

WM MANAGER

The Wilhelmsen Ship Management newsletter - No 4-2008



**Pulling
together**

– have what you want



**Wilhelmsen
Ship Management**

Part of Wilhelmsen Maritime Services,
a Wilh. Wilhelmsen group company

Prepared for the challenges ahead



“The recipe for growth and prosperity will always rest with delivering what the customer needs.”

THE MEDIA reminds us every day that the world is in a recession. Shipping rates are falling and projects are being cancelled. Less production means less demand for shipping. Lower oil prices make profitable projects marginal. This leads to less tonnage and/or increased scrapping.

In these conditions, many shipowners are taking a closer look at third-party ship management. To confirm this, Wilhelmsen Ship Management has received an increased number of requests to manage tonnage that others have defaulted on. It boils down to reliability and quality, the ingredients needed to secure the best possible fleet operational efficiency. This is what we do best.

As proof of our quality, Wilhelmsen Ship Management is one of very few operators approved by the regulations set by the US Sarbanes-Oxley Act of 2002, also known as the Public Company Accounting Reform and Investor Protection Act.

We at Wilhelmsen Ship Management are prepared for whatever challenges lie ahead. We are part of a large maritime group with a strong brand and market position. In recent months the offer has been better adapted to customer needs. In addition to traditional technical ship management services, the customer can choose among a number of separate “modules” according to his specific needs, e.g. our new dry-docking service. Wilhelmsen Ship Management’s team of global technical experts makes this possible, so that the customer can find competence in an efficient manner.

We keep a close watch on developments in the markets because this helps us stay sharp and prepared, but the recipe for growth and prosperity will always rest with delivering what the customer needs.

We are firmly committed to continue to do this in the period ahead.

Carl Schou

President
Wilhelmsen Ship Management

Tackling a project together

The cable-laying ship Nexans Skagerrak demands tight co-operation between the cable crew of Nexans Norway and the marine crew from WSM.



JAPAN SEA: It is November and Nexans' Skagerrak and its crew are in Futtsu, a small industrial town in Tokyo Bay. The cable-laying ship is loading a 30 km long, 500kV submarine power cable that was manufactured at Nexans' factory in Futtsu.

A mixture of Japanese factory workers, Norwegian cable assembly workers and the Wilhelmsen Ship Management crew are getting the cable safely loaded and preparing the ship for transport to China and the cable-laying operation.

WSM took over technical management of Nexans Skagerrak in November 2007, and contributes to the ship's increasing slate of cable-laying jobs all over the globe.

TEAMWORK IN CABLE-LAYING

"This ship is a very special old lady with personality," says Jarl Schille, who has 17 years of seafaring experience, and 10 as Nexans Skagerrak's master. "The capacity of 6,600 tons on the cable turntable is exceptional. Only one other vessel in the world has this capacity. The ship can operate in quite shallow waters, and is a good seagoing vessel."

Looking forward to his next job (laying a cable between Hainan and mainland China), Schille reflects on the nature of the work: "There is no routine in this line of

business. Every operation is different and we encounter new challenges all the time.

"The co-operation with the cable crew of Nexans Norway is excellent. There is no 'them and us'. We set out to solve a problem together. During a cable-laying operation, there can be 50 people onboard, and the Nexans people feel right at home."

BUSY SCHEDULE

"It has been an exciting experience to become a part of Wilhelmsen Ship Management", says Schille. "We have now implemented new procedures and a more modern way of operation". He draws attention to the online data support from shore.

2008 has been a very busy year for the vessel and its crew. Last year it completed the NORNED cable installation between Norway and the Netherlands. Then it loaded a high voltage submarine cable in Norway destined for installation on the east coast of the USA.

After loading again in Norway, the ship sailed to the Emirates to install a cable to Delma Island. After a short pit stop at a wharf in Singapore, Nexans Skagerrak sailed to its current job in the Far East. After that, a job laying cable to the Vallhall oil field in the North Sea awaits. ■



Wilhelmsen Vessel Accounting: Helping us run a tight ship

Part of Wilhelmsen Ship Management's mission is to demonstrate responsible management of assets. Tight control by Wilhelmsen Vessel Accounting (WVA), including new web-based tools, increases transparency for WSM and its clients.

