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### SHIP MANAGEMENT

## Bibby warns that cuts can be self-defeating

Monday 23 March 2009

Companies across the industry are facing increasing financial pressures as a result of the global credit crisis and rising commodity prices. Shipowners now face difficult financial decisions and are exploring increasingly risky ways to cut their baseline. However Barry Hughes, finance director at Bibby Ship Management, warned shipowners against cost cutting in the wrong areas.

He told *LLSM*: "While vessel-operating costs continue to rise at an alarming rate, particularly in respect of crew wages, we are also seeing declining charter rates in many sectors, and consequently vessel owners are being forced to review their financial planning.

"Insurance costs are certainly rising, and perhaps the most significant trend is the continuing rise in P&I premiums following substantial increases in claims costs for all the major clubs, exacerbated by EU requirements for insurers to maintain increased solvency margins designed to protect policyholders."

In addition, war risk premiums for vessels trading in areas such as the Gulf of Aden are increasing, and owners are also facing increased security costs as a result of such threats.

"While there may be potential for some premium savings to be made by either reducing the levels of cover, such as for hull and machinery - if this is permitted by any mortgage holder - or increasing deductibles, anything beyond that would be a false economy.

"Vessel owners should always ensure that they have adequate insurance cover in place to protect their vessels, their crew and third parties, as the potential financial consequences of not carrying sufficient insurance protection massively outweigh the cost of any premium savings to be made," Mr Hughes said.

He confirmed that all Bibby Ship Management clients carry adequate cover, "but there may be a tendency for some shipowners to view insurance as a disposable cost. Taking too short term a view of cost management is a foolhardy move and one which could have disastrous long-term consequences. Insurance is business critical and should always be treated as such."

### Design force

Bibby Ship Management has joined forces with offshore ship design consultancy business OSD-IMT, based in Scotland. The new alliance is intended to open up new maritime markets for Bibby, while giving OSD-IMT customers access to Bibby's global service network.

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OSD-IMT is part of Netherlands-based Offshore Ship Designers (OSD), a global one-stop resource delivering naval architecture and marine engineering skills to the shipping and offshore energy industries. It specialises in tug, ship and offshore unit designs, from project specification and concept studies through to detailed engineering and newbuilding supervision.

Jon Osborne, Bibby managing director, said: "Our alliance with OSD-IMT is a great example of how we can work together to establish mutually beneficial relationships across different maritime sectors. Clients will benefit from the synergies that our partnership can bring in terms of increased levels of tailored service and capability offerings."

#### Gas deal

In another deal, Bibby Ship Management has signed an agreement with Italian LPG carrier owner **Synergas**, under which Bibby will provide a full ship management service, including crew and technical management, for five of the Italian firm's fleet.

The ships, which will be managed under a Baltic and International Maritime Council (BIMCO) contract, include the newly built *Syn Ziana* and sisterships *Syn Mira*, *Syn Mizar*, *Syn Acra* and *Syn Alcor*.

**Synergas** is a joint venture between Zachello Group and family-owned shipping concern Cafiero Mattioli\*.