

TUG Magazine

June 2008



On 2 February 2008, due to heavy wind, heavy cargo vessel 'Zhen Hua 10', carrying five gantry cranes, grounded alongside the beach, just outside Rotterdam on the Maasvlakte. On 5 February, during high tide, SMIT Salvage successfully refloated the vessel.

More >>>

Dynamic growth gives SMIT its special character	2
Naming ceremony 'Smit Lumut'	2
SMIT Salvage: new hands at the wheel	6
'Zhen Hua 10' refloat marks record day for SMIT Salvage	6
New systems to enhance salvage capability	7
Recognising change in the market for subsea/diving services	8
SMIT sheerlegs complete 'P53' FPU project lifts	9
Removing gas platform 'P14-A' from the dutch sector	10
SMIT Subsea Europe deploys DSV 'EDT Protea'	10
Key decisions taken on the greening of SMIT	11
SMIT to roll out global Tug Master training programme	11
SMIT Amandla Marine takes action on skills retention	12
South African focus on sustainability	13
Work commenced on Vietnamese mooring contracts	14
Further orders considered for fast-expanding SMIT Rebras	15



page 3

Newbuilding programme at full steam



page 4

Planning for greater synergies between Rotterdam and Antwerp



page 5

SMIT Terminals gears up to start major projects



page 7

Storm victims prominent in first quarter workload



page 8

Busy times for SMIT's popular "B-Class" vessels



page 16

Robin Middleton awarded Fop Smit Medal

DYNAMIC GROWTH GIVES SMIT ITS SPECIAL CHARACTER

Dynamic growth continues to shape SMIT and its activities around the world. The wind fills our sails and there is a clear sky and strong breeze. Net profit last year rose substantially. The Salvage and Transport & Heavy Lift Divisions were key contributors, yet Harbour Towing and Terminals also performed extremely well. Last year, once again, outcomes were positively influenced by strong synergies between Divisions. We are approaching a perfect balance.

It was against this highly positive background that we rejected the recent unsolicited, Boskalis-led bid for SMIT Terminals. Given the synergies achieved and the excellent performance of the Divisions, we see no reason to change direction and destroy this winning formula. So, we continue with "business as usual" ... and that means more growth!

One other recent development of significance was SMIT's acquisition of the balance of Antwerp-based URS, a transaction completed during the first quarter of this year. Antwerp ranks amongst the top ports of the world. It continues to grow and its strategic location will generate further increases in traffic. We can now move ahead and achieve even greater synergies between SMIT's Antwerp and Rotterdam-Europoort operations. Full integration with URS poses no risks, as we have been close for many years. We will now make the most of savings in areas such as purchasing

and newbuilds. We will also cooperate more effectively in the salvage sector.

Taken overall, I am extremely pleased with SMIT's progress. We advanced last year and continue to do so in 2008. We have a positive outlook on all fronts. For example, we have a considerable volume of business in prospect for our Harbour Towing Division. As for the extensive newbuilding programme, around two-thirds of the 100 plus new vessels are earmarked for expansion - many for our harbour towing activities around the world. The Harbour Towing Division maintained its high performance throughout 2007. This Division's resilience reflects the worldwide increase in shipping traffic and, in addition, the growing efficiencies associated with the operation of a young fleet. In this sector, URS will contribute to results on a 100% basis from this year.

Other new vessels are required to service both existing, extended and new contracts secured by SMIT Terminals. There is plenty of growth in the pipeline. SMIT Subsea transferred to Transport & Heavy Lift from the Terminals Division. However, this switch resulted in no fall in SMIT Terminals' performance. Four contracts were extended in 2007, together with a fifth in the first quarter of 2008. New projects include a 25-year contract in Italy, a new project in Gabon and further new contracts in Kuwait and Pakistan.

SMIT Salvage continued to perform strongly during 2007. Major projects during the year included the 'MSC Napoli', the container vessel beached off the Devon coast in January 2007. A major effort recovered over 3,500 tonnes of HFO and more than 2,000 containers. Salvage may be an inherently unpredictable business yet the trend here is also one of growth.

The supply of well-qualified, competent seafarers is failing to keep pace with unprecedented growth in the size of the world fleet. The significance of the human element in the maritime safety chain and the steady dilution of expertise are the primary drivers for growth in the salvage sector.

We will not make such fundamental miscalculations in our own business. SMIT's Tug Master Training Programme is already under way. We will ensure that our pool of human expertise keeps pace with the expansion of the SMIT fleet.

Turning to Transport & Heavy Lift, the transport workload now includes a growing proportion of long-term contracts. Meanwhile, the smaller vessels remain much in demand in the spot market. The transport fleet will continue to expand during 2008-09. As for Heavy Lift, the business is cyclical by nature. Yet the global deployment of our heavy lift vessels ensures that opportunities arising from regional upturns are available to us. Most recently, for



example, a concentration of heavy lift assignments has developed in the European region and the sheerlegs will be deployed to meet these needs.

SMIT Subsea now sits alongside Marine Projects, within the Transport & Heavy Lift Division. SMIT Subsea has also been reinforced. It now operates from three centres, following the addition of SMIT Subsea Europe.

We have good reasons to be optimistic. As a Group, we are working harmoniously between Divisions and with our clients. We move forward with confidence, with excellent prospects in the short, medium and long-term.

Ben Vree
Chief Executive Officer

NEWBUILDING PROGRAMME AT FULL STEAM

SMIT's massive newbuilding programme, adding 140 new vessels to the fleet in the 2004-09 period, is now one-thirds complete. The latest deliveries bring the total to 66 and the pace will quicken during the second half of 2008 and throughout next year.

Meanwhile, fast-track new orders have been placed for SMIT's major terminal support project for Kuwait Oil Company (KOC). They include two 45 tonnes bollard pull tugs, ordered from ASL Batam, Indonesia, for delivery this September. This is SMIT's first order for ASL, a yard with an excellent track record in tug construction.

The new terminal under construction in Kuwait will require two tugs of 70 tonnes bollard pull, three 45 tonnes bollard pull tugs, a crane barge, a line handler and three crew vessels.

The 30 x 10 meter crane barge for the KOC project has been ordered from Neptune Marine at Aalst, in The Netherlands. This barge, due for delivery in October, is required for terminal maintenance tasks. In addition, Uzmar in Turkey has received an order for a mooring vessel for service at the new terminal. This vessel is due for delivery in mid-September.

Deliveries of newbuildings so far this year include the 'Smit LiPuma' bunker barge built by DORMAC and delivered in mid-March. The bunker barge is now in service at Durban.

Tug deliveries so far this year included the 'Smit Rio Muni', a 3211 vessel built by Damen Gdynia for LNG terminal support duties in Equatorial Guinea. The 'Smit Rio Muni' was delivered in mid-March and began work in Africa during April. Another newbuilding, 'Smit Bioko', arrived in Equatorial Guinea in December. These tugs relieve two "front-runners", the 'Smit Rhône' and 'Smit Loire'.

First quarter deliveries also included the 'Smit Grenada', built at Daman Galatz, Romania, and now working in Panama in the harbour towing role. This is a 2810 ASD tug with a 60 tonnes bollard pull.

During the first quarter, two additional "L-Class" vessels were delivered, 'Smit Lumut' (fourth in the series of seven), followed by 'Smit Luzon'. 'Smit Lumut' has now joined other L-Class vessels working under a charter with Saudi Aramco, while 'Smit Luzon's' first assignment is in Singapore. On completion of work at Singapore, this newbuilding will also proceed to Saudi Arabia. The L-Class series is building at Keppel Nantong.

Daman Galatz has won orders for a number of 2810 tugs for service with the SMIT fleet. They include the new generation 2810 'Smit Hudson', due for delivery in early June, and a sister vessel, 'Smit Schelde', for delivery in August. Both are equipped for operations in Rotterdam.

During May the Galatz yard is due to complete the standard 2810 'Smit Trinidad'. A new generation 2810 tug (as yet unnamed) will be delivered by Galatz in late July.

Second quarter deliveries will also include the 'Smit Lumba' and 'Smit Laisa'. Keppel Nantong are due to hand over these newbuildings in May and June respectively.

In the third quarter, SMIT's new 84 meter submersible barges, Smitbarges 6, 7, 8 and 9 are due for delivery from the Chinese yard Jiangmen Nanyang Ship Engineering, Xinhui. The barges will join the fleet in August and will be deployed initially in the North Sea region.

Tug deliveries in the third quarter will include two 70 tonnes bollard pull ASD tugs, 'San Nicola' and 'San Francesco', due to join the fleet in August and September respectively. These tugs are building at Bogazici, Turkey, and are required for terminal support at the new Adriatic LNG facility, Italy. During this period two sister vessels, 'San Marco' and 'San Giorgio', will be delivered from the Italian yard of San Marco, for service at the Adriatic LNG terminal.