MALAYSIA: It's one of the best examples of the much-touted global economy. A few dozen accountants and managers in a tower in Kuala Lumpur track a massive number of invoices and payables from customers all over the world. Online, it's all trackable.

Wilhelmsen Vessel Accounting (WVA) moves USD 700 million in the course of a year, and manages more than 200 transactions a day, as it manages accounting for 180 ships on full management, and crewing for 56 ships. It's a large operation, and testifies to the strength of good routines and a strong support system.

WVA provides accounting support to WSM's technical management offices in Oslo, Kuala Lumpur, Houston, Singapore, Pusan, Dubai, Southampton and Hamburg as well as for other external clients in Norway, Japan, Belgium and Bermuda. It is run from Kuala Lumpur, by WVA General Manager Santosh Bandiwdekar and his staff of 40 colleagues.

"We do everything, from payrolls, insurance, and monitoring operating costs to

delivering financial costs analyses inclusive of transaction details for all the business streams in Wilhelmsen Ship Management," says Bandiwdekar when we meet him, his team leaders and the rest of the employees at 1 Sentral in Kuala Lumpur.

Bandiwdekar and his team are particularly proud of the on-line web reporting module, which allows clients and technical management offices direct access to accounting data for their vessels.

"This web-based software solution developed by our supplier, together with WSM, is a vital tool for our vessel managers. It gives transparency for our clients both internal and external on a whole new scale.

"For instance, during operational cost reviews all invoices are available for viewing and that means better budget planning and more cost-effective operations," says Bandiwdekar. WVA also provides additional services like corporate accounting for external vessels companies, payroll preparation and settlement of crew wages as well as crew payroll taxation. ■



Santosh Bandiwdekar (in the middle) and his colleagues at Wilhelmsen Vessel Accounting. Together they make sure that a cash flow of almost 700 million US dollars is delivered to the right recipients at the right time.

Facts about C/S Nexans Skagerrak

DWT: 7,150 tonnes
 Length of hull including cable-laying sheave: 106 meters
 Total width: 32.15 meters
 Flag: Norwegian (NOR)
 Classification Society: DNV
 Cable capacity: 6,600 tonnes
 Diameter of cable turntable: 29 meters
 Number of cabins: 50
 Number of crew: 18

A valuable partner in Korea

WSM's Korea boss Sanjay Tyagi calls the current situation promising. An economic slowdown increases the attractiveness of third-party ship management and Korea is steadily deregulating its shipping industry.

HARDSHIP loosens up calcified organisations, and forces markets that have resisted change to yield. Sanjay Tyagi, who has led WSM's Korean office since mid-2008, cites the birth of the third-party ship management industry during the oil crisis of the 1970s as a good example.

"Many companies folded, and the banks that took over ships sought a cost-effective way to operate them," he says. "That's when third-party technical ship management really got its start. It got further boosts during downturns in the 80s, 90s and even early in this decade, when companies sought out more cost-effective ways of operating their ships."

Already Tyagi reports an increase in interest since the market's most recent stumbles. Korean shipowners recognize that WSM's global presence, its solid reputation and cost-efficient third-party technical management services fit well with a market in which they need to manage costs and maintain performance.

LOCAL PRESENCE SINCE 2005

WSM set up an office in Busan in 2005, when it began to take over technical management of EUKOR car carriers. Today, the company manages a total of 15 car carriers, owned by EUKOR and other companies. The company is Korean-registered, and its staff of eight includes six highly competent Koreans. It is a lean ship, geared for more business from different segments.

"We are supported by our office in Kuala Lumpur for crewing, HSEQ and vessel accounting, and by Wilhelmsen Purchasing Services in Mumbai for procurement. With our global organisation, we have at least two ship management offices open at any time of the day," says Tyagi.

WSM is a paragon in the Korean market for demonstrating how a global organisation, linked by a secure IT network, can streamline technical management. It is this ability to streamline, while maintaining the reliability and quality of operations, that makes WSM so attractive to more owners.

