

GRAIG HORIZONS

THE NEWSLETTER FOR THE GRAIG GROUP
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This issue of Horizons brings you news and views from Cardiff-based Graig Group.

It highlights our core values of innovation, integrity and efficiency, demonstrates our pro-active approach to ship management, and gives news of expansion into Germany and Vietnam.

Graig is a global marine services provider with interests in shipowning, ship management, ship design, newbuilding supervision, shiprepair, IT support and ship finance. One of the first shipowners to realise the potential of Chinese shipyards, Graig China has supervised over 25 newbuildings on behalf of itself and major shipowning groups and is currently engaged in the supervision of a further 20 new buildings. Graig Ship Management manages fourteen vessels.

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The CEC Century, last of the Confidence Series, on a recent charter loading the new Airbus 380 fuselage in the port of Hamburg.

Security for charterers and shipmanagers

Graig has taken a pro-active approach to implementing the ISPS Code. Graig Ship Management moved swiftly to get all its managed fleet certified well before the deadline.

More than that, it foresaw that after the deadline, the key to smooth commercial operation will be a close co-operation between the ship, the ship managers and the charterers on security matters.

Graig has developed a new ISPS Protocol intended to facilitate dialogue between the ship, the manager and the charterers, so that port states and security authorities get the information they need when they need it, and the ship can get on with its business without delay.

John Arkell, operations director of GSM, says, "In most cases charter parties will include the BIMCO ISPS Clause, which allocates costs and responsibilities. But it does not go into specifics, and we feel that it is most important that the ship owners and managers draw up an agreed common list of points to be covered with charterers at the time of fixing. That way the ship will have the information it needs, and there will be less likelihood of unexpected expense for either party, or worse still delays to the ship or cargo."

GSM's ISPS Protocol, which will be used in all negotiations with charterers and sub-charterers, covers a list of specific points including:

- 1) Clear lines for co-operation and contact between owners, managers, charterers and sub-charterers on security. Every party must have a full 24 hour contact list and a copy of the ISPS Plan.

- 2) Procedure for establishing security status of all ports to be visited.
- 3) For each nominated port an agreed procedure to establish in advance of arrival:
 - 3.1 Security arrangements at that port
 - 3.2 A list of all authorised personnel who will visit the vessel, including agency and stevedore personnel
 - 3.3 Arrangements for limiting access to the vessel
 - 3.4 The types of identity which authorised personnel will carry
 - 3.5 Name and contact particulars of port security officer.
 - 3.6 Who is responsible for providing gangway watchmen and local language signage.
 - 3.7 Arrangements for inspection of cargo prior to loading?
- 4) Procedure for ship and managers to have a working copy of charter party at commencement of charter.
- 5) Procedures for copies of manifests and bills of lading to be provided to Master prior to sailing.

Graig's protocol also covers such issues as procedures and allocation of costs if the charterers wish to change the vessel's name. But in essence, it is a tool to put the practical elements in place to ensure that there are no surprises for charterers or owners and managers when dealing with security.

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Innovation, integrity and efficiency

The Graig group is expanding globally, providing more services in more countries every month.

One thing unites all our staff, and that is a focus on client satisfaction. This summer Graig begins a year long process of consultation with clients and staff, seeking ideas on improving service levels and strengthening partnerships between clients, staff and stakeholders. The first draft of our core values statement says;

"We are committed to providing an efficient service to all our maritime clients. We will focus on integrity and innovation to support and build mutually beneficial partnerships between our clients, staff and stakeholders."

Tell chris.williams@grraig.com what you think

Web refresh

Graig has given its website a fresh new look. Check it out at www.grraig.com and e-mail your comments to: victoria.dwyer@grraig.com



Nordea banks on managers

Nordea ship finance executives and Chinese managers share one very strong characteristic. They both focus on relationships.

"The shipowner or manager is our first mortgage," says Knut Hongseth, head of shipping, offshore and oil services for the London office of Nordea.



We at Nordea focus on relationships with owners because we have discovered that this is the best way to create long term successful deals. Chinese shipbuilders focus on relationships because that is very much part of their culture. When you sign a contract in China it is not an automatic and guaranteed legal pathway to a certain outcome. It is rather the formal start to a relationship which needs to be worked on and developed," explains Knut.