August will also see the delivery of two 22 meter crew/pilot vessels, 'Smit Bobyan' and 'Smit Failaka', building at Strategic Marine in Singapore for service at Kuwait. A third vessel of this type, 'Smit Kubbar', will be delivered in October. During December, two new generation 2810 tugs will be delivered from the Song Cam yard, Vietnam. Looking ahead to 2009, Damen Vietnam will hand over four 85 tonnes bollard pull ASD 3213 tugs, the first two in June and the second pair by the end of the year. All four will enter service initially at Rotterdam-Europoort.

Other deliveries next year will include two 3211 tugs from the Penglai yard, China.

Next year's deliveries will also include three 2500 series multipurpose tugs, building at Damen in The Netherlands, for harbour towing and project work in European waters.



'Smit Bioko' currently operates in Equatorial Guinea for SMIT Terminals.



2810 tug 'Smit Schelde' under construction in Galatz, Romania.



Newbuilding 'Smit Grenada' was delivered in February 2008.

NAMING CEREMONY 'SMIT LUMUT'



On 11 February 2008, the Naming ceremony of 75 tonnes bollard pull AHTS vessel 'Smit Lumut' took place in Singapore. The vessel was built by the Keppel Nantong Shipyard in China. Ms Theo, spouse of Fleet Manager Richard Theo, acted as sponsor lady. Following the Naming ceremony the 'Smit Lumut' left for Saudi Arabia on a 5-year contract serving several jack-up rigs and fixed installations in the Persian Gulf.



Colophon

For any information about specific activities, equipment and services, please apply to:

SMIT
Waalhaven O.Z. 85
P.O. Box 59052
3008 PB Rotterdam
Tel +31 10 454 99 11
Fax +31 10 454 97 77
E-mail company@smit.com

Editor
SMIT Public Relations

Texts
TRS Public Relations
SMIT Public Relations

Design & production
Studio Clarenburg, Schiedam

Photography
SMIT Public Relations
Roderik van Nispen
and various SMIT colleagues

Printing
Schefferdrukkerij, Dordrecht

Copyright
Texts can be reproduced after
permission from the editor.

PLANNING FOR GREATER SYNERGIES BETWEEN ROTTERDAM AND ANTWERP

SMIT recently acquired 100 per cent ownership of Belgian towage and salvage group URS. SMIT Harbour Towage is now strongly placed to maximise synergies between its operations at the leading ports of Antwerp and Rotterdam-Europoort.

Agreement to purchase Fairplay Towage's 50 per cent interest in URS was reached on the last day of 2007. This increased SMIT's interest in URS to 100 per cent. The purchase was completed during the first half of February.

At the practical level, we now have much to do. There will be no immediate changes in terms of strategy and development. Furthermore, the URS identity will be retained. At the same time, however, we have a greater opportunity to achieve more synergies in areas such as client service and maintenance and repair."

"One obvious example centres on our very successful use of Rotterdam-Europoort as a "garage" for SMIT Terminals' vessels and other Division deployments elsewhere in Europe and beyond. We have the flexibility to switch tugs from harbour assistance to terminals assignments and vice-versa. This inherent flexibility is now increased, as we can operate at Antwerp in a similar manner."

Loek Kullberg, Managing Director of SMIT's Harbour Towage Division, says: "Antwerp represents a growing market for harbour assistance and associated services. We are now extremely well positioned to play a central role in the expansion in a port with great strategic importance. URS is an excellent fit, within the total portfolio of SMIT Harbour Towage.



Newbuilds 'Union Grizzly' and 'Union Kodiak' also joined the URS fleet last year.

URS operates a substantial fleet of tugs. Last year saw the delivery of the ASD newbuildings 'Union Amber' and 'Union Jade'. They are the first of 12 new tugs building at the Spanish yard of Astilleros Armon - all for delivery before 2010.

In Rotterdam-Europoort, two Damen-built 2810 new generation tugs, 'Smit Hudson' and 'Smit Schelde', are due for delivery in June and August respectively. Both are equipped for two-man operation. They are building to a specification very similar to that of the 'Smit Elbe' and 'Smit Donau', currently operating in Rotterdam and Liverpool respectively.

An additional 2810 newbuilding, 'Smit Grenada', has been deployed to Panama, to succeed the 'Smit Mississippi'. The latter was proceeding to Vancouver, Canada, at the time of writing. 'Smit Mississippi' is booked for a full drydocking and refurbishment, in preparation for Canadian service. This work programme includes engine modifications and the installation of a new emission control system. The 'Smit Mississippi' will operate in the port of Vancouver and will also serve as back-up to the 'Smit Clyde'. This tug is stationed at Prince Rupert, where a major new container terminal opened in the third quarter of last year.

SMIT acquired its Liverpool harbour towage operation in 2007. Currently, six tugs are at work at Liverpool - two ASDs and four Voith-Schneiders. One of them, the 65 tonnes bollard pull Voith-Schneider tug, 'Smit Trafalgar', is to be succeeded by the 2810 newbuilding 'Smit Trinidad'. 'Smit Trafalgar' is to be mobilised to Taiwan. This tug's new role will include the provision of assistance for Evergreen's large container vessels.

Change of ownership at Liverpool went smoothly; good progress is being made in the port. Further afield, in Argentina, two tugs 'Smit Jamaica' and 'Buni' are now operating at Buenos Aires. Meanwhile, a further two tugs - 'Smit Antigua' and 'Duma' - are working at Bahia Blanca, some 500 km south of Buenos Aires. Operations at Bahia Blanca are undertaken in cooperation with the local operator, Satecna Costa Afuera.

Looking ahead, in October of this year SMIT's 10-strong fleet at Panama will be reinforced by a 2810 new generation newbuilding. Six 2810s of the new generation type will remain for delivery at that point. Two are expected in December and the remaining four during the first half of 2009.

SMIT TERMINALS GEARS UP TO START MAJOR PROJECTS

Preparations intensified during the first quarter of the year to commence SMIT Terminal's new contract for Kuwait Oil Company. This is a four-year contract, awarded last November, to service vessels calling at KOC terminals in Kuwait. A fleet of ten vessels is required for this contract, which commences in July. SMIT tugs will provide support for tankers calling at shore terminals and SPMs offshore.

The two 70 tonnes bollard pull newbuildings 'Smit Europe' and 'Smit Africa' have been earmarked for the KOC contract. At the time of writing, 'Smit Europe' was in African waters and preparing to return to Rotterdam. This tug will work in Rotterdam-Europoort as it prepares for the Kuwait assignment. The 'Smit Europe' will be deployed to Kuwait in October. Meanwhile, 'Smit Africa' is under charter, working in the Middle East region on SMIT Transport projects. The 'Smit Africa' is also scheduled to arrive in Kuwait during October.

The KOC contract also requires three 45 tonnes bollard pull tugs. Two are currently under construction at Batam, Indonesia. The third will be a 2810 tug which yet has to be allocated. An additional five vessels are required for service in Kuwait, three pilot/crew boats, a mooring vessel and a crane-equipped work barge.

SMIT Terminals regards Kuwait as an important market and steps have been taken to increase its presence in the area. This will be reinforced over the next few months as the KOC terminal assistance programme begins. SMIT Terminals is currently tendering for further work in Kuwait.

During the third quarter of this year another major project is due to commence - the Adriatic LNG offshore terminal support contract. This contract has a 25-year term. The contract will be serviced by SMIT Terminals and its Italian partner, Rimorchiatori Riunita Panfido.

The LNG facility is of a type unique in Europe - a gravity base structure to be stationed offshore Porto Levante, near Venice. Exxon Mobil is the lead operator. The support contract will be serviced by four 70 tonnes bollard pull newbuildings. The 'San Francesco' and 'San Nicola' are building in Turkey. The 'San Marco' and 'San Giorgio' are under construction in an Italian yard. The first gas carrier is expected to call at the new facility in October.

In Africa, SMIT Terminals' contract with Total Gabon has been extended for three years, with the option of two one-year extensions. This agreement was reached in late March. Four tugs are deployed on behalf of Total Gabon.

SMIT Terminals has also secured a new contract in Pakistan, with a two-year duration. The contract commences in May and requires the provision of a tug and pilot/crew vessel

for terminal assistance. The primary task is to assist container vessels calling at Port Qasim. A pilot/crew vessel, named 'Smit Qasim', has been acquired from Damen. The designated tug is the 'Smit Loire'.

SMIT Terminals' contract with CPC at Novorossiysk has also been extended, for two years. 11 vessels, of which four tugs, are employed for this contract. Two of the four tugs were chartered from KST, SMIT's partners in Singapore. These tugs were recently purchased by SMIT.