"Korea has been steadily deregulating its shipping industry, opening up to foreign players and levelling the playing field for private enterprise. In January 2010, the market is set to make another major move to open up. Some shipping players are acting ahead of regulations, and coming to us, because they recognize our strong global ties and access to competitively priced resources worldwide," says Tyagi.

THE IMPACT OF A DOWNTURN

To some degree, third-party ship managers grow more attractive in a tight market. When clients struggle, WSM works to preserve their assets' value.

He explains that the first change that they felt is that charterers request slower transit speeds. By adding one day en route, ships will not need to anchor near the terminal and create congestion as they wait for new cargoes. Nonetheless, he believes that Korea's shipping economy will outperform its peers over the next two years. ■

Facts about WSM in Korea

- Technical management of 15 car carriers for a handful of owners
- 2-3 hour flight from key ports in Korea, Japan, China, Taiwan and Hong Kong
- 1st foreign company in Korea to receive a Korean Document of Compliance (2008)
- Geared to take on any vessel in the dry & gas segments
- Highly experienced and diversified resources
- Recruiting Korean seafarers for crew management services
- Korean market: 500+ Korean registered vessels, and 1000+ Korean controlled vessels, in all segments

WSM Korea roster

- **Sanjay Tyagi**, General Manager
- **Dae-Woo Lee**, HSEQ Manager
- **Dong-Su Gim**, Fleet Manager
- **Surajit Ghosh**, Sr. Vessel Manager
- **Tae-Su Kim**, Vessel Manager
- **Min-Choi Kim**, Vessel Manager
- **Ju-Hee Kim**, Accountant
- **Mi-Jeong Park**, Office Administrator
- Crewing Manager



Left to right: Sanjay Tyagi, Tae-Su Kim, Dong-Su Gim, Surajit Ghosh, Min-Choi Kim

New vessels on management



MV Fanta

Pure Car Carrier
 Owner: NYK Line
 Wilhelmsen Ship Management Malaysia



MV Wren

Geared Supramax Bulk Carrier
 Owner: Eagle Bulk Shipping
 Wilhelmsen Ship Management USA

MV Lucina Providence

VLGC
 Owner: NYK Line
 Wilhelmsen Ship Management Malaysia

MV Goldeneye

Geared Supramax Bulk Carrier
 Owner: Eagle Bulk Shipping
 Wilhelmsen Ship Management USA

MV Redwing

Geared Supramax Bulk Carrier
 Owner: Eagle Bulk Shipping
 Wilhelmsen Ship Management USA

LNG/C Gandria

LNG Carrier
 Owner: Golar LNG
 Wilhelmsen Ship Management Norway

MV Blazing River

Gearless Capesize Bulk Carrier
 Owner: Kumiai Senpaku Co Ltd
 Wilhelmsen Ship Management Malaysia

MV Daishowa Maru

Wood Chips Bulk Carrier
 Owner: NYK Bulkship
 Wilhelmsen Ship Management Singapore

Ambiguity from the US EPA

The United States Environmental Protection Agency (EPA) is enforcing a December deadline for its National Pollution Discharge Elimination System (NPDES) ship discharge requirements. According to this law, most merchant ships will need to have a Vessel General Permit, or VGP, if they are operating within three miles of the US.

According to the EPA's NPDES web-site, the VGP incorporates the US Coast Guard's mandatory ballast water management and exchange standards and supplemental ballast water requirements for vessels that carry ballast water. The permit also covers 28 possible discharges, including deck run-off, bilgewater and grey water. It includes additional requirements for eight classes of vessels, such as cruise ships, research ships and ferries.

The EPA needs to certify the VGP with US seaboard states, asking if they are satisfied with the VGP requirements to ships, or if they have additional state demands. Unfortunately, this process may not be finalised before the December deadline. If the EPA issues the final VGP without certification from a state, ships operating in that state's waters will be operating without a permit and thus in violation of US law. Obviously, shipping companies are worried about this legal ambiguity.

An industry coalition has expressed concern and industry representatives will be discussing the matter further with the EPA. We in Wilhelmsen Ship Management are closely monitoring the situation and taking steps to help our vessels comply with this requirement. This has led to a three-step action plan. For more information, see the EPA's NPDES web-site, or contact the undersigned.

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