

TUG Magazine

December 2006



New AHTS vessel 'Smit Lombok' has joined the SMIT fleet and is currently operating in the Middle East.

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FAST FORWARD TOWARDS STABILITY

SMIT continues to progress towards an important strategic target - the generation of at least 75 per cent of total revenues from activities producing stable income.

As we rapidly approach the 70 per cent threshold we have decided to "raise the bar", to 80-85 per cent income stability.



SMIT's half-year results were announced in mid-August. Once again, we had good news to report: net profit up substantially on the corresponding period of last year. The quality of this result is the really significant factor, with the increase arising largely from stable income, with no significant contribution, overall, from extraordinary items.

This excellent outcome is a product of strong performance across SMIT's four Divisions. The growth of income stability has been faster than anticipated, largely due to rapid progress in the transport sector. In the Harbour Towing Division, the growth was geographical in nature, with a continued focus on South America, Eastern Europe and the Far East. Greater geographical spread also contributes to income stability, as a decline in one market will almost certainly be paralleled by improvement in another.

The Terminals Division is important to SMIT as it offers inherent stability. Contracts are of

a long-term nature. This Division also made progress during the period.

As for the Transport & Heavy Lift Division, its activities tend to be cyclical in nature. Yet our new multipurpose work vessels have attracted much market interest. They are already making a useful contribution to income stability, through new long-term contracts. One example is the contract for 'Smit Kamara', now the floating base for crews maintaining platforms operated by the Shell/NAM partnership in the North Sea. At the same time, similar vessels are commencing long-term contracts in Saudi waters.

Salvage, meanwhile, is a market with inherent uncertainties. During the first half, the Salvage Division lagged behind a little in terms of operating profit. Yet this Division held its market share and that is a very important performance indicator. One significant recent development is the establishment of the Innovation & Development Department, a new unit within SMIT Salvage. It is charged with maintaining our knowledge base in salvage and providing ready access to this collective expertise. The unit is also pursuing a range of R&D goals. In addition, we are exploring ways of increasing steady income from salvage-related activities - despite the obvious uncertainties of the business. Opportunities here include the provision of ETVs, or Emergency Towing Vessels, and

an expansion of direct services to clients on a worldwide basis.

Looking ahead, in the second half of any year we tend to expect more modest outcomes, due to seasonal factors in activities such as harbour towing. Taken overall, however, we anticipate a net profit over the full year up some 25-35 per cent on 2005.

During 2007 our main goals are improved profitability and higher levels of stable income. We also expect to make one or more acquisitions over this period. Meanwhile, the deliveries under our huge newbuilding programme continue to accelerate. It is now time to focus on human factors and invest in people. Our future depends on growing a diverse, multinational and highly talented workforce.

Ben Vree
Chief Executive Officer

UNDERSTANDING THE ISSUES SURROUNDING ENVIRONMENTAL PROTECTION

No company has done more than SMIT to contribute to the salvage industry's ability to defend the marine environment from the scourge of pollution. SMIT's salvage teams have recovered hundreds of valuable ships and cargoes. In doing so, they have prevented the spillage of millions of tonnes of oils, chemicals and other pollutants.

Caring for the marine environment is SMIT's business. In order to perform at a consistent level of excellence, SMIT's salvage teams need to appreciate the complexities and special vulnerabilities of the oceanic environment. In this way, each individual team member can bring a personal contribution to the task of developing solutions which are effective in preventing environmental damage.

Rapidly changing public and political expectations, new legislation and a far stronger emphasis on care for the environment are among the many factors which have encouraged SMIT to develop its Marine Awareness Course. This ground-breaking internal training highlights international regulatory requirements and raises awareness of marine environmental protection issues. The new course generates better understanding and this, in turn, leads to more sustainable choices when SMIT salvage teams face the difficult operational challenges encountered in marine casualty response.



Participants of the course during an on-site presentation on sea life by a Marine Ecologist.

NEW TUGS NAMED: A SPECIAL DAY IN THE WAALHAVEN

Everyone agrees that a Naming ceremony is a special event, but a Naming ceremony for three vessels at once is more than special. Three lady sponsors named the new vessels at the quay adjacent to SMIT's headquarters in Rotterdam's Waalhaven.

The ceremony took place on Tuesday September 19. The wives of three SMIT employees took the role of sponsors. Wenda Meeuwisse, Anita de Feyter and Carla Keser named the 'Smit Bronco', 'Smit Barracuda' and 'Smit Bison' respectively.

With the Naming ceremony successfully completed, the lady sponsors offered each of the Captains a gift. In addition, the ladies presented a donation, in SMIT's name, to Ronald McDonald House Charities.

