

# MARITIME SHIPPING KNOWLEDGE SESSION THREE

## Feedback on Seminar on " Ship Finance"

18 September 2007 Tuesday

**'A SERIES OF MARITIME KNOWLEDGE SESSIONS'**  
 Jointly Organized By: **SMF** Singapore Maritime Foundation  
 Sponsored by: **lch** L. CHIAO & PARTNERS

**ESSENTIAL SHIPPING KNOWLEDGE FOR MARINE INSURANCE PRACTITIONERS - SESSION 3**

**SHIP FINANCE**

- Evolution of Ship Finance in Singapore
- Debt Financing
- Equity Financing
- What Ship Finance means to Insurers

11<sup>th</sup> SEPTEMBER 2007, 2:45PM  
 STI AUDITORIUM, 9<sup>th</sup> FLOOR, CAPITAL TOWER,  
 188 ROBINSON ROAD, SINGAPORE 068912

PRESENTING BY:  
**FSL TRUST**  
**DnB NOR**

GIA and SMF capped the month of September with the Third Maritime Knowledge Shipping Session on "Ship Finance – trends in the Singapore and Global markets".

The event was attended around by 85 participants to STI Auditorium located at Capital Tower. The keynote speakers, Mr. Cheong Chee Tham (FSL Trust Management Pte Ltd, Senior Vice President & Chief Financial Officer) and Mr. Lam Wai Kay (DnbNor Bank ASA, Senior Vice President) presented and shared a range of issues pertinent to ship, finance and marine insurance. They also outline several key developments in the financing of the global merchant fleet which created both a direct and an indirect impact on the marine insurance market.

The traditional method of debt financing or borrowing as well as the recent development of equity financing and the emergence of the Singapore stock listed shipping trusts and funds were also highlighted at the session.

Singapore Maritime Foundation (SMF) Executive Director, Mr. David Chin set the scene on how ship finance developed in Singapore as it grew into an international ship finance centre. He strengthened the topic by broadening and enriching the practitioners with his personal insightful experience in ship

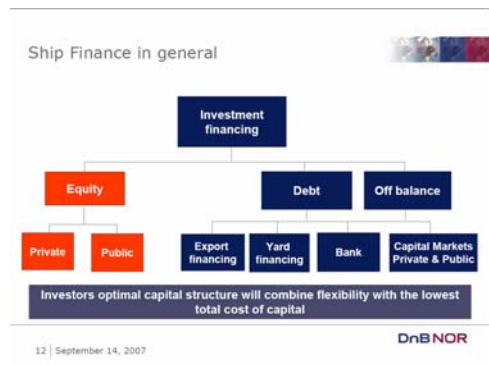
Financing. "Not many Singapore banks have the expertise and know-how in ship financing, it is limited by assets in the past and now – the expertise." said Mr. Chin. He identified the importance of maritime risk insurance and introduced the various schemes e.g. KS scheme, KG scheme and the SRA scheme for ways of raising funds.

Mr. Lam Wai Kay gave a perspectives for the lay-person of ship financing and spoke about the unpredictable earnings and other risks. He also gave an introduction to DnB NOR bank and the various financial alternatives. He highlighted the shipping industry as being highly competitive and capital intensive.

The second speaker, Mr. Cheong Chee Tham put forward a thesis on equity financing and how it will impact insurers. He focused on the overview on ship leasing, highlighting the structure of the business trust act and he also elaborated the various issues associated with Passive Investor's Interest Insurance (PIII) and also gave a definition of Residual Value Insurance (RVI) and the role it played in ship finance.

For more information on this Maritime Knowledge Shipping Session or if you would like to share your technical experience in Maritime Knowledge Shipping Session, please kindly contact [cecilia.pay@gia.org.sg](mailto:cecilia.pay@gia.org.sg) or send your queries to [feedback@gia.org.sg](mailto:feedback@gia.org.sg)