Following the Group's firm rejection of the recent unsolicited Lamalco bid for SMIT Terminals, during the first quarter, the Terminals Division continues to make good progress. The market is strong, with high levels of demand for terminal support, particularly in the LNG sector. There are very encouraging prospects for growth in terminals support.

Harbour tugs 'Smit Donau' and 'Smit Canada' assisting a container vessel in Liverpool.



'Smit Zweden' assisting cruise ship 'Queen Victoria' at arrival in Rotterdam during her maiden voyage.

SMIT Terminals supports tankers calling the SPM's 5 miles west of Novorossiysk.



SMIT SALVAGE: NEW HANDS AT THE WHEEL

A new chapter in the long history of SMIT Salvage has opened with the appointment of Caspar Domstorff as Director of Salvage, with global responsibilities for the Group's salvage activities.

Abel Dutilh, Managing Director of SMIT's Salvage Division, says: "With Caspar Domstorff's appointment, which took effect January 1, we

enter a new phase, with a number of key positions taken by a new generation.

"Some familiar faces have gone and we wish them well in the future. In particular, we bid farewell to Hans van Rooij, who has retired as Director of Salvage Innovation and Development. In addition, Geert Koffeman

has left the position of General Manager, Commercial, to embark on a new career.

"Our new faces in senior positions include Bert Kamsteeg, now Operations Manager for Europe, and Bert van der Velden, who has been appointed Innovation and Development Manager. In addition, Jason Bennett, who headed up SMIT's London office until recently, is now Commercial Manager, Europe.

"Roger Elliott - who headed up SMIT Salvage in the interim - stayed in Rotterdam to assist Caspar Domstorff until the end of the second quarter. He then returned to Houston."

The Salvage Division had a busy workload in December and this continued into the New Year. In January and February there were many responses to casualties in the North West European region. They included the grounding of the heavy lift vessel 'Zhen Hua 10' off Rotterdam and the general cargo vessel 'Ice Prince', lost in a storm in the English Channel. The ferry 'Riverdance' also went aground, having been struck by a freak wave in Morecambe Bay.

Former Director of SMIT Salvage Hans van Rooij (l) hands the wheel to his successor Caspar Domstorff (r).



'ZHEN HUA 10' REFLOAT MARKS RECORD DAY FOR SMIT SALVAGE

'Zhen Hua 10' was carrying five large cranes when she grounded off Rotterdam during early February. Four tugs refloated the vessel on February 5. That same day other SMIT Salvage teams refloated a bulk carrier from a reef off Jeddah and the 8,000 TEU container vessel 'CMA CGM Don Carlos' following a grounding in the Suez Canal. The refloating of three vessels in 24 hours set a new record for SMIT Salvage.

'Zhen Hua 10' is a 1981-built former tanker operated by Shanghai owners. It was relatively recently converted to the heavy lift role. The vessel had almost completed her voyage from China and was about to enter to discharge three of the five cranes at Rotterdam. The two other cranes were for delivery at German and Spanish ports.

This vessel became a casualty when caught by violent winds and driven onto a sandbank off the Maasvlakte, during the severe storm of February 2. The 86,983 DWT vessel first grounded at the stern and was then pushed parallel to the shore.

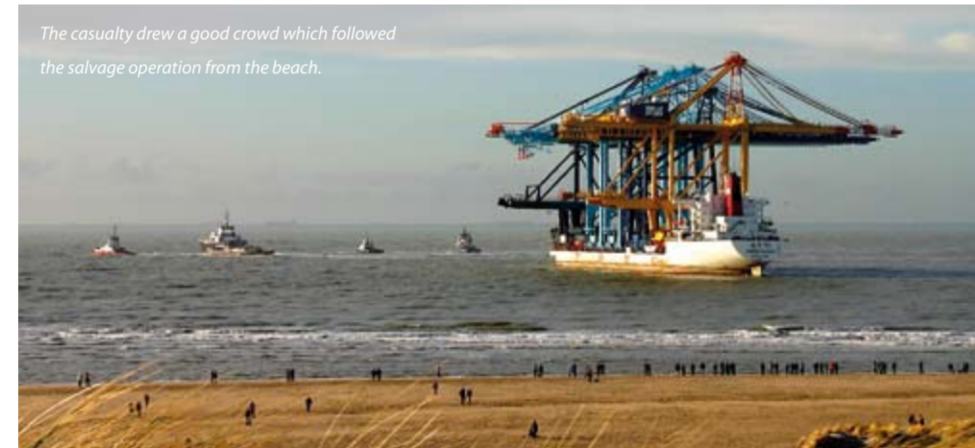
SMIT's Salvage Master arrived by helicopter at 05.00 that morning. He was winched down in BF 10 conditions. The casualty was rolling heavily and bouncing on the seabed. The first priority was to ballast down and prevent consequential damage arising from excessive movement. An additional 6,000 tonnes of ballast held the vessel firmly in position during the storm.

A total of four tugs assisted in the salvage of the 'Zhen Hua 10'.

At first light the Salvage Master could begin his detailed inspection of the vessel. As the salvage team arrived, all tanks were checked. The results of soundings looked promising. It was thought that there was a good chance of achieving a rapid refloating.

Three harbour tugs, including two SMIT tugs, were soon on the scene and connected up. A large salvage tug was also required to achieve the refloating. The Cuxhaven-based 'Janus' participated in this operation. The 220 tonnes bollard pull tug increased the total bollard pull available to 350 tonnes.

The Salvage Master and his team were ready for the high water opportunity during the early hours of February 5. The vessel was refloated



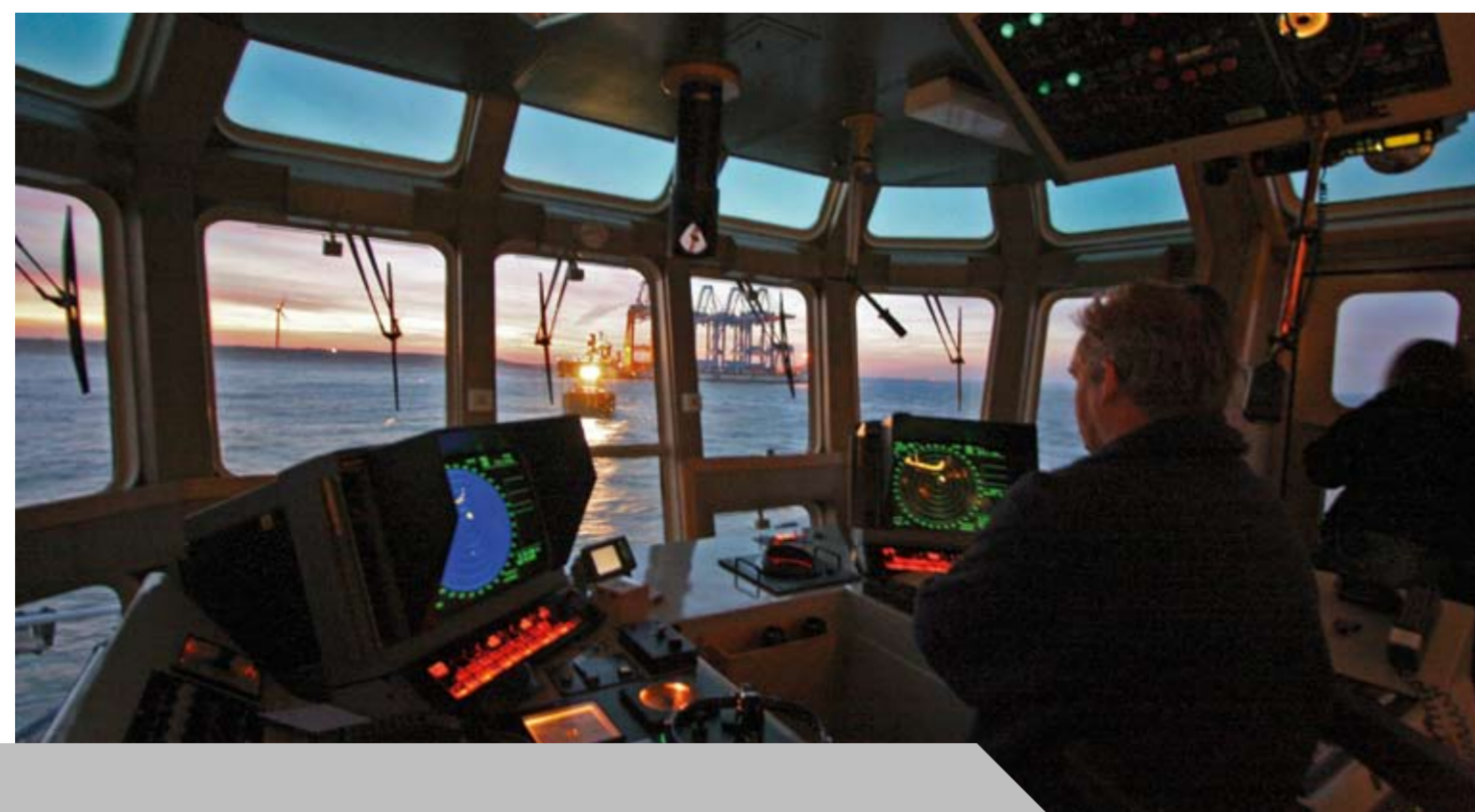
at 01.07 and the next step was a damage inspection. The Salvage Master soon reported that all was well, with no leakages. The vessel was taken immediately into Europoort, due to the imminent threat of another bout of bad

Early February saw a remarkable achievement: the refloating of three casualties in one day. On February 5 the 'Zhen Hua 10', together with a bulk carrier (off Jeddah) and the container vessel 'CMA CGM Don Carlos' (in the Suez Canal) were freed from their grounding positions.

