

IUMI 2008

Ocean Hull Workshop

Opportunities and Threats for Marine Insurance

Vancouver

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“Maintaining Quality in a Dynamic Market”

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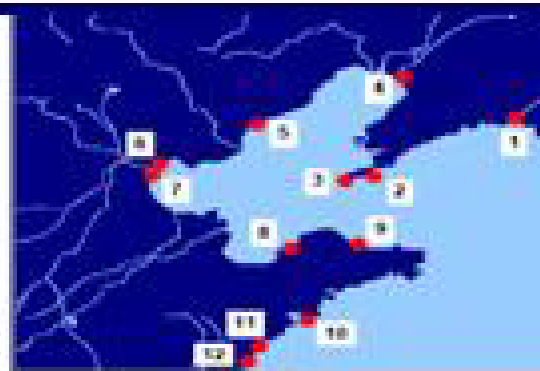
Vice President and Chief Surveyor

ABS



The Rise of China

- #2 orderbook - 60m cgt
- #1 vessels on order - >3,600
- 7 of world's top 15 yards
- >180 yards able to build vessels >1,000 dwt



Northern Chinese Coastline

1	Dandong	Liaoning
2	Dalian	Liaoning
3	Lu Shun	Liaoning
4	Yingkou	Liaoning
5	Qinkiangdao	Hebei
6	Xingang	Tianjin
7	Tianjin	Tianjin
8	Longkou	Shandong
9	Yantai	Shandong
10	Qingdao	Shandong
11	Rizhao	Shandong
12	Lanshan	Shandong



Central Chinese Coastline

13	Lianyungang	Jiangsu
14	Nantong	Jiangsu
15	Zhangjiagang	Jiangsu
16	Jiangyin	Jiangsu
17	Taizhou	Jiangsu
18	Zhenjiang	Jiangsu
19	Yangzhou	Jiangsu
20	Baoshan	Shanghai
21	Shanghai	Shanghai
22	Hangzhou	Zhejiang
23	Ningbo	Zhejiang
24	Bellun	Zhejiang
25	Haimein	Zhejiang



Southern Chinese Coastline

26	Wenzhou	Zhejiang
27	Fuzhou	Fujian
28	Xiamen	Fujian
29	Shantou	Guangdong
30	Shanwei	Guangdong
31	Shenzhen	Guangdong
32	Guangzhou	Guangdong
33	Zhongshan	Guangdong
34	Zhengjiang	Guangdong
35	Haikou	Hainan
36	Sanya	Hainan
37	Wusuo	Hainan
38	Hengcheng	Guangxi



World Shipbuilding Table

Rank	Country	No.	m. cgt
1	South Korea	2,449	71.1
2	China P.R.	3,682	61.7
3	Japan	1,346	28.4
4	Germany	171	3.4
5	Vietnam	199	2.5
6	India	249	2.4
7	Italy	66	2.2
8	Turkey	209	2.2
9	Philippines	81	2.1
10	Romania	88	1.9

Source: Clarksons



Risks and Concerns

- Shipyard accidents
- Risks in emerging yards
- Concerns over quality
- The role of classification



The Emergence of Vietnam

- >40 shipbuilding yards (all sizes)
- Most controlled by Vinashin
- Three principal clusters
 - Haiphong: dry cargo and containerships
 - Danang: tankers
 - Ho Chi Minh City: offshore support



The Emergence of Vietnam

- Have secured series contracts
- Simultaneous construction of ships and yards
- Largest vessel on order –
150,000 dwt FSO
- Largest dock planned –
400,000 dwt



The Emergence of Vietnam

- Ready supply of labor
- Need for training
- Rely on class for assistance



The Emergence of Vietnam

- 25% inflation dampens demand
- Emphasis on completing existing projects
- Future price increases



The Emergence of Vietnam

- ABS – proactive role with yards
- Speeding the learning process
- Slower but steady growth through 2012



India Gears Up

- Aggressive shipyard expansion plans
- Supply boats to VLCCs
- Financing difficulties



India Gears UP

- Orderbook mainly:
 - OSVs
 - Bulk carriers – handy and panamax
 - VLOCs – 4 x 320,000 dwt
 - Proposed VLCC construction



India Gears Up

- Subsidy program ends
- Ready supply of labor
- Shortage of experienced supervisors
- Variable infrastructure
- Productivity problems



Korea Expands

- 16 new second tier yards
- Coincides with expansion of main yards
- Increased demand for skilled labor



Korea Expands

- Short learning curve
- Established financing mechanisms
- Few cancellations – quickly filled



China on the Fast Track

- First, second and third tier yards
- Third tier – domestic vessels and barges
- Second tier – >150 yards building for export
- Top tier yards have world class facilities

