

**APPROVED NOTE OF NESFLAG (PAC) CONFERENCE CALL
THURSDAY, 8 DECEMBER 2016 AT 10.00 AM**

Participants

Darren Broadley	Peter & J Johnstone (private)
Jimmy Buchan	Amity Fish Co Limited (private)
Shelley Hague	Angus Council (public)
David John McRobbie	Aberdeen Fish Producers' Organisation (private)
Stephen Murray	Royal National Mission to Deep Sea Fishing (private)
Andrew Newton	Kincardineshire Development Partnership (private)

Officers

Martin Brebner	Team Manager – European Policies & Programmes
Jamie Wilkinson	European Programmes Co-ordinator
Anne MacLennan	European Programmes Claims Officer

1. Welcome & Apologies

- 1.1 The Co-ordinator thanked members for joining the conference call.

2. Quorum

- 2.1 With five private and one public member organisation in attendance, quorum was reached.

3. Revision of Projects

3.1 SCO1489 – New Corrosion Protection Equipment for the Fishing Industry

The applicant provided the following responses to the questions raised by the PAC:

PAC Questions and Applicant Responses:

1. Please clarify whether or not the hydraulics quote is exclusive of VAT

Response

“Confirmation that the quote from North East Pneumatics & Hydraulics Ltd is exclusive of VAT.”

E-mail confirmation has been provided.

2. Please provide further information on the assessment of quotes and further explanation as to why the preferred supplier selected is not the cheapest quote

Response

“The preferred supplier is not the cheapest as they are locally based in Aberdeen.

The compressor has a better warranty and service plan. After consulting with other companies in the area they came with good after service references and equipment reliability. The unit can supply more airflow than the others.”

3. Financial information demonstrates an annual profit of over £500k. Please provide further justification as to why project could not be fully funded without grant and additionality of grant support (e.g. project could not proceed without grant; grant will improve quality of project or make it happen more quickly)

Response

“PBP Services are currently investing a high amount of capital enhancing our Hallmoss facility, Inverallochy, Fraserburgh. This includes upgrading blasting and spraying rooms, installing gas heating/ovens for paint curing process which is more energy efficient, building of new offices and welfare facilities and upgrading access road to facility. NESFLAG funding will enable the proposed project of purchasing new corrosion protection for the fishing industry proceed quicker than if funding was not available. We are unable to fund such a project solely due to our financial budget being taken up developing further services to help the business grow also in Denmark & Faroe Islands which will potentially enable us to increase employment in the local area as employees will travel to Denmark & Faroe Islands to carry out works. This investment carries huge start-up costs which include purchase of new equipment.”

4. Please provide a detailed cashflow projection for the implementation period of the project demonstrating how the project will be financed, taking into account retrospective grant claims

Cash flow has been provided.

5. Please provide an equalities policy

Equalities policy has been provided.

6. Please confirm that the benefits/outputs estimated to result from the project (e.g. no. of jobs created) are directly attributable to the project and can be clearly evidenced for audit purposes

Response

“The benefits are enhanced anti corrosion protection which results in longer life span of equipment which will increase customer supply of equipment to us for anti-corrosion protection. This in turn will create extra work/man hours on jobs and thereafter increase turnover/sales not only on works which we are currently doing with traditional paint systems but will also have the potential to attract new works. For example on one item alone that we work on, a winch, for fishing boats with traditional paint costs £300. With hot metal zinc and paint costs £500 x 20 winches per year = £10,000. An increase of £4,000 on traditional painting. An increase of 4 man hours per unit = 80 man hours equates to 2 weeks work on only 1 item which we are currently using traditional paint methods.

Traditional blast cleaning and painting works £150,000 - £200,000 approx. 3,000 – 3,500 man hours with hot metal zinc spraying option transportable to quayside £200,000 - £250,000 an extra 1,000 man hours for hot metal zinc spraying before

painting equates to 25 weeks of 1 man working. On a project like this there will be 4-6 people all involved in the hot metal zinc process of the extra works. Extra labour and works carried out can be clearly split and kept on file for future audit purposes.”

7. Please provide evident/market research/testimonials from potential customers or comparisons with other services provided to evidence need and demand for the project

Four customer testimonials from potential customers showing demand for project have been provided. Further testimonials to follow by email on 5th December 2016.

8. Please provide more detail on what equipment is going to be galvanised.

Response

“Types of work once operational:

Quayside

Fishing vessels hulls, deck works and super structures which include gantry, deckhouse, wheelhouse, deck shelters, inside bulwarks and inside decks.

New build fishing vessels – Macduff Shipyards

Parts to be treated at our facility before being fitted to new builds – towing gantrys, bag hatch lifting A frames, deck hatches, towing blocks, doors and door frames, hydraulic pipework and fittings.