"Misunderstandings about the nature of relationships, and how Chinese business law and ethics work have been behind some of the recent problems you have seen between Chinese yards and some Western shipowners," Knut says. "Some yards are in danger of getting a reputation for not following through on contracts, or of dumping owners to move to a better deal."

If that is so, why is a cautious shipping bank like Nordea the leader in the Chinese ship finance market? "Well, because we see the risks, and we overcome them by building relationships. We work with shipowners we know and trust, who in turn build yard relationships they can trust. At the same time, we have worked on building a relationship with China's EXIM Bank, Knut explains. "We worked with Graig and EXIM on the financing of some of the Diamond 53 series building in China for different owners. That was the first transaction where the EXIM bank had ever taken a commercial risk on a project. We provided 60 per cent of the finance, EXIM the rest. The major reason they did that was because of the relationship they had with Graig."

Knut says putting together the long-standing personal links he had with Graig, through Chris Williams, the links Nordea had in China with yards and EXIM and seeing an innovative project take off was very satisfying. "We consider we have one of the best portfolios of clients in the world," he says. "We look for companies with some sort of edge, and the innovative design of the Diamond 53, linked to the Chinese yards for building, was just the sort of project which can found a long-term relationship. It had all the elements for us."

Nordea is the largest financial group in the Nordic countries and one of the world leaders in ship finance. It has over eighty experienced ship finance staff in offices around the world. Knut says, "We are a major player in China because we see that Chinese shipping companies need global access to money now, and will need a lot more in the future, and because we see that our global ship owning clients need access to and backing for building ships and equipment in China. Raising long term finance at attractive fixed rates when interest rates are on the rise will provide a competitive advantage for the shipowners using this opportunity."

Nordea entered the Chinese export market in the mid-nineties. Since then it has financed over twenty ships to the value of \$400m from Chinese yards, including for example, eight Diamond 53's for Spar Shipping. It was also the lead bank for a \$70m loan for Cosco in 2002, and is building closer links with Chinese owners.

Knut says, "We work with China from a position of strength, as the leading financial services body in Scandinavia, one of the world's leading shipping banks, and a shipping bank with a strong focus on working closely with owners. Knowing our clients is our first mortgage, and knowing China is part of that culture."

www.nordea.com

Graig expands into Germany

As the first step in a planned expansion of Graig shipmanagement services to owners using KG funds, Graig has established a ship management company in Hamburg, and has sold and chartered back seven ships in a US\$84m KG deal backed by Hamburg-based KG finance house Ownership Emissionshaus GmbH.

Graig Shipmanagement (Germany) GmbH will initially manage seven modern Confidence-class multi-purpose vessels. The aim is to expand the company to offer German-based flexible shipmanagement to foreign owners using the KG markets.

"This move into Germany gives us access to a powerful and flexible source of equity finance, which we can use to back our long-term projects for building partnerships with end-users in shipping," explains Hugh Williams, ceo of Graig. "It also opens up the opportunity to provide other non-German owners who are tapping into the KG market with a flexible shipmanagement resource. We can be their German partner, and can tailor the shipmanagement package to provide the level or service they need to meet both KG needs and their own strategic goals."

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Detailed design focus pays off

Chinese shipbuilding procedures differ from practice in Korea, Japan and Europe.

Ship designers need specific knowledge of Chinese shipbuilding procedures. "Chinese yards build good ships, but they need much more detailed drawings and design work than other yards," explains Wu Ye, senior naval architect at Graig Carl Bro. "At the same time, Chinese yards can accept changes during the building period, which gives great flexibility. But it does mean they need the design team close at hand and they will verify everything with the designer before acting."

"Adapting European concept designs to Chinese detailed designs, and doing that work in China, is the best way to get a good design and a good ship at a good price," says Wu Ye. "In the case of the Diamond 53, we took a team to Denmark to so they could fully understand the concepts, then did all the detailed work here in China. The first ship will be launched soon, and it has worked out very well with the yard."