The 'Riverdance' was a different proposition. Preparations to refloat this casualty - on a beach close to Blackpool - were close to completion on two occasions when more storms caused further deterioration in her condition. In the event, all pollutants were removed. The 'Riverdance' is now the subject of a wreck removal.

During the second quarter, preparations commenced for the resumption of work on the removal of the aft section of the container vessel 'MSC Napoli', lost off the Devon coast last year. In the Far East, meanwhile, a new assignment arose from an incident involving a car carrier brought into a Vietnamese yard for lengthening. The foreship took on a severe list and settled on the bottom. SMIT's task is to right the fore section and achieve a refloating.

At the time of writing, preparations were also under way for a significant oil recovery assignment. The task here is to remove oil residues from the wreck of the 'VLCC Haven', which exploded and sank off the Italian coast in the 1980s. Work began in April.



STORM VICTIMS PROMINENT IN FIRST QUARTER WORKLOAD

Preparations intensified during the early weeks of the second quarter for the commencement of a number of significant salvage, wreck removal and oil recovery operations. They included the return to the location off the Devon coast where the stern section of the container vessel 'MSC Napoli' has yet to be removed.

The 'MSC Napoli' project team resumed work, following the end of the Winter season, earlier this month (May). The task is to remove the stern and then clear the site during the Summer period. The vessel's accommodation block was cut away and removed last year. Work is now in progress to cut the stern into sections of around 300 tonnes, using a powerful hydraulic cutter.



SMIT Salvage discharged 3,000 tonnes of barley from the grounded bulk carrier off Jeddah.

The main work platform on site is a large barge, equipped with a 1,000 tonnes crane. This can be rigged with a large grab, lifting slings or a magnetic unit, for lifting tasks of all types. Prior to the start of this phase of work, the team used a series of controlled explosions to open up the main engine and separate the propeller shaft and rudder into manageable sections. Barges will transport scrap to a recycling facility in The Netherlands. Time on site

A salvage team makes its way to the casualty in the English Channel.

is estimated at 130 days. As ever, work of this type is highly weather-dependent.

Next month will see the start of an oil recovery assignment requiring the ROLS system and ROVs. The objective of this diverless project is to recover the 300 tonnes of bunkers (IFO) estimated to remain in the tanks of the general cargo vessel 'Ice Prince'. The vessel was abandoned when her timber cargo shifted. 'Ice Prince' went down in 60 metres and settled on her side, at a point in the English Channel.

ROV investigations have confirmed that the wreck does not present a navigational hazard but there is a requirement to deal with the environmental threat. An oil recovery contract was awarded by the owner's P&I Club. The recovery will take around three weeks, using the remote-operated ROLS system to hot-tap into the wreck's bunker tanks. The surface platform in this case is the DSV 'Vos Shelter'.

The ROLS system was last deployed by SMIT in 2004, to recover oil from the wreck of the 'Bow Mariner', off the US coast.

Meanwhile, work began in mid-April to recover oil residues from the wreck of the 'VLCC Haven', lost off the Italian coast in the 1980s. The contract was awarded by the Genoa municipal authorities. This is a saturation diving project (up to 75 metres), using SMIT divers. The work



NEW SYSTEMS TO ENHANCE SALVAGE CAPABILITY

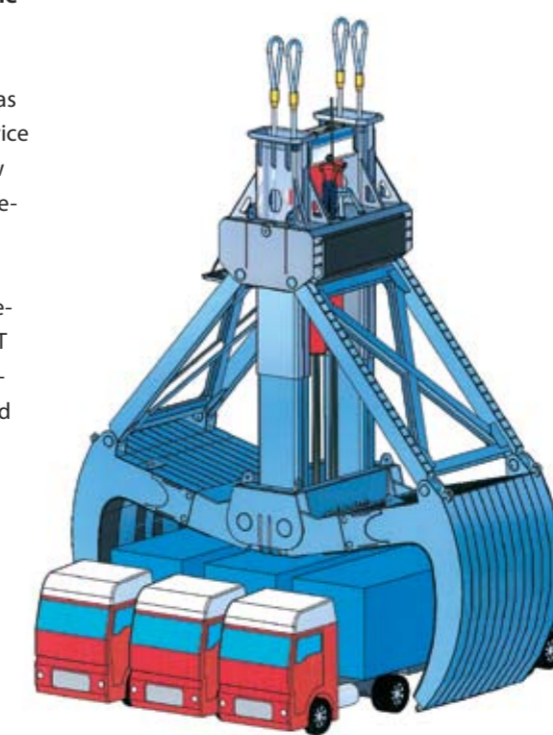
SMIT Salvage's Innovation & Development (I&D) department is currently delivering a number of operational research & development projects, ranging from upgrading the mechanical "HDW1" debris grab to the development of chainpullers.

The I&D department within SMIT salvage has three main focus areas: environmental service development, innovation & research in new salvage techniques and knowledge management.

The modified debris grab is nearing completion in The Netherlands, to a design by SMIT Salvage and with detailed engineering, fabrication, hydraulics and electronics provided by four subcontracted service companies based in The Netherlands.

When deployed in an earlier, mechanical form, the HDW1 grab's use meant a loss of the sheerlegs' effective hoisting height. This is avoided when using the new electronic/hydraulic variant. The closing force

is much increased - to the point where the grab's jaws bite into steel and greatly increase the grip.



The grab opening/closing is now PLC (Programmable Logical Controller) operated which provides better monitoring of the actual operation e.g. controlling forces and thus preventing possible damage to equipment. Further the electrical/hydraulic powerpacks are specially designed for subsea application at depths up to 150 metres.

SMIT Salvage's new electronic/hydraulic grab - own weight 250 tonnes, 600 tonnes net capacity - will be used operationally for the first time later this year, in the removal of a vehicle carrier wreck.

SMIT Salvage is also taking delivery of a new developed series of chain pullers. There are 16 units in this system, each with a capacity of 200 tonnes. This provides a total of 3,200 tonnes of pull force, for lift-

is due for completion next month. The surface platform in use is a barge with four-point moorings, assisted by support tugs. A total of 88 individual spaces must be checked and certified free of oil. The wreck's cargo tanks are known to be empty.

The contract was awarded on a preventive basis, to protect the extensive oyster and mussel beds in the area, together with tourist beaches.

SMIT Salvage work during the first quarter also included the preparations to refloat the freight ro-ro 'Riverdance', which grounded on a beach near Blackpool, UK, at the beginning of February. The salvage team successfully removed all pollutants. Despite considerable efforts under this LOF/SCOPIC contract, it proved impossible to refloat her due to significant additional damage caused by subsequent Winter storms. The vessel is now the subject of a wreck removal.

Elsewhere in the world, SMIT Salvage activities during the first quarter included the refloating of a 70,000 DWT bulk carrier, laden with 45,000 tonnes of grain. This vessel grounded on a reef off Jeddah on January 16. An LOF contract was awarded. The refloating was achieved by a part discharge (3,000 tonnes of barley) and the injection of air into No. 1 starboard ballast tank and the forepeak.



Tanker 'Ficus' was refloated by 'Smit Oneida' and local tugs after a lightering operation.

The 'Smit Africa' participated in the refloating on February 5, together with local harbour tugs. The bottom damage to the vessel was found to be relatively minor, although the forepeak and No. 1 starboard were holed.

Two weeks later, a SMIT Salvage team refloated the 45,000 DWT shell tanker 'Ficus', following a grounding at Nassau, Bahamas. At the time of the incident, on February 26, this vessel was carrying a cargo of jet fuel and other white oils. The refloating was achieved by the 'Smit Oneida' and local tugs.

