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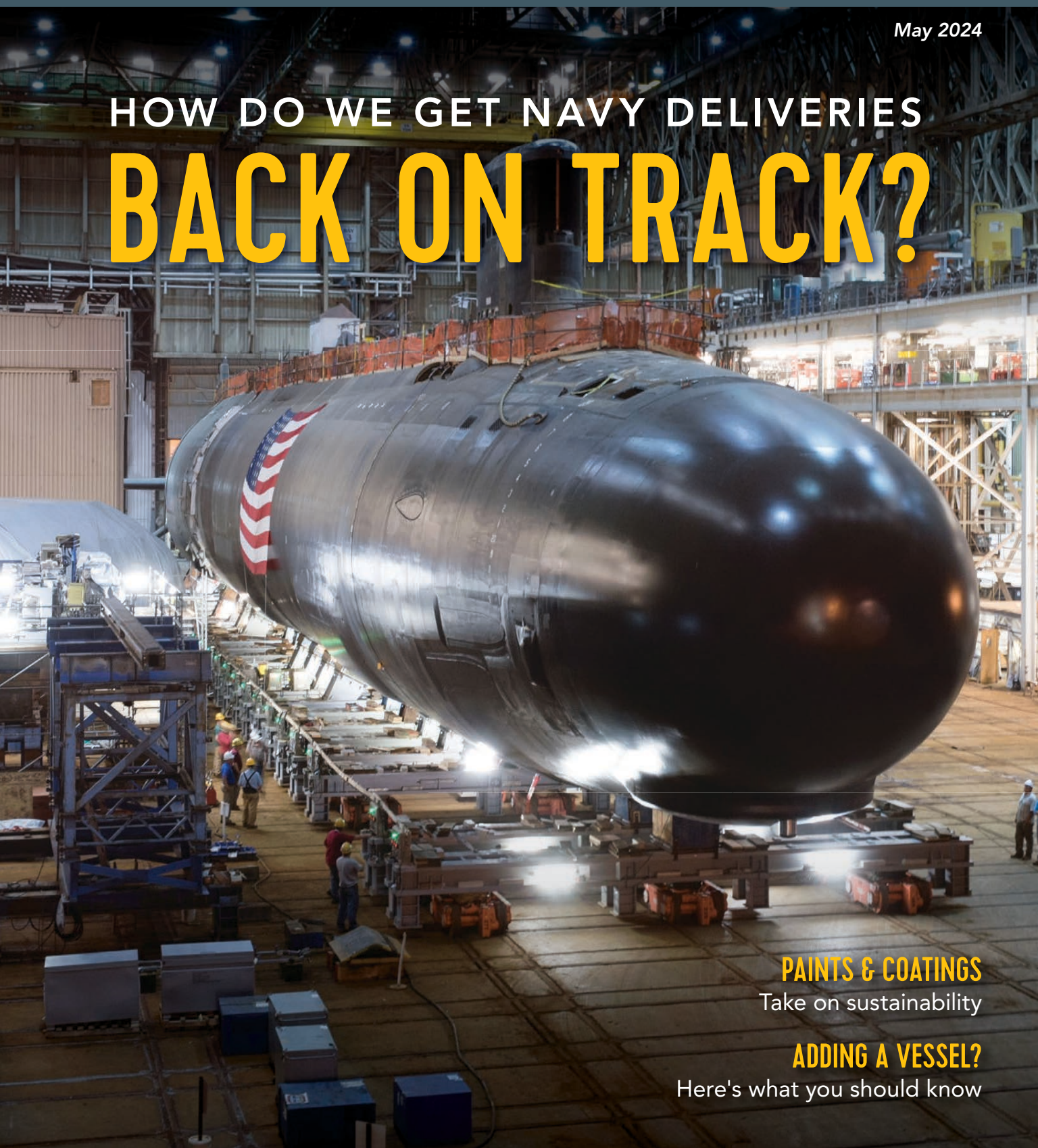

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ADDING A VESSEL?
Here's what you should know

WANT TO ADD A VESSEL TO YOUR FLEET?

By Steve Carlson, Principal in Charge & Director of Project Operations, Elliott Bay Design Group

Your company has just made the exciting decision to acquire a new vessel for your fleet. Now the real work begins. You might be surprised to learn, considering the costs involved, how often the entire acquisition process is not fully planned before it is begun. Below is a broad overview of the process.

Buy existing or build new?

An **existing vessel** is generally cheaper than a new one and will almost certainly be available to work sooner than a new build vessel. Some of the considerations of buying (or bareboat chartering) an existing vessel are:

- **Condition** – The obvious one. How much work and money will it take to get the vessel operational in your fleet and sustain it? What is your plan for

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inspecting the vessel to determine its condition?