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First Diamond cuts the water



The first of a multiple series of innovative Diamond 53 double hull ultra handymax bulk carriers was launched on schedule on June 28 at China's Chengxi Yard. The 53,000 dwt Spar Lyra was designed by and built under the supervision of UK and Shanghai-based Graig Group for Bergen-based Spar Shipping.

Wales strengthens China links



Above – Peter Hain, Leader of the House of Commons and the Secretary of State for Wales, is seen here with Judy Qian, Chief Representative of Graig China's Shanghai office, during a recent visit to China intended to promote business links between Wales and China.

Graig extends cooperation with Vinashin

Graig Group is working with the Vietnam Shipbuilding Industry Corporation (Vinashin) to develop series production of a full range of modern-design bulk carriers at yards. The series will range from handysize up to capesize.

Speaking after announcement of the Strategic Alliance formed with Vinashin in February, Graig CEO Hugh Williams said, "We see significant potential here in Vietnam, and we will be working together with our Vinashin partners to meet the growing demand for modern bulk carriers. The success of our Diamond 53 handymax project in China proves that owners want well-thought-out and strong vessels at good prices. We will shortly be announcing new sizes of the Diamond range for Graig and its partners. Vinashin is investing heavily in yard capacity, and with our help it will be able to build series of bulkers to quality levels, but with good prices and attractive delivery dates."

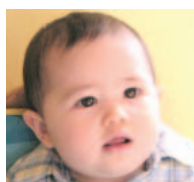
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crew news

- **Congratulations to Justin Shefferd, marine electronics superintendent, and his wife Nicky on the birth of their baby James.**



And to Phil Atkinson, technical director of GSM, and his wife Angela, on the birth of their son Matthew.



- **Congratulations to Caroline Youde, assistant financial controller, and husband Dave on the adoption of Jake.**



- **Wedding bells on 31st July date for Ian Morgan, fleet superintendent, and his fiancé Maria in Los Angeles.** We wish them well.

- **Well done to Mike Harry, technical support, on running the London Marathon in April in 3h 38m in aid of the RNLI.**

- **Congratulations to Captain Arnell Santos and the crew onboard CEC PIONEER, recently awarded the best over-all vessel on the TTM pipe-carrying project, recently completed in Malaysia.**

- **A pat on the back for Captain Pedro Calumba and the crew onboard CEC CONFIDENCE, which was the first GSM vessel to achieve full ISPS Code Certification – a credit to all concerned.**

This vessel was also the first Graig vessel to successfully pass a US Coastguard ISPS Implementation inspection.



Spotlight

Judy Qian, Chief Representative of Graig China



Ask Judy Qian what she thinks is the biggest change in China over the last ten years and she hardly pauses. "The way people think," she says emphatically. "Our attitude to work has changed. Now we see lots of opportunities, but also lots of competition. We know we can improve the quality of our lives, but we also know we have to work for that. We have much more active attitudes."

Judy herself is a good example of how China has grown and changed explosively. A Shanghaiese, she left university to work for an import/export firm, which grew from four to almost one thousand staff in four years. "Then I set up on my own and also studied for an MBA at the same time," she says. "But when Graig came here I saw the opportunity to be a professional manager in a company with a global but human outlook."

At Graig, Judy is the official chief representative in China, but spends most of her time on business development. She also looks after financial control and staff issues. "I get the chance to put my management skills into action," she says. "We have over thirty staff, mostly Chinese but also British, Polish, Indian and Dutch. If I can get all those cultures working in harmony, and hit my targets one after the other, then I go home happy."

Describing herself as a typical traditional wife, and looking forward to having a family, Judy married a fellow MBA student last year. She likes socialising and shopping, which along with shipbuilding are three areas where China intends to lead the world. And with active leaders like Judy, it soon will.

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- **Congratulations to Captain Alexey Soluyanov of St. Petersburg upon being the first Russian seafarer to be promoted from Chief officer to Master within Graig.** Alexey has recently returned to the command of CEC SPRING.

- **CEC CARDIGAN was the recent winner of The ISS SportsmanShip Basketball Trophy in Antwerp.** The lads are pictured... A rare opportunity to play sport!