SMIT Salvage also assisted when the vessel 'Artemis' grounded on the French coast. 'Artemis' was in ballast and was driven ashore in a storm. SMIT Salvage was subcontracted to provide a Salvage Master and Salvage Naval Architect. The vessel was refloated on March 20.



The newly developed chainpullers.

ing and parbuckling during salvage and wreck removal operations.

Meanwhile, new Development projects are under way as for example research in "Deep Water Oil Recovery Systems" and development of salvage techniques for the growing amount of very large container vessels. SMIT has gained significant experience during the removal of the more than 2000 containers from 'MSC Napoli' last year, and is fully aware that the latest generation of mega container carriers requires special attention for safe and efficient cargo removal during an emergency situation.

RECOGNISING CHANGE IN THE MARKET FOR SUBSEA/DIVING SERVICES

Work progressed rapidly in the first quarter to integrate the well-known GB Diving organisation into the SMIT Group. The company now operates as SMIT Subsea Europe, within SMIT's Transport & Heavy Lift Division and based at the Group's Rotterdam headquarters.

Division Managing Director Abel Dutilh says: "SMIT Subsea, working in close association with SMIT Marine Projects, is now well-placed to expand its activities on a global basis. We now offer a full range of subsea services - including ROV operations - from three regional centres: SMIT Subsea Europe (Rotterdam), SMIT Subsea Middle East (Dubai) and SMIT Subsea Africa (Cape Town)."

This subsea capability is based around a full range of service options, the availability of sophisticated saturation dive systems and productive partnerships with new generation DSV operators. Abel Dutilh adds: "One recent example here is our agreement for the operation of DSV 'EDT Protea' in the North Sea for the coming year, for inspection, repair and maintenance duties as well as subsea installation activities in the southern sector of the North Sea."

"The key factor behind our commercial strategy is the recognition of a fundamental change in the market. Historically, oil compa-

nies chartered vessels from the owners and left it to them to contract diving services. Today, however, the trend is for oil industry clients to contract with the subsea services providers who, in turn, make their own arrangements for a DSV and other vessels, as required. This is a very significant shift in market behaviour and expectations."

In the Transport sector, SMIT's fleet continues to develop and expand. The last of the seven "L-Class" newbuildings, 'Smit Laisa', will be delivered shortly. The vessel will commence a long-term charter with Total in Gabon in August, providing anchorhandling, towage and rig support services. Meanwhile, the penultimate newbuilding, 'Smit Lumba', is about to join the other L-Class vessels engaged on a long term charter for Saudi Aramco.

Abel Dutilh says: "There is a possibility that we may order more L-Class vessels, although no firm decision has been taken as yet. Certainly, however, we want to build on the early success of this type. In the L-Class, we have an extremely versatile and reliable workhorse that has proved to be very effective in service."

SMIT's "B-Class" multipurpose work vessels have also found ready acceptance in the market. A number of these vessels are now deployed for the wind farm projects such



as Horns Rev and Robin Rigg, together with barges and a sheerlegs.

Returning to newbuildings, SMIT's four 84 meter barges under construction at the Chinese yard of Jiangmen Nanyang Ship Engineering, Xinhui, are on schedule for delivery in August. Initial deployment will be in the North Sea region.

In the Heavy Lift sector, the series of lifts required for the 'P53' FPU was completed at the Rio Grande yard, Brazil. The client is QUIP, the offshore construction group. With this assignment finished in mid-March, the sheerlegs

'Takilift 4' and 'Takilift 6' prepared for a return to Europe, where a large number of assignments are booked. 'Takilift 4', for example, is required for the removal of the 'P14-A' gas platform in the Dutch sector of the North Sea. There is an expectation that the sheerlegs will return to Brazil late next year, to continue to support the construction of FPSOs and FPUs.

'Takilift 7', 1,200 tonnes lift capacity, recently undertook a bridge installation assignment at Valencia, prior to mobilising to Yemen for a five-month project involving the construction of a LNG jetty. This sheerlegs will then return to the North Sea.

Meanwhile, a further three B-Class vessels have been ordered from Damen in The Netherlands according to the design of IHC Beaver Dredgers B.V. The 'Smit Beluga', 'Smit Buffalo' and 'Smit Bulldog' are due for delivery from April 2009 onwards.

SMIT Transport continues to support the development of new safe access systems to board offshore platforms, as an alternative to heli-

copter transfer. 'Smit Kamara', now in service, has a heave compensated access system. SMIT Transport is now assisting a Delft University project team responsible for the development of an alternative design for safe access, the "Amplemann System". SMIT will employ this system on board of the 'Takilift 4' during the 'P14-A' gas platform decommissioning on the Dutch Shelf, at a position west of the Hook of Holland.



Semi-submersible barge 'Smit Anambas' loaded with barges and pusher tugs on its way to Argentina.

'Smit Bronco', one of three "B-Class" newbuildings, has been deployed for the Robin Rigg wind farm project in Scotland, having completed a long-term charter with Besix at Milford Haven, for the new South Hook LNG facility. In addition, the 'Smit Barracuda' and 'Smit Bison' are required for the Horns Rev 2 wind farm project, offshore Denmark. The tasks will include assistance for the jack-up mobilised for the installation works and the shuttling of barges from Esbjerg. This assignment, of 5 months duration, began in March 2008.

Delft University access system 'Amplemann' was positioned on board the 'Smit Bronco' for its first operational trials.

SMIT's fleet of 24,000 DWT Giant semisubmersible heavy barges includes 'Giant 2', now being refurbished following its return from a charter to McDermott that commenced last December. The 'Giant 2' loaded piles in Sharjah, for transport to Kakinada, on the Indian east coast.

'Giant 3' completed the transportation of modules for the 'P53' FPU, from Singapore to Brazil, at the end of October. The barge left Rio Grande before the close of the year, bound for New Orleans. Upon arrival, 'Giant 3' loaded hopper barges and tugs for the Km 171 Parana River project, Argentina. A total of 33 barges were delivered, on behalf of the Louis Dreyfus division Urugrain S.A. The barge arrived on site on March 29. 'Giant 3' then commenced a repeat voyage.

'Giant 4' carried out crane moves at the Spanish port of Algeciras. This barge then mobilised to Cadiz, to load a 4,000 tonnes module for the Adriatic LNG project, Italy. This module was transported to Algeciras. 'Giant 4' then returned to Rotterdam.

SMIT SHEERLEGS COMPLETE 'P53' FPU PROJECT LIFTS

SMIT sheerlegs have completed a long series of assignments associated with the construction of FPSOs and FSUs in Brazilian yards. Heavy lift support for additional projects is likely to be required next year, when the 'Takilift 4' and 'Takilift 6' will probably return to Brazil. Meanwhile, both sheerlegs are required for a variety of lifting tasks in the European region.

The earlier work programme, for the FSU 'P51', was completed with the installation of the flare tower in mid-March. This operation, requiring a dual lift, was performed at the Angra dos Reis Brasfels yard, near Rio de Janeiro.

'Takilift 4' (1,600 tonnes lift capacity) and 'Takilift 6' (1,200 tonnes lift capacity) also mobilised for the 'P53' FPU lifts. Four modules, with weights of up to 625 tonnes, were lifted at Niteroi by 'Takilift 4'. A series of lifts, involving both sheerlegs, also took place at the Rio Grande yard, where the 24,000 DWT semisubmersible barge 'Giant 3' arrived in the final quarter of 2007 with three modules from Singapore. This heavy transportation assignment formed part of the 'P53' contract. This included the loading of modules and the flare boom on the 'P53' hull in Singapore, with the assistance of the 3,200 tonnes lift capacity sheerlegs 'Asian Hercules II'.

The Rio Grande work programme began with 'Takilift 6' lifting off the flare boom from the main deck of the FPU, for quayside storage. The sheerlegs then performed a variety of lifts involving small modules and pipe racks. 'Takilift 4' then joined 'Takilift 6' for the remaining lifts. The programme of 33 lifts was completed in mid-January.

Elsewhere in the world, 'Takilift 7' (1,200 tonnes lift capacity) visited Valencia in February to lift and transport in the hooks four sections for a bridge re-positioning project. The road bridge in question is now a double swing bridge and part of a Formula 1 circuit. This assignment

'Smit Anambas' continued a series of voyages to Km 171, Parana River, delivering barges for SEACOR. The first four voyages delivered 79 inland barges and four pusher tugs. Each round trip takes three months. Voyage five was under way at the time of writing. 'Smit Anambas' is booked for a sixth voyage, scheduled for August. The vessel's deployment for this project will have run for 20 months at that point. There is also a possibility for additional voyages for 'Giant 3' to Km 171.