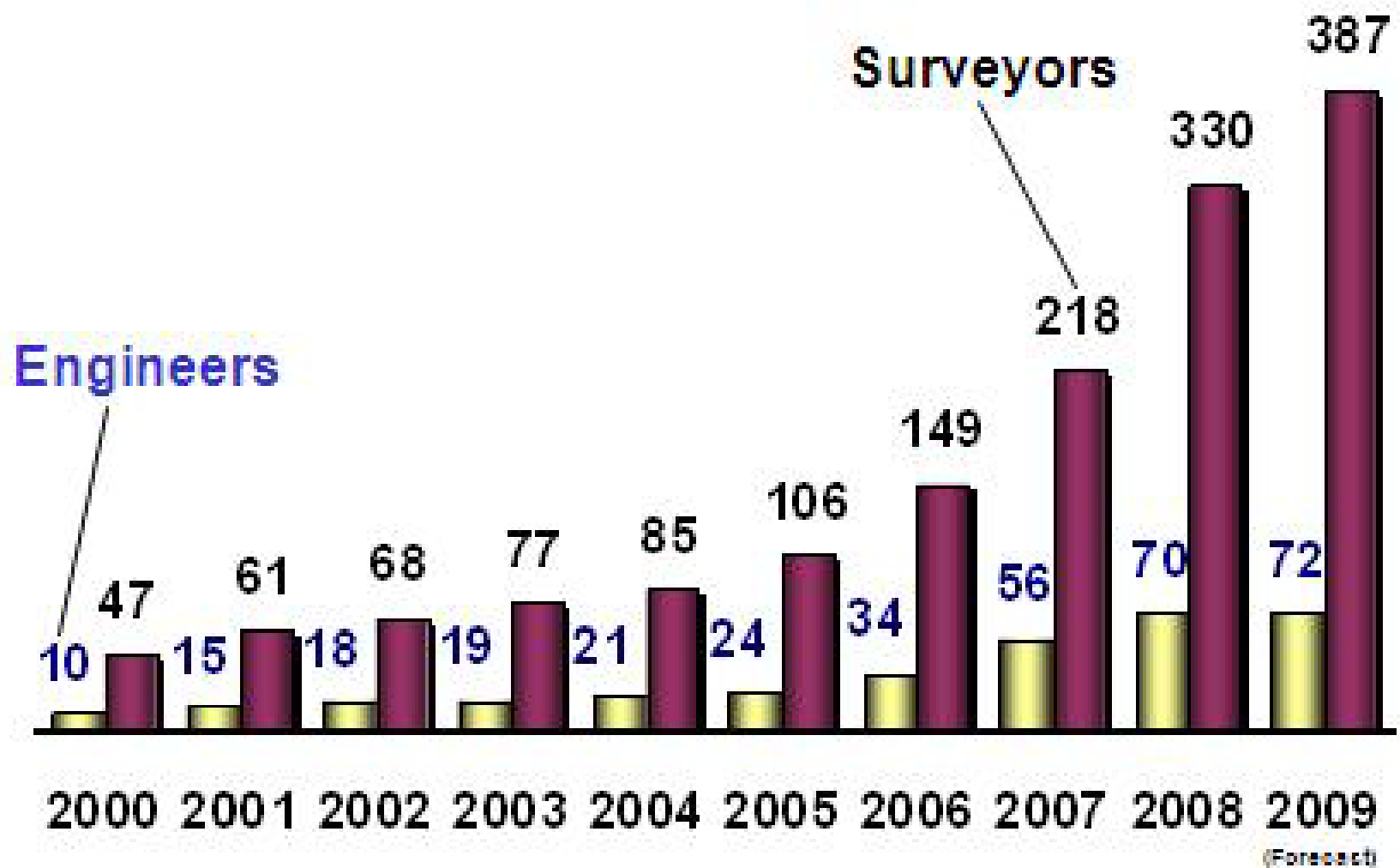


China on the Fast Track

- Management and manpower demands
- All sectors including –
 - Designers
 - Welders
 - Yard supervisors
 - Owners' representatives
 - Class



China on the Fast Track



ABS started operations in China in 1980



China on the Fast Track

- Qualified candidates
- Extensive training program



China on the Fast Track

- Lower cost
- Earlier delivery
- Standardized designs
- Simplified production



China on the Fast Track

- China's challenge –
 - Technical and design capabilities
 - Project management skills
 - Quality control
 - Delivery schedules



China on the Fast Track

- Top tier yards have met the challenge –
 - LNG carriers
 - Jackups
 - Semisubmersibles
 - Ultra large containerships
 - FPSOs



China: Moving to the Slow Lane?