At PBP Hallmoss

Equipment which engineers / fitters install onboard fishing vessels after surface treatment at our yard such as winches, cranes and deck machinery.

Oil & Gas Equipment – PBP Services, Hallmoss

Valves, offshore structures, subsea equipment, drill cutting units, offshore & onshore machinery & equipment.”

PAC Discussion

The PAC was satisfied that all questions raised have been satisfactorily answered by the applicant.

With regard to specific grant conditions, PAC was of the opinion that the standard EMFF conditions would be sufficient if any grant offer is made by the FLAG. However, it was agreed that specific conditions can be discussed in more detail at the FLAG meeting, if these are considered to be necessary.

Scoring for SCO1489 – New Corrosion Protection Equipment for the Fishing Industry

Due to the detailed explanation provided by the applicant, the PAC agreed to increase the ‘Value for Money’ score as indicated below. Scores for all other criteria remain unchanged.

Criteria	Score	Comments
Strategic Fit	3	No change
Horizontal Themes	2	No change

Need for Grant	3	No change
Value for Money	3	Score increased from 2 due to detailed explanation provided by the applicant
Capacity to Deliver	3	No change

PAC RECOMMENDS THAT THIS APPLICATION GOES FORWARD FOR CONSIDERATION BY THE FLAG

3.2 SCO1562 - Skin Pack Bulk Fish

Marine Scotland has advised the Co-ordinator that, due to the scale of the project, this application is likely to be more suited to the main EMFF programme.

If the applicant has to re-submit to the main programme, Steve Murray suggested that it would be pointless for the PAC/FLAG to go any further with this application as it will have to be re-assessed in line with Marine Scotland criteria.

However, Jimmy Buchan suggested that until such time as this application is officially removed from the FLAG process, the PAC has a duty to see it through.

Martin Brebner confirmed that there will be no additional work for the applicant as the application will automatically transfer to Marine Scotland.

Until formal notification is received from Marine Scotland, the PAC agreed to proceed.

The applicant provided the following responses to the questions raised by the PAC:

PAC Questions and Applicant Responses:
<p>1. Please provide details of additional quotations in line with minimum number of quotations required by Marine Scotland or further justification as to why these cannot be provided (e.g. specialist equipment)</p> <p>Response "As this is a 'development project' we wanted to retain confidentiality as long as possible and needed to make early decisions on which company we chose to work with. The size and nature of the pack we want to fill makes this specialist equipment. Surprisingly most machinery companies appear to want customers to adapt their requirements to fit their machines rather than using their expertise to provide solutions to meet customer's requirements."</p>
<p>2. Please provide further information/evidence to support income projections</p> <p>No Response</p>
<p>3. Turnover projections for 2016-17 are significantly larger than in 2015-16 without this project being in operation and do not fully align with bank statement information. Please provide clarification on turnover figure for this financial year (without project) and projected additional turnover should the project go ahead</p> <p>No Response</p>

4. Some sections of the Business Plan lack detail or an incomplete – please revise and resubmit

No Response

5. Please provide evidence of need and demand/market research/testimonials from potential clients and information on benefits for the local supply chain

Response

“The evidence of need and demand/market research/testimonials is necessarily limited due to the commercial sensitivity of the project.

We have discussed the project with:

- A. Potential major clients both in the UK and Europe and received extremely positive feedback. Including Compass (UK), Eurospin (Italy), local chefs. The main advantages being seen as extended shelf life, reduced waste, more efficient transportation, ability to recycle packaging.
- B. Industry Experts: Jeremy Sparks Regional Manager for Seafish provided assistance with details of previous research, guidelines and potential issues to be addressed. University of Abertay department head Dr Jonathon Wilkins and Dr Adilia Lemos, Lecturer on Packaging discussed the project in detail at a meeting in early November and expressed an interest in working with us on the project, however, due to time constraints we were unable to match diaries within the project’s desired timeframe. They did however give us positive feedback as to the project’s viability and the confidence to pursue it using commercial laboratories for testing. Seafood Scotland: Clare Dean who believes the project meets a lot of their objectives for development of the North East Fisheries Sector. All have agreed to provide letters of support as to the viability of the project and the benefits it should provide. (Attached).
- C. The Supplier of the skin packing machinery is confident that they are able to draw a vacuum on such a large pack. To the extent they are prepared to cover the costs of bespoke “tooling” to conduct packing trials.

We have yet to conduct the trials as we need to establish whether funding will be available so that we can “follow through” as and when the trials are successful. Clearly we will not require funding if the trials fail. If funding were to be available we would commence trials in January. With a view to ordering machinery as soon as possible thereafter.”