'Smitbarge 2' has employment in Angola, in connection with the transportation of aggregates for the new LNG terminal at Soyo. The contract is with Bechtel.

The new series of barges, Smitbarges 5, 6, 7 and 8, are due for delivery from a Chinese yard in the second half of this year. At 84 x 23.5 meter, these newbuildings are sized between the existing "E6000" series and the "Smitbarge Class" as represented by 'Smitbarge 2'. The specification for the new generation vessels is shaped by operational needs for both offshore and inland waterways work.

involved lifts of 200 tonnes each, performed over a three-day period.

During the following month, 'Takilift 7' - assisted by the 'Smit Polen' - was required in Yemen to provide heavy lift services to the Malaysian company Muhibbah, main contrac-



'Giant 3' transported modules for FPU 'P53' from Singapore to Brazil. Sheerlegs 'Takilift 4' and 'Takilift 6' consequently installed the modules onto the FPU.

tors for the construction of a new LNG facility for Yemgas offshore Balhava, a Yemeni port located east of Aden.

Work began on March 8. The scope of work includes lifting jacket structures for the jetty, transported to the site by flat-top barges. The



'Takilift 4' and 'Takilift 6' installing a module onto FPU 'P53'.

sections were installed in a water depth of 20-25 metres. Weights range up to a maximum of 450 tonnes. This project was timed for completion before the arrival of the South West Monsoon in May.

The future workload for SMIT Heavy Lift's sheerlegs include the 'P14-A' gas platform decommissioning - an assignment from SMIT Marine Projects. 'Takilift 4' is required for the removal of the topsides and jacket. The heavy lifts are programmed for May/June.

'Takilift 4', rigged with the 30 meter flyjib, is also required for installation of the jacket and topsides of the Transfer Station for the Borkum West Windfarm. This is scheduled for September, on behalf of the client, a consortium between Hochtief AG and Bilfinger Berger AG. The maximum weight to be lifted is 800 tonnes.

'Takilift 7' lifting a bridge section during the construction of a road bridge in Valencia.

REMOVING GAS PLATFORM 'P14-A' FROM THE DUTCH SECTOR

SMIT Marine Projects is now engaged in the removal of the redundant 'P14-A' gas producing satellite platform operated by Wintershall Noordzee BV, in the Dutch sector of the southern North Sea.

'P14-A' was installed in 1993. This four-leg jacket and topsides is no longer required. SMIT Marine Projects was awarded a contract last December for decommissioning, removal and disposal. The topsides, with a total weight of 650 tonnes, are to be refurbished. The jacket is to be scrapped, following the cutting of piles at 6 metres below the seabed and subsequent removal.

The sheerlegs 'Taklift 4', with 1,600 tonnes lift capacity, will play a lead role in this project, equipped with the 'Ampelmann' access system for safe transfer to and from 'P14-A'. Offshore work will be completed in late June, with the scrapping of the jacket and drill deck accom-

plished by November of this year. A SMIT tug is required to tow 'Taklift 4', with the topsides in its hooks, to Rotterdam.

During the first quarter of this year SMIT Marine Projects also commenced its major contract for sand and aggregates transport in Angola, on behalf of Bechtel. This is a two-year assignment, transporting sand and aggregates from Dande to Soyo, where the reclamation of a site for a major new LNG facility is under way.

SMIT Marine Projects is responsible for the management of this contract. Octomar, SMIT's Angolan partners in a 50:50 joint venture, are providing barges in association with SMIT Transport. SMIT Terminals is providing tugs. Technical/operational support is the responsibility of SMIT Engineering and SMIT Vessel Management Services.

This assignment will involve over 100 voyages from the load port of N'Dongeni. Each of the one-day, 200-mile voyages north to Soyo - on the mouth of the Congo River - will deliver around 8,500 tonnes of sand/aggregate, trucked to the load port from quarries in Central Angola.

During February work began in reconfiguring the two barges. This involves the installation of sidewalls and concrete decks. On completion of these works, 'Smitbarge 2' and 'Eidebarge 37' proceeded to Angola. 'Smit Amandla' towed the barges to location.

The new LNG facility is owned by Chevron/Texaco and partners. It is to be constructed over the 2008-13 period. It will have the capacity to receive LNG carriers of up to 205,000 cubic meter. The platform for the new terminal is being reclaimed from an area of swamp.

The tug 'Smit Rhone' is earmarked for the shuttle service to Soyo. Each loading will take 2.5 days, followed by the one-day voyage north and discharge, with the assistance of a second tug. The latter, supplied by the client, will be succeeded towards the end of the year by 'Smit Bison'.

SMIT SUBSEA EUROPE DEPLOYS DSV 'EDT PROTEA'

Expansion of the geographical spread of SMIT's subsea activities is now a key priority. Following its recent acquisition, GB Diving is now known as SMIT Subsea Europe. It is part of the SMIT Marine Projects business unit and now operates from the Group's Rotterdam headquarters.

Here, the emphasis is on frame agreements for subsea IRM support, on behalf of major oil and gas clients.

SMIT Subsea Europe is extremely active on the Dutch Shelf. In the UK sector, the DP3 Diving Support Vessel (DSV) 'EDT Protea' is expected to maintain high levels of utilisation over the coming 12 months. During the past two years

'EDT Protea'. The vessel will be engaged in various construction activities and support for IRM contracts for offshore and subsea structures.

Meanwhile SMIT Subsea Middle East opened 2008 with a busy workload. Recent projects included subsea hose installation between the J-Tubes to the PLEM of the Floating Storage Unit Al Wasel. This was a fast-track assignment.

A project was also carried out for Maersk Oil Qatar. This called for the change-out of SPM floating hoses by dive teams working on the surface. This was a repeat of a similar assignment undertaken in the final quarter of last year. Elsewhere in the world, SMIT Subsea Africa's modular saturation dive system, SMIT SAT 2, is on board the DSV 'Norspring', engaged in a wide range of field development support activities offshore Thailand.

This assignment will be completed in June. The main contract for the field development is Saipem. The field operator is PTT, the Thai state energy concern. SMIT SAT 2 is a nine-man system.

SMIT SAT 3, a six-man saturation dive system, is undergoing refurbishment following a recent return from the Congo on board the Saipem 'S3000'. The latter is now undergoing drydocking at Cape Town. The vessel and SMIT SAT 3 are required for the Mafumeira project, offshore Angola. This contract's scope of work includes field development support tasks and pipelaying.

Air diving/mixed gas projects under way at the time of writing included subsea work for Canyon Offshore concerning tie-ins for the WAGP gas pipeline, connecting Nigeria to Ghana and subsea surface air and gas diving services to Saipem, off their vessel 'Seamac 1', in Taiwan for the CPC pipeline project.

During 2008 SMIT Subsea intends to place more emphasis on developing partnerships with DSV operators for long term contracts requiring SMIT's saturation dive systems.

this vessel has proved to be an excellent performer, particularly in difficult weather conditions (up to BF 8). 'EDT Protea' offers all-year-round diving and ROV capability.

SMIT and EDT Offshore of Cyprus recently concluded a term charter agreement concerning

The 16 inch hose strings were installed successfully over a 10-day period during February.

The first quarter work portfolio also included the closure of three in-line valves at 120 feet depth for client Dugas. This task was completed cost effectively by a nine-man dive team.

KEY DECISIONS TAKEN ON THE GREENING OF SMIT

SMIT has launched an important programme to "green" the organisation and its activities worldwide. This project will reach into all aspects of SMIT's operations, with a heavy emphasis on education, to raise personal awareness of the importance of environmentally benign and sustainable strategies. These initiatives will be bound together within a new Environmental Management System, to be developed progressively over the next two years.

SHE-Q General Manager Aart de Gloppe says: "This decision has been taken in response to our rapidly changing world and the need to be highly proactive in this crucial area. During the 1980s and early 1990s, the focus was on quality and, in particular, the then rather new ISO quality management systems. From the early-1990s, the emphasis switched more promi-

nently to health and safety issues. In recent years, however, the focus is very firmly on the environment and sustainable development.

"There is now a clear need to examine the SMIT Group's impact on the environment. We want to be positioned as leaders in this area. In September of last year a senior management meeting considered four major strategic issues. It soon became clear that the primary interest was in sound environmental management.

"This is no surprise. SMIT personnel have many ideas for reducing the environmental impact of the Group's operations around the world. Underpinning this interest are some real concerns. One is the need to be at the forefront of change, rather than a late-runner. Another is the need to position the Group ahead of regulatory requirements. We don't want to be

a mere follower of legislation. By the close of the year a meeting of SMIT General Managers had recommended the adoption of a much stronger focus on green issues."