- Post-Olympic slowdown?
- Global economic downturn
- Small container ships at greatest risk
- Will the government support the yards?



Maintaining Quality

- Is a classed vessel a quality vessel?
- What are the early signs of trouble?



Disclaimer

ABS bears no responsibility for anything I might say that may be construed as commenting on the capabilities of any person or any entity or that could be considered as being remotely critical of the actions or inactions of others or that could be construed as being a statement, opinion or thought relating to the quality, longevity or other “-ity” of any vessel ever classed by any society or by ABS or that may be classed by ABS at some time in the future, so help me God.



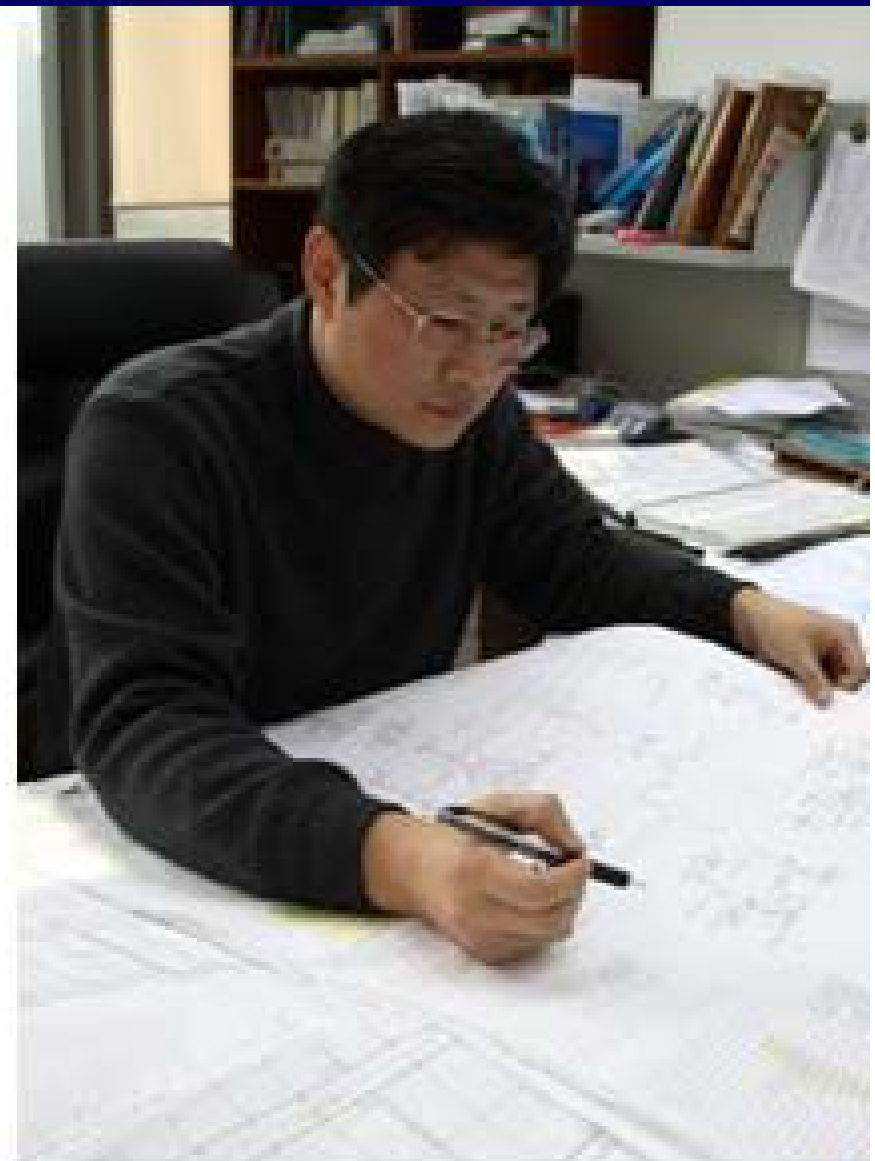
The Influence of Class

“Building to the applicable Class Rules is a contractual issue that the yard has an obligation to fulfill.”



The Influence of Class

- Class can provide –
 - Research support
 - Design evaluation
 - Regulatory updates
 - Training



The Influence of Class

- Experienced international staff for sophisticated projects
- Knowledge transfer
- Importance of the owner's representative



The Key Question

- ABS class is non-negotiable
- To be classed, the vessel must be found in conformance with the Rules



Judging Quality

- Which shipyard?
- Which class society?
- Was there strong owner's representation?
- Ask questions
- Assess the risk





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