



CAPITAL LINK FORUM
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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?

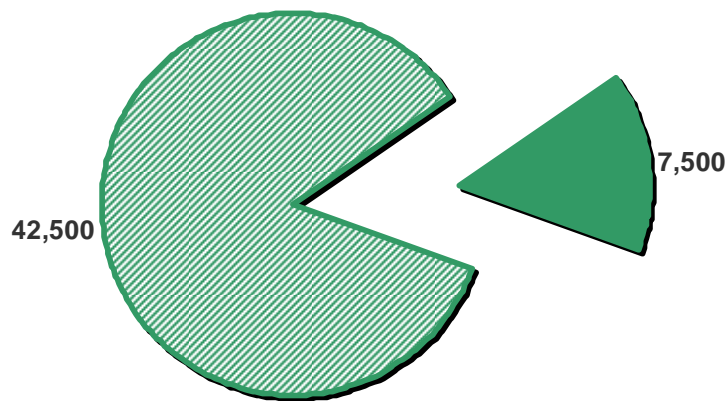
Ship Management

- ❑ 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
 - Smooths 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

Carnival	Knightsbridge	Premuda
DFDS	Majestic	SBM
Eagle Bulk	MISC	Stealth
Eitzen	NAT	Svithoid
Essar	Omega	Top
Frontline		Tsakos

Shipping Industry Challenges...Five Cs



- ❑ *CREW* shortages
- ❑ Inflationary *COSTS*
- ❑ Regulatory *COMPLIANCE*
- ❑ Fuel *CONSUMPTION*
- ❑ Seafarer *CRIMINALIZATION*



Mitigating the Five Cs...Our Approach

Crew Shortages

- ❑ 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

Regulatory Compliance

- ❑ 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

Seafarer Criminalization

- ❑ 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!



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