Challenges in Ship Management
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Challenges in Ship Management

OVERVIEW

- What is Ship Management?
- Outsourced Ship Management Market
- Why Listed Owners Outsource Ship Management
- Past / Present Publicly Listed Clients
- Shipping Industry Challenges…Five Cs
- Mitigating the Five Cs…Our Approach
- In summary…
What is Ship Management?

Ship Management
- Is the shore-based and shipboard management of day-to-day operations of a ship
- Can include
  - Crewing
  - Technical management
  - Commercial management
  - Bunkering
  - Dry-docking
  - Accounting

Outsourced Ship Management
- Shifts responsibility for all the above to a third-party specialist
- Enables asset-owner to focus on core strategy
Outsourced Ship Management Market

Vessels > 500 GRT trading internationally

Principal Suppliers
- V.Ships
- Schulte Group
- Wallem
- Anglo Eastern
- Wilhemsen
- Fleet
- Thome
- Columbia
- Univan
- Executive
Why Listed Owners Outsource Ship Management

- Greater access to crew at a time of growing shortage
- Eases investor concerns
  - Smoothes IPO vetting process, widens access to public equity and debt
  - Best-practice fleet operation
  - Avoidance of conflict of interest
- Strong track record & reputation of ship manager
  - Facilitate oil major vettings
  - Help promote good relationships with regulatory authorities
- More flexible financial options
  - Lenders often require professional third-party ship management
  - Easier to divest / invest
- Better overall risk management
  - Arms-length relationship
  - Speedier remedies
- Easier for ship owner to focus on core business and revenue generation
### Past / Present Publicly Listed Clients

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Shipping Industry Challenges...Five Cs

- Crew shortages
- Inflationary Costs
- Regulatory Compliance
- Fuel Consumption
- Seafarer Criminalization
Mitigating the Five Cs...Our Approach

- Unrivaled access through global manpower supply office network in key crewing centres
- Strategic sourcing using both established and new supply areas
- Career development...a job for life...improves retention
- Major investment in training programmes including computer-based and simulation
- More than 1,000 cadets
Mitigating the Five Cs...Our Approach

**Inflationary Costs**

- Many causes
  - US$ weakness
  - Wage spiral due to crew and shore staff shortage
  - Cost of compliance

- Smart procurement
  - Inherent scale economies because of our size
  - MARCAS contracting power
  - Easier access to leading specialty service providers
    - UMC
    - SeaSquad
Mitigating the Five Cs...Our Approach

- Regulations increasing in number and complexity
  - Requires ongoing training and re-qualification

- Penalties for non-compliance severe—not limited to crew

- We promote / invest in a compliance culture ashore and at sea
  - Aim to exceed what is required by law

- Major investment in compliance training

- Intertanko basing tanker industry training standard on V.Ships model

- V.Ships LNG training was first to be accredited to SIGTTO standard by Nautical Institute
Mitigating the Five Cs...Our Approach

Fuel Consumption

- Multifaceted challenge
  - Rising costs
  - Environmental regulations

- V.Ships / V.Group initiatives
  - Bunker supply scale economies
  - UMC’s mini-pamper hull cleaner enhances performance, saves fuel
  - V.Delta’s cold ironing feasibility study expanded knowledge base for eventual implementation in the Mediterranean
Mitigating the Five Cs...Our Approach

- Growing and troubling trend in some areas
- A key reason for crew shortages
- Factual-based lobbying

**Hebei Spirit**
- Today’s most prominent example also presents unique opportunity
- Master and chief officer being unfairly detained and tried
- V.Ships / owner mounting major campaign to gain public support
- Also signals our crew worldwide that we support them
In Summary…

- A range of options, each with pros and cons
  - In-house ship management
  - Outsourced ship management
  - Fully outsourced ship management
  - Partially outsourced ship management, ie, crewing

- Whichever option you choose
  - Consider the challenges
  - Those we have discussed
  - Those yet to come
  - They won’t diminish!
Thank You!