- **Age** – Regardless of the condition of the vessel, do your customers have any vessel age limitations? How available are spare parts and replacement equipment?
- **EPA Engine Tier Level** – State Clean Air rules may limit or prohibit the use of the vessel with its existing propulsion system (California being the prime example).
- **Regulatory/Class** – Does the vessel have current USCG and Class (if required) certificates?
- **Standardization with your Fleet** – How much of the candidate vessel's equipment is common with the rest of your fleet? That will drive your spare parts costs and the training and qualifications for your crew and shoreside personnel.
- **Bareboat Chartering** – Is this even a possibility for your operation? If so, the terms of the charter need to be looked at carefully.

Building a **new vessel** allows you the opportunity to get what you want; however, it does come with its own set of issues to resolve. Some of the considerations of buying a new vessel are:

- **Design/Specifications** – What are your requirements for the vessel? This is much more difficult than you might initially think. The operations and engineering groups each have their list, and if you're not diligent in drilling down to the "real" requirements, the vessel cost and size can quickly spiral out of control. If cost is the primary factor, you may end up with a vessel that either does not meet your needs or has higher maintenance costs due to the quality of materials used.
- **Selecting a Design Engineering Firm** – There are a few different avenues that can be used to complete your design; the traditional design-bid-build where separate contracts are issued for the design and then the construction of the vessel. Design-bid-build typically has a longer timeline, but can give the owner a bit more control over the design and the shipyard selection. Design-build is typically a shorter timeframe and the collaboration between the designer and the shipyard can help eliminate any finger-pointing between the two as they are on the same team. This type does come with more risk of the result not truly reflecting the owner's requirements.
- **Owner Furnished Equipment** – What, if any, equipment will be owner furnished. Owner furnished equipment can generally save you the shipyard mark-up cost but then puts the onus on you, the owner, for any technical errors or omissions when ordering, as well as any delivery delays of the equipment. You must clearly specify which parts of the equipment are owner furnished and which are shipyard furnished and who owns the interface between owner and shipyard furnished.
- **Selecting a Shipyard** – Perhaps you have a preferred shipyard that you have worked with before. Getting quotes from other shipyards helps to ensure that you are getting the best value. Just ensure that you are comparing apples to apples on the quotes. Also consider the mobilization costs of getting the vessel

from the shipyard to its operating area upon completion.

- **Constructing the Vessel** – How will you manage the construction and oversight of the ongoing work? Hiring a full time or part time employee, adding this responsibility to an existing employee, hiring a contract project manager, or letting the shipyard manage the project without oversight are possible solutions that all have pros and cons to consider.

Whether you have built new or bought an existing one, you now have a vessel ready to join your fleet. The shipyard or existing owner is anxious to turn it over to you, and you are anxious to get it to work.

Considerations before putting the vessel to work:

- **Vessel Inspection** – The vessel needs to be inspected to ensure that it is in the agreed upon condition for acceptance. Have an assigned person or team with an agreed upon written checklist of what is to be inspected and what is acceptable/not acceptable. This should be a joint inspection with the representative from the shipyard/owner. This inspection ties back to what was required in the specification and the contract documents.
- **Sea Trials** – Have an assigned person or team with a written checklist of the trials to be conducted, both dockside, prior to getting underway and while underway, and how they are to be evaluated. Prior to getting underway, a safety inspection of the vessel should be conducted to ensure all safety equipment is onboard, fire alarm and extinguishing equipment is operational, dewatering equipment is operational, and the vessel can be safely operated. A safety briefing with all personnel on board must be conducted to cover emergency response and muster locations. All control systems and components should be thoroughly tested prior to acceptance to ensure proper operation.
- **Regulatory/Class Documentation** – All regulatory and class documents should be completed or in progress. COD, COI, Loadline, IOPP, IAPP, insurance, are just some of the documents that may be required.
- **Additional Documentation** – Financing, lien waivers, delivery documentation all need to be in order at delivery.
- **Crew Orientation and Training** – Ensure the crew is properly oriented and trained to operate the vessel. Emergencies do not have a minimum wait time before they occur. They can, and often do, occur shortly after leaving the dock for the first time. Is your crew ready to respond to them?
- **Warranty** – Understand the contract terms and have a process to handle warranty issues. Know the reporting requirements.
- **Integrating the Vessel into your company** – Safety Management System, incident reporting, maintenance system, purchasing system, crew qualification and training, and documentation tracking are some of the systems to consider. Have a written checklist.

Developing a plan for acquiring a new vessel and putting it into operation can be a daunting task amidst an already full plate of operations and support of your existing fleet.