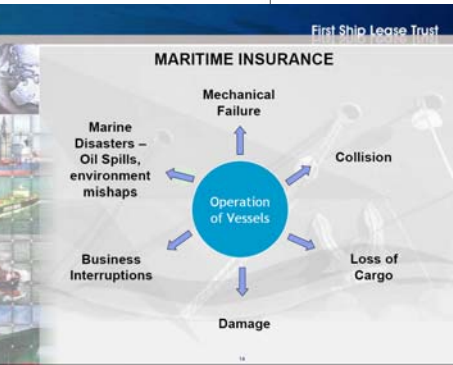
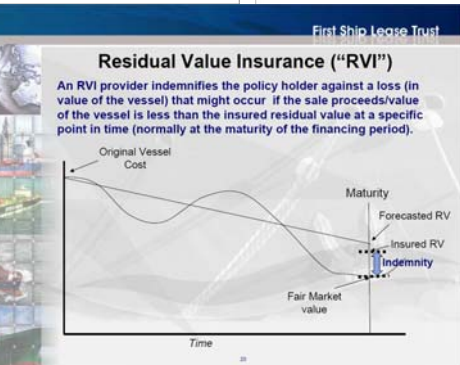
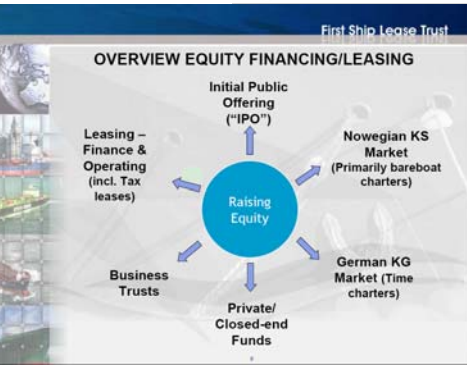
The next Maritime Shipping i.e. Session 4 will be announced shortly in our website at [www.gia.org.sg](http://www.gia.org.sg). Stay tuned.



**The Shipping Industry**

- **Unpredictable earnings**
  - Volatility due to quick changes in the supply/demand balance
  - Demand: Transport volumes determined by world economy and world trade, changes in foreign exchange rates, shifts in supply/demand for natural resources, and even weather
  - Supply: Determined by a finely tuned balance of newbuildings, demolition activity (a function of vessel age, newbuilding prices, scrap steel prices, and, in some cases, regulation), and charter rates
- **Competitive Factors**
  - Barriers to entry/exit, long lived assets, high fragmentation
- **High operating leverage**
  - A large portion of costs are fixed, capital intensity
- **Complex company structures**
  - Holding companies with various legislation involved, transparency / disclosure, private companies
- **Regulatory environment**
  - The U.S. Oil Pollution Act of 1990, IMO

3 | September 14, 2007 DnB NOR

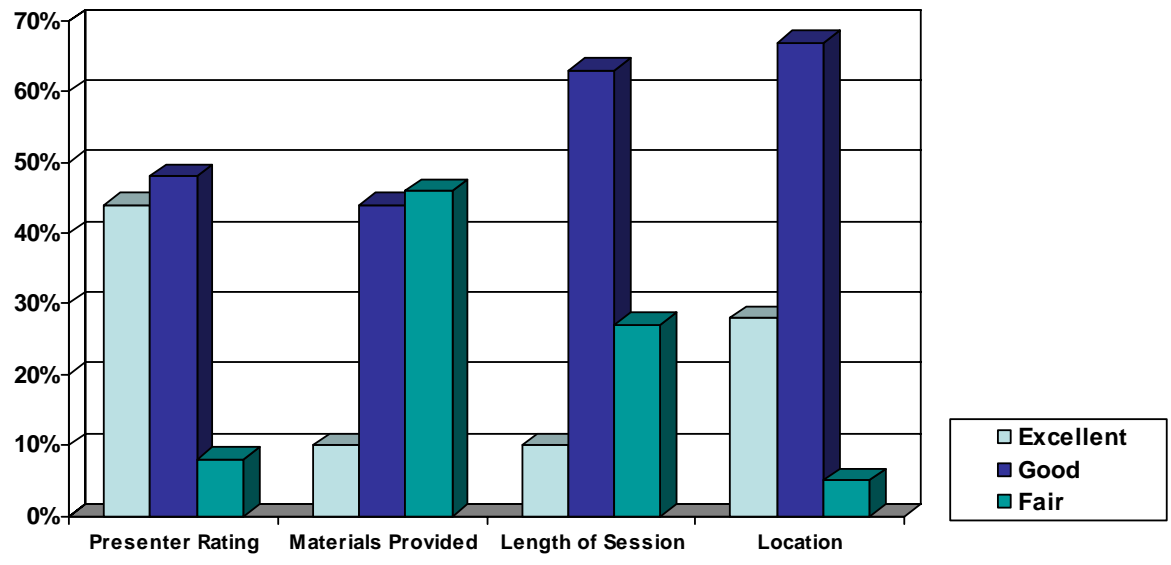




**pictures taken during session 3**



**feedback**



**Suggestion for future session topic :**

- More examples of problems encountered in Re-possession of vessels
- Outlook on Shipping/ offshore Industry and Marine Insurance related topic
- Flag State / Jurisdictions
- Shipping Funds / Finance Leasing and Operating lease of vessels
- Some real life case studies
- Shipyard topic
- Ship broking topic