The result was the establishment of the "Greening SMIT" Task Force, with input from a large number of SMIT managers based in many countries. This Task Force is charged with determining SMIT's environmental footprint, setting goals for reduction and developing measures to achieve these goals.

Aart de Gloppe adds: "Over the 2008-09 period the Task Force will determine the carbon footprint of the entire SMIT organisation, identify scope for 'quick wins' - achieving substantial reductions in relatively short timeframes, develop new environmental policies

and standards, set Key Performance Indicators and, in addition, roll-out the new policies."

The SMIT Group's Environmental Management System will include the means to assess environmental impact and measure progress in reducing that impact. Areas to be explored include emissions to the atmosphere, ballast water management, more efficient energy use, managing wastes and addressing the all-important behavioural issues - raising awareness of the significance of the new environmental policies. A start has been made on this front, with the availability of SMITNET as a vehicle for exchanging ideas on environmental best practice.

SMIT TO ROLL OUT GLOBAL TUG MASTER TRAINING PROGRAMME

SMIT is ready to start rolling out the pilot phase of a global, standardised competency programme for Tug Masters. The primary motivation for this major project is the need to man a rapidly expanding tug fleet to the highest standards.

The project is being directed by Mark de Jonge, General Manager of SMIT Vessel Management Services and soon to be taken over by Etienne van Noordenne, Crewing Manager. Mark de Jonge says: "With our most experienced Tug Masters in Rotterdam, we

intend to assess elements which include both training on the job and more formal education, together with simulator-based instruction."

"SMIT took the decision to proceed with a certificated Tug Masters' Training Project

18 months ago. We recognise that more structure must be built into Tug Master training. Traditionally, this training was on the job, together with some simulator training and instruction by existing Tug Masters on, for example, the operation of ASD tugs. A Tug



SMIT Subsea Europe is now operating alongside SMIT Subsea Africa and SMIT Subsea Middle East as the Group's third regional subsea centre. Its major market niche is shallow water subsea services - up to 50 metres water depth. The services centre on IRM (inspection, repair, maintenance) contracts.



SMIT's new simulator can simulate the various tugs and anchor handlers in the SMIT fleet.

Master was appointed whenever he was considered ready to assume that responsibility. The basic requirement is to have a Master's qualification and several years' experience - perhaps four or five years - on a tug. Now we will have a new, clear and structured process for making these crucial appointments in future. There will be two main intake groups for training: those with STCW 2.3 officer equivalent qualifications and those who require STCW qualifications and tug-related training, with command as their ultimate objective."

Beyond the accelerating demand for more Tug Masters, to meet the needs of an expanding fleet, there is also a need to replace those Tug Masters nearing retirement. This is a particular issue in Rotterdam and in Canada, where a number of Tug Masters are approaching retirement age. Mark de Jonge comments: "We estimate that SMIT will need a significant number of new Tug Masters over the next few years, as replacements and to man the many new vessels entering service around the world. As a global operator, we need a global standard for Tug Master competency."

The pilot is intended to start after the summer period. The project team will make a detailed evaluation of the Tug Masters' Training Project, with the key modules trialled in-depth by a group of experienced Tug Masters. The intention is to roll out the full programme by the end of this year.

The first of the three main programme elements is training on the job, to progress individuals from STCW 2.3 qualified to STCW 2.3 Master qualified. The second element consists of course modules dealing with a wide variety of subjects, ranging from regulatory requirements and technical issues to command skills. The final element comprises the simulator training modules relating to all levels, ranging from the fundamentals of tug operation to safe working in extreme conditions.

Programme entrance is determined at several levels: from STCW certificates held to special expertise in areas such as languages and basic IT skills. The programme includes a "Behavioural Competency Review" exploring the personal attributes required for command.

The programme's preparatory phase reached a milestone in March, when SMIT's new simulator - located at the Rotterdam headquarters - was commissioned. This simulator, built to SMIT's specifications, can simulate the various tugs and anchorhandlers in the SMIT fleet. It is already in use, providing refresher training and familiarisation training for the new vessel types. It will also be employed for the Tug Masters' Training Project pilot trial.

Mark de Jonge adds that this is an equal opportunities programme: "We want capable, well qualified people to command our tugs. The programme is available to existing employees and new employees, regardless of gender. There is a place on this programme, if you have what it takes."

SMIT AMANDLA MARINE TAKES ACTION ON SKILLS RETENTION

SMIT Amandla Marine, in common with its competitors nationally and internationally, must confront the challenge of a significant marine skills shortage. The company has responded by putting in place a skills retention strategy with three main elements: confirmation of favourable taxation status for its seafarers, improved leave entitlement and progress in the abolition of historic differentials in pay rates.

SMIT Amandla Marine Managing Director Paul Maclons says: "The global marine skills shortage reflects the unprecedented growth in the size of the world fleet and the fact that demand for competent seafarers far outstrips supply. Other factors include the parallel expansion of the offshore industry and high levels of demand for personnel in this sector. Competition for personnel is increasing and poaching, unfortunately, is now commonplace.

"We cannot afford to ignore these pressures. SMIT Amandla Marine has a seagoing workforce of 500, making us the largest employer of seafarers in South Africa. We invest heavily in training and development, in the upskilling of our employees and in ensuring that the work environment fully complies with health, safety and environmental legislation.

"We have put in place our new skills retention strategy. This commenced at the beginning of the year. One key initiative involves continued talks with Treasury and Revenue, to convert the temporary exemption for our seafarers - protecting them from adverse changes in tax law - to permanent exemption."



SMIT Amandla Marine's newly built bunker barge went into service in Durban in March 2008.

Paul Maclons explains: "Previously, South African seafarers working in the 200-mile EEZ were exempt from the full tax liabilities of shore-based workers. New tax legislation has now taken effect, however, which removes this concession. We continue to argue that this would place our employees at a grave disadvantage and, in addition, allow international companies to gain a significant competitive edge when working in South African waters. We secured a temporary exemption and we believe we now have an opportunity to con-

vert this into a permanent exemption, in the interests of our seafarers and the maintenance of fair competition."

In a second initiative, SMIT Amandla Marine recently introduced an improved leave package for seafarers, moving from a system of four months on/one month off to two months on/one month off. This system is now in operation on a number of vessels. Furthermore, in certain circumstances the company plans to apply a one month on/one month off system.

In a third move, new steps have been taken to close the gap created by the parallel application of dollar and Rand-based salary scales.

Paul Maclons adds: "During the course of this year, with these three initiatives in place, we are looking for a major improvement in skills retention."

SOUTH AFRICAN FOCUS ON SUSTAINABILITY

Sustainability is the main theme of SMIT Amandla Marine's strategy for 2008 and beyond. The financial outcome in 2007 was favourable, providing a platform for further progress in the development of SMIT Amandla Marine's BBBEE (Broad-Based Black Economic Empowerment) programme. The company is currently undergoing an independent audit under BBBEE legislation introduced in 2002. It is hoped that certification following this audit will identify SMIT Amandla Marine as a good contributor to the national BBBEE programme.

Paul Maclons, SMIT Amandla Marine's Managing Director, says: "The BBBEE legislation was accompanied by a series of codes setting out best practice. These provide very useful models and allow the company to carry out progress audits prior to full external audit by an independent authority. In this case, the audit of SMIT Amandla Marine is being undertaken by NERA (the National Empowerment Ratings Agency). We are expecting NERA certification over the coming few months. Our own auditing suggests that we should achieve 70% - a Level 4 rating as a good contributor to black economic empowerment."

There are seven elements to SMIT Amandla Marine's BBBEE programme:

- ▶ Employment equity: equal opportunities for all employees. This extends to gender equality and the rights of disabled employees.
- ▶ Preferential procurement: spending at least 30 per cent of purchasing budgets with previously disadvantaged individuals and newly-established businesses under black ownership.
- ▶ Skills development: training and upskilling - a major focal point, particularly in the area of specialised, scarce skills. Positions of relevance here include: mooring masters, bunker barge masters, bunker barge operators, terminal operators and divers.
- ▶ Socio-economic development: the provision of support and "uplift" to disadvantaged communities. One example of SMIT Amandla's contribution is its support for the Khulanathi project in Joe Slovo and its involvement with Camp Africa. Initiatives at Khulanathi include the development of a highly successful sewing business. SMIT Amandla Marine is a customer and this business now supplies corporate clothing.
- ▶ Enterprise development: the championing of new entrants into the market. One approach is to foster the growth of a supplier and help that company expand in a sustainable manner.
- ▶ Management: SMIT Amandla Marine is aiming to achieve 30 per cent black representation, across all tiers of management.
- ▶ Ownership: BBBEE legislation specifies a black ownership level of at least 25.1 per cent. SMIT Amandla Marine has achieved 30 per cent: 12 per cent with employees (within an Employee Trust) and 18 per cent

with external black shareholders (African Maritime Investment Holdings).

