer a firm price for the supervision of erection, and have reduced the provision of £10m to a fixed price of £6.9m.

ANNEX C

GUANGDONG PROJECT: DRAWDOWN

PROFILE OF LOAN

Months from Start of contract	Amount Drawndown (£m)	Percentage Drawndown	Cumulative Percentage
6	16.1	4.4%	4.4%
12	30.4	8.3%	12.7%
18	52.3	14.3%	27.0%
24	63.3	17.3%	44.3%
30	68.8	18.8%	63.1%
36	52.3	14.3%	77.4%
42	43.2	11.8%	89.2%
48	26.3	7.2%	96.4%
54	6.9	1.9%	98.3%
60	2.6	0.7%	99.0%
66	1.5	0.4%	99.4%
72	1.1	0.3%	99.7%
78	1.1	0.3%	100.0%
	366		

The drawdown profile represents the drawings by GEC on the ECGD supported loan. The Bank of China is the borrower, but in practice payments are made direct to GEC by the UK banks which will form the syndicate to put up the loan.

HONG KONG: Castle Peak.
Pt 3