SMIT Transport's three new multipurpose tugs were all built by IHC. Bert Kips, Managing Director of IHC Beaver Dredgers, was amongst the guests present. He said a few words to mark the handover of the newbuildings, as did Abel Dutilh, Managing Director of the SMIT Transport & Heavy Lift Division. The proceedings were brought to a close by a tour on board one of the new vessels.

'Smit Bronco' is now operating in the North Sea, on deployments for the oil and gas industry. 'Smit Barracuda' is working at the UK port of Milford Haven. 'Smit Bison' returned to the yard for final outfitting after the ceremony and was officially delivered in November.



CEO Ben Vree welcomed the sponsor ladies at the venue.



The Naming ceremony was well-attended.



Sponsor ladies E.L.L. Carla Keser, Anita de Feyter and Wenda Meeuwisse, together with the Captains.

The sponsor ladies presented a donation to Ronald McDonald House Charities.

NEWBUILDING DELIVERIES ACCELERATE AS NEW CONTRACTS COMMENCE

In 2004 SMIT launched the largest fleet renewal programme in its long history. The goals include fleet replacement, fleet expansion and the achievement of high levels of standardisation and multirole flexibility. Over the two years to March 2006 firm orders were placed for 80 vessels. Now the delivery of the newbuildings is accelerating.

During September the new Damen 2810 tug 'Smit Bonaire' (the seventh in a series) joined the fleet. 'Smit Bonaire' is now working in Panama, alongside four other 2810s.

October then saw two 2810 tugs enter service in Argentina. The 'Smit Antigua' was built in Romania, whilst sister vessel 'Smit Jamaica' was constructed in the Netherlands.

In September the newbuild 2208 ice class tug 'Smit Femco Novik' arrived at DeKastri, Sakhalin. SMIT and the Russian group Femco are joint venture partners. 'Smit Femco Novik' was delivered by the Romanian yard in July.

IHC Holland is responsible for three new multipurpose vessels built under the SMIT programme. The "Smit Bronco" class vessel

are ideal for marine project support, salvage activities and many other roles. 'Smit Bronco' was delivered in mid-May, followed by 'Smit Barracuda' - which joined the fleet in August and immediately proceeded to assist in the 'Michelle' wreck removal in the North Sea. The third vessel in the series, 'Smit Bison', was delivered in November.

During the second quarter of this year Keppel Singmarine delivered the 120 tonnes bollard pull 'Smit Nicobar', which is currently operating offshore Sakhalin. Second quarter deliveries also included the Keppel Singmarine-built 'Smit Lombok', one of a number of newbuildings acquired from Hadi. This vessel is now working in the Middle East.

Looking ahead, towards new generation vessels, one issue which clearly needs to be addressed is the market's demand for more bollard pull. There is a growing requirement for 80 tonnes bollard pull vessels, to service LNG terminals and assist large vessels, including very large containerships. Options under consideration include the 3480 Robert Allan design and the 3213 Damen concept. As for future ordering, SMIT's policy is to explore all potential yards on a global basis. The first order involving one or other of the new designs is expected shortly. SMIT's new generation tugs will be capable of pushing in the push-pull and line mode. They will be equipped with double drum winches on the foredeck and outfitted

for active escort duties. High specification firefighting systems will comply with requirements for the LNG terminal support role.



One of the new AHTS vessels under construction at the Keppel Singmarine yard in Singapore.

July saw the start of construction of new vessels for service with SMIT in Brazil. A total of 18 vessels have been ordered - 12 rated at 45 tonnes bollard pull and six at 65 tonnes. This substantial build programme commenced with hulls 309, 310 and 311 - Robert Allen 2500 tugs with a 45 tonnes bollard pull.



The 120 tonnes bollard pull 'Smit Nicobar' currently operates in Sakhalin.

Colophon

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FIRST OF THE NEWBUILDS ABOUT TO JOIN SMIT'S FLEET IN BRAZIL

South America provides a strategic focus for SMIT Harbour Towing's commercial activities. Newly-established SMIT Rebocadores do Brasil SA plans to operate at least 20 tugs with bollard pulls of up to 65 tonnes. A total of 18 newbuildings are on order and a landmark will be reached in July 2007, when the first of these new tugs joins the fleet. By the first-half of 2008, harbour towage services will be in progress at several Brazilian ports.

Loek Kullberg, Managing Director of the SMIT Harbour Towing & Terminals Division, says: "We have seen the market react very positively to our initiatives in Brazil. Meanwhile, we have



already started operating at Bahia Blanca, Argentina, with three units: the 60 tonnes bollard pull 2810 tugs 'Smit Antigua' and 'Smit Jamaica' and the 50 tonnes bollard pull 'Smit Buni' (which has been working in Argentina for some time). We have had strong encouragement from major clients to expand our operations in Argentina."