6. Please provide a cashflow projection demonstrating the forecast impact on the business

No Response

7. Please provide bank statements covering a 3 month period

No Response

8. Please clarify the need for an ice machine and how it fits into the overall packaging process

Response

“The need for an ice machine was identified after Seafish advice on the project that identified the following risk:

‘Remember that chilled fish packed under ice in an insulated box, remains very stable for short term external temperature variation, and the very nature of melting ice on fillets keeps the product close to zero. Furthermore anaerobic risks like C. botulinum isn’t an issue in an iced/box format*. I would be concerned that such a large mass of product could harbour higher temperatures within a pack, even with a low air temperature around it.’ Jeremy Sparks Seafish.

* Food Standards Agency advice is to limit Vacuum packed chilled shelf life of ‘untreated fish’ to a max of 10 days from packing to eliminate risk of C.botulinum. We will only apply use by dates within the advised limit.

We realised that the fish needed to be kept as close to zero as possible throughout the grading, filleting, skinning and packing process. As Ice is removed from Market Boxes immediately prior to grading of whole fish there was a need to reintroduce ice as graded fish may be held for a short period prior to filleting. Market boxes and their contents are ‘open to air’ and the ice is at risk of contamination, furthermore we have no control over ice introduced at market. So as we remove fish from market boxes, grade and place into our own boxes re-icing with fresh ice produced under monitored conditions will ensure good hygiene and reduce risk. This will result in substantially increased use of ice which is currently ‘bought in’, it is clearly more efficient and we would have more control over hygiene by producing our own. The graded fish and fresh ice will be placed in holding tanks on the filleting lines, keeping the fish at as close to zero as possible until filleted. The fillets are then transferred to skinning machines which operate by freezing the skin of the fish to a frozen rotating drum and removing the flesh using a fixed blade. The skinless fillets are then packed into trays to be sealed under vacuum in the packing area. The packing area is refrigerated to 3 degrees. Packed product is then transferred to despatch chills.

Using the above product flow and liberal use of ice, temperatures will remain at or close to zero up to the point of packing ensuring risk of bacteriological spoilage or growth is minimised.”

9. Please provide information on how your project fits with the Marine Policy Statement

Response

“Our project fits with the UK Marine Policy Statement as it helps to address the Social, Economic and Environmental elements of the Policy. Namely it will provide and keep Jobs in the Fish Processing Sector which in turn helps the local coastal community, it will help to reduce emissions by providing more efficient use of transport, it will also address the lack of capacity in the primary fish processing sector, which becomes more acute as fish quotas increase, with much of the fish landed at Peterhead/Fraserburgh being transported to other areas/countries for processing. We will be in a position to utilise all sizes of fish landed at local markets, (smaller fish providing fillets for the retail market, larger fish providing

fillets for Foodservice). We are certain that this packaging format will add value to the product and be adopted by other processors once proven.”

10. Please confirm that the benefits/outputs estimated to result from the project (e.g. no. of jobs created) are directly attributable to the project and can be clearly evidenced for audit purposes

No Response

11. Please provide further information on the previous application (SCO1321) made to the EMFF (purpose of project etc.)

Response

“The purpose of the project in the Previous application (SCO1321) was to give the business the capability of Skin Packing Technology for Retail Packs.”

12. Please provide copies of advice provided from specialist environmentalists.

No Response

PAC Discussion

The applicant has not demonstrated additionality so the PAC is still unclear as to whether or not this project will go ahead without EMFF funding.

The applicant has not submitted an updated business plan and, without this, it is impossible for the PAC to progress the application.

From an audit point of view, these outstanding queries must be answered to enable the FLAG to consider the application. Martin Brebner suggested that if the applicant is unable to provide the required information in advance of the FLAG meeting, there is the opportunity for this application to be considered by written procedures.

Product testing will be carried out prior to any EMFF funded costs being incurred. The Co-ordinator will meet with the applicant once product testing is complete and the project will only commence if test results are positive.

The PAC agreed allow additional time for the applicant to respond to queries raised. The FLAG will then consider the application by written procedures.

Action

Martin Brebner to contact Marine Scotland to ask for a definitive answer about whether or not this application will be re-directed to the main programme rather than NESFLAG.

Scoring for SCO1562 - Skin Pack Bulk Fish

As the applicant has yet to respond to seven out of twelve of the queries raised, the PAC felt it was impossible to update the project score at this stage. The original cumulative score agreed at the PAC meeting is detailed below:

Criteria	Score	Comments
Strategic Fit	3	
Horizontal Themes	3	
Need for Grant	2	
Value for Money	2	
Capacity to Deliver	2	

PAC RECOMMENDS THAT THE FLAG CONSIDERS THIS APPLICATION BY WRITTEN PROCEDURES ONCE THE APPLICANT HAS FULLY RESPONDED TO PAC QUERIES

4. The NEFSLAG meeting will take place on Wednesday 14 December 2016 at 2.00 pm in the Chamber Buchan House, Peterhead.

Note Taker – Anne MacLennan
 European Programmes Claims Officer
 12/12/16

APPROVED