Another focus for SMIT Amandla Marine in 2008 is the progressive roll-out of new initiatives within its Safety, Health, Environment and Quality Programme.

Paul Maclons says: "The emphasis this year will be on the promotion of safety awareness and education and on a new focus on environmental awareness. This requires a major communications effort. We want to encourage positive attitudes in this area. We want to be less reactive and more proactive, concentrating on the future and encouraging safe behaviour.

"Our existing initiatives, the 'Safety First' campaign and the 'STOP Card' system, have proved effective. They will continue, within the overall programme theme of "You! Me! Living & Working Safely!" The thrust of these campaigns is consistent, but the messages differ, to highlight new areas and explore different approaches and to address SHE-Q issues in the workplace and in the home.

"We are also continuing with our internal cross-sector audits, with managers from Terminals, for example, auditing safety performance in Transport and vice versa.

"Another continued focus this year is employee health. HIV/Aids is a major issue in South Africa. We have a scheme giving access to counselling and testing. We are working hard to remove the stigma from testing. One approach here is to lead by example, with managers taking part in the testing. We will also launch our Employee Assistance Programmes in 2008 relating to Drug & Alcohol Abuse and HIV/AIDS Management."



As one of their 2008 - 2010 Socio-Economic Development projects, SMIT Amandla Marine offers the Camp Africa Eco-school experience to groups of young learners from its areas of operation. This project will be a new and unique way in which

SMIT Amandla Marine, as an organisation, can empower the communities in which they operate and expose them to the maritime industry.

The mobilisation and loading for the Song Doc Field and Rangdong Field assignments in Singapore.



WORK COMMENCED ON VIETNAMESE MOORING CONTRACTS

Work has commenced on two projects for MODEC in the waters off Vietnam. The contracts were awarded to SMIT Transport in Singapore and require the installation of moorings for an FPSO and FSO.

Mobilisation and loading of the large installation barge, 'Kim Heng Offshore 3301' took place during March. The flat-top barge 'Smit Andaman' was loaded with the 18 mooring anchors, 18 reels of wires, buoys and lots of other equipment. The spread assembled was for both the Song Doc Field FPSO mooring installation and the Rangdong Field FSO assignment. The barges departed Singapore

during the first week of April, towed by the 'Smit Luzon' and 'SmitLloyd 27'. The spread arrived on location in the Song Doc Field on second week April.

Song Doc Field is around 200 km south west of Ca Mau. The task here is to install spread moorings for a non-weathering FPSO. These are nine-leg moorings. With the anchors installed, the legs were tensioned to 345 tonnes.

The barge and project team will then move on to the Rangdong Field, 300 miles to the north east, to install nine-leg moorings for a weathering FSO. The scope of work in this case

includes tensioning the legs to 300 tonnes and installing a PLEM. This assignment will be finished in June.

SMIT Transport in Singapore also has a third assignment of this type. The contract is for the installation of piles and mooring legs for the Su Tu Vang Field FPSO. The client is Tanker Pacific Oil Terminals.

The project team for this assignment will begin loading the construction barge 'Smit Borneo' with chains, piles, saturation diving spread, ROV and other items during July. They will then depart for Vietnam at the beginning of

August. This contract also calls for the hook-up of the FPSO and the installation of risers. A cargo barge and two anchorhandlers are also required for this project. A further three tugs will participate in the hook-up phase.

SMIT in Singapore took delivery of an additional two "L-Class" newbuildings during the first half of 2008. The 'Smit Lumut' began its charter with Saudi Aramco in late March, while 'Smit Luzon' was named at a ceremony in Dubai on May 11. The latter will shortly commence its charter with Saudi Aramco. Two more L-class vessels will be delivered towards the end of May and mid-June.



SMIT Rebras (Rebocadores do Brasil SA) has commenced a rapid expansion of its operations. This 50:50 joint venture between SMIT and Brazilian partners REBRAS commenced towage operations at the port of Santos in February, deploying four new ASD tugs.



The first five newbuilds for SMIT Rebras.

FURTHER ORDERS CONSIDERED FOR FAST-EXPANDING SMIT REBRAS

Services at a second port, Sao Luis, began in May, to be followed by Paranagua in August and Vitoria in October. A harbour towage operation at a fifth port will commence in 2009.

3000). With rapid progress expected this year, SMIT is now considering placing an order for more new tugs in the second half of 2008.

The four tugs now operating at Santos are the 'Smit Tupi', 'Smit Tuxá', 'Smit Torá' and 'Smit Ticuna'. The fifth and sixth tugs in the RA 2500 series, 'Smit Terena' and 'Smit Tucano', were delivered in April and are to be deployed at Sao Luis. They will be joined by the 'Smit Tapajó' in June. Looking ahead, two newbuild tugs will be deployed to Paranagua later in the year, together with three tugs at Vitoria.

During the first month of service at Santos, SMIT Rebras tugs were involved in two emergency responses at the port. During the night of February 16, all four tugs were engaged in crew rescue and firefighting of the car carrier 'Rio Blanco'.

Less than a week later, during the afternoon of February 21, the tug 'Smit Torá' responded immediately when the bulk carrier 'Navios Star' grounded. The tug soon pushed the vessel back into the navigation channel. 'Navios Star' then continued with its entry into the port.



SMIT Rebras started operations in the Brazilian port of Santos on 1 February 2008. The tugs 'Smit Tupi', 'Smit Tuxá', and 'Smit Torá' assisted tanker 'Poti' for client Petrobras at arrival in Santos.

SMIT Rebras also assisted a submarine at arrival in the port of Santos.

The strategic objective is to be operating in up to ten of the principal Brazilian ports by 2011. This strategy began to unfold in the first quarter of 2006, when SMIT placed orders for 18 ASD tugs, with the aim of providing harbour towage services in up to six Brazilian ports by end-2009. These tugs are building at Santa Catarina, at the Detroit Brasil Yard. The first 12 are in the 45 tonnes bollard pull class (Robert Allan RA 2500). The final six are rated at 65 tonnes bollard pull minimum (Robert Allan RA





SMIT CEO Ben Vree presents the first Fop Smit Medal to Robin Middleton in London.



Robin Middleton holding the Fop Smit medal.

ROBIN MIDDLETON AWARDED FOP SMIT MEDAL

Robin Middleton, until recently the UK Secretary of State's Representative, Maritime Salvage & Intervention (SOSREP), is the first recipient of the Fop Smit Medal.

Fop Smit founded SMIT in 1842. From time to time, typically at least once every three years, the Fop Smit Medal will be awarded to honour an individual who has made a special contribution to the international maritime sector.

SMIT CEO Ben Vree presented the first Fop Smit Medal to Robin Middleton in London during early April. The citation accompanying the medal recognises Robin Middleton's outstanding contribution to marine emergency response, in his role as SOSREP.

Robin Middleton was appointed the first UK SOSREP in 1999. He stepped down from this post at the end of 2007, after a highly successful eight years. During this period he

responded to over 700 incidents in UK waters (including 33 sufficiently serious to require the UK National Contingency Plan to be invoked).

As SOSREP, Robin Middleton won the respect of the international salvage community. During 2007 he became the first Honorary Life Member of the International Salvage Union. He has also received the Lloyd's List Lifetime Achievement Award.

Following a series of major casualties in UK waters during the 1990s, the late Lord Donaldson recommended a new command and control system for marine emergency response. Lord Donaldson's solution was radical. He recommended that a single person, equipped with delegated ministerial power, should have supreme authority over major maritime incidents. In performing this role, this individual represents the national interest. The radical element of the system is that the SOSREP's decision is final and beyond political influence. Indeed, Ministers may not interfere whilst a salvage operation is still on-going. SMIT CEO Ben Vree says: "Robin Middleton made the SOSREP post what it is today - a model of excellence for the rest of the world. We are both pleased and proud that he is the first to receive the Fop Smit Medal."



The accompanying citation of the Fop Smit Medal recognises Robin Middleton's outstanding performance to maritime emergency response.

Robin Middleton has a remarkable background. He qualified as a commercial diver, working mainly in the areas of civil engineering and salvage. He has crewed small fishing vessels and worked in the film industry as a stuntman and stunt coordinator. As a former Director in London Local Government, he held a senior post in the area of civil emergency response. As a lifeboat crew member he has received the Royal National Lifeboat Institute's Silver Medal for Bravery.

In his final year as SOSREP, Robin Middleton's tasks included a heavy workload associated with the 'MSC Napoli' salvage operation off Branscombe, Devon.



F.l.t.r.: Casper Domstorff, Geert Koffeman, Robin Middleton, Hans van Rooij and Ben Vree.