Also in South America, the two "M Class" vessels 'Smit Missouri' and 'Smit Marne' - now on bareboat charter - are to be redeployed in January to the Bahamas, on the completion of the contract. In Panama, two further "M Class" tugs, the 'Smit Mississippi' and 'Smit Mersey', will be replaced in October 2007 and April

2008 by the new 2810 tugs 'Smit Bonaire' and 'Smit Aruba'. This will increase SMIT's 2810 fleet in Panama to six units, within a total fleet of nine tugs.

The 'Smit Bonaire' arrived in Panama during October, following a voyage from the Romanian build yard. In contrast, the 'Smit Aruba' will make for Rotterdam on leaving the yard, then will proceed on to Panama in the early New Year.

The 'Smit Mississippi' and 'Smit Mersey' are being redeployed to Rotterdam, where they will succeed the 'Smit Rhône' and 'Smit Loire'. The latter tugs, following an upgrading of their firefighting outfit to Class 1, will proceed to Equatorial Guinea. In early 2007, they will commence service as "front-runners" at Bioko Island.

Rotterdam continues to serve as SMIT's "hub" for the reception of newbuildings and the redeployment of tugs to terminal support contracts worldwide. In the second quarter of next year, Rotterdam will receive the first two 2810 newbuildings designed and outfitted for two-man operation. Discussions are under way concerning the operation of the 'Smit Donau' and 'Smit Elbe', which are expected to enter service in April and July respectively.



Vessels of this type, together with a number of 65 tonnes bollard pull units, will eventually replace SMIT's all remaining 1800 hp tugs still in service at Rotterdam. In the third quarter of this year seven such tugs remained in service. The replacement programme will span the next four to five years.

Loek Kullberg adds: "We are also investigating the introduction of 80 tonnes bollard pull units at Rotterdam. This is prompted in part by the Maasvlakte 2 development and, in addition, the ever-increasing size of container vessels. We are studying the employment of 80 tonnes bollard pull vessels for both harbour towage and terminal support duties."

Meanwhile, two 65 tonnes bollard pull tugs will commence operation with two-man crews at Zeebrugge in January. URS has ordered an additional four, but rated at 80 tonnes bollard pull, from a Spanish yard. This is SMIT's response to a competitive challenge at Antwerp.

PANAMA TRIO - 'SMIT BONAIRE' ENTERS SERVICE



October 14 saw the naming of SMIT Harbour Towing's new tug 'Smit Bonaire'. Appropriately, the vessel was named at Kralendijk, Bonaire.

SMIT currently operates three vessels for BOPEC in Bonaire. The venue for the Naming ceremony was an obvious choice, given SMIT's good relationship with clients in Bonaire and the Caribbean region as a whole.

'Smit Bonaire' was named by Mrs Angela Garmendia de Nieves, wife of Mr H. Nieves, General Manager of BOPEC Bonaire. The Naming ceremony was another milestone in SMIT's worldwide newbuilding programme, within its strategy of growth and stability.

'Smit Bonaire' is deployed in Manzanillo, Panama, where she has joined newbuilding sister tugs 'Smit Aruba' and 'Smit Curaçao'. All three 57/60 tonnes bollard pull tugs are of the Damen 2810 ASD design.

Sponsor lady Mrs. Angela Garmendia de Nieves and her husband together with Loek Kullberg, the Island Representative and the 'Smit Bonaire' crew.



The new 2208 ice class tug 'Smit Femko Navik'.



SMIT TERMINALS: MORE PROGRESS IN OIL AND LNG SECTORS

SMIT Terminals continues to make progress in the global market for support services for oil and LNG facilities. In the LNG sector there is a trend towards heavier tugs to service newly-commissioned facilities. In the case of oil terminals, there are good prospects for new contracts and the expansion of existing services.

Nigeria's Bonny Island LNG facility (operated by NNPC, Shell, Total and ENI) began operations in mid-1999. By the end of this year the 1,000th LNG vessel call will be achieved. Up to three LNG carriers call every week and these visits are increasing in frequency. As a result, SMIT's service provision at Bonny Island recently moved to a 24-hour footing. Accordingly, the tug fleet at Bonny Island has been reinforced.



SMIT Terminals assisting a vessel in Gabon.

In June the two Damen 3211, 57 tonnes bollard pull tugs 'Smit Diare' and 'Smit Owena' joined the four 50 tonnes bollard pull tugs and two support crafts already stationed at Bonny Island. This fleet may be further enlarged by the end of next year.

SMIT Terminals also provides support services at four other LNG facilities: Shell Brunei (Lumut); Zeebrugge, Belgium (Fluxys); Equatorial Guinea (Bioko Island); and Egypt (Damietta).

The Lumut operation is based on a weekly vessel call. Three SMIT tugs are based in Brunei: the 67 tonnes bollard pull ASD 'Pegasus 51' and the 65 tonnes bollard pull tractor tugs 'Phoenix 52' and 'Pisces 53