

The background of the slide is an abstract painting with vibrant, expressive brushstrokes in shades of yellow, orange, red, green, and blue. The colors are layered and blended, creating a dynamic and energetic visual effect. A dark blue horizontal band is overlaid across the center of the image, containing the text.

HOLMAN FENWICK & WILLAN
Shipbuilding Contracts
Current Trends

Alistair Mackie

Main commercial points

- Contract Form
- Design and standard of construction
- Buyer's representatives
- Sub-contractors
- Modifications
- Payment
- Purchase price deductions
- Guarantee and warranty of quality
- Insurance
- Trials
- Delivery
- Termination



Shipbuilding Contract

- Standard Forms – common examples
 - SAJ (The Shipbuilders' Association of Japan)
 - AWES (Association of West European Shipbuilders)
 - BIMCO NEWBUILDCON
- Complex Provisions
- English law

Importance of Design

Key Part of Construction Process

- Third Party or Buyer supplied
- Allocation of Responsibility
- IACS Common Structural Rules (CSR)
- Intellectual Property Protection

Payment

- Payment by instalments
- Primary source of finance for Builder
- Instalments to match defined milestones in construction process
 - Signature and issue of refund guarantee
 - Steel cutting
 - Keel laying
 - Launching
 - Delivery instalment
- Secured by Refund Guarantee



Refund Guarantees...

(1)

- What are they?
 - Guarantee of repayment of pre-delivery instalments for buyer
 - Not a guarantee of yard's performance
- Who are the refund guarantors?
 - Banks
 - Export-import banks
 - Insurance companies
 - Importance of credit rating
- Why important?
 - Security
 - Financiers will require these



Deductions from the purchase price

Liquidated damages

- Defects in speed, fuel consumption, cargo capacity and deadweight
- Delay in delivery - grace period
- Right of set off, counter-claim and deduction
- Certainty of recovery for buyer
- Risk management – avoids unlimited liabilities
- If terminate lose right to liquidated damages
- LNG; cool down, boil off provisions
- Steel price adjustment



Buyer's representatives

- Buyer will have the right to send its own reps to Yard to supervise both construction and the conduct of shop tests and trials.
- Balance between avoiding unnecessary interference and delay and ensuring compliance by the builder to build to the specifications and plans.
- Possible modifications to scope of the works, changes to delivery date and contract price.
- Practical matters (visas etc) to be negotiated and expressly provided for.

Current Trends.. (1)

- Growth in Newbuilding Orders
- Shortage of slots
- Shortage of Key Equipment
- Limited availability of Refund Guarantees particularly in China and Korea

Current Trends.. (2)

- Emergence of China in Shipbuilding
- Speculative Buyers – increased use of Options
- Resale Contracts
 - Novation
 - NSF Sale
 - Assignment of Warranties

Current Trends.. (3)

- Adjustment clauses hedging for
 - Steel prices
 - Currency Risk
- Effect of Credit Crunch on Buyer's finance

The Future For India

- Development of Indian Shipbuilding
 - Number of new yards
 - Subsidies
 - Availability of quality workforce
 - Offshore industry
 - shiprepair
 - Growth potential

Plain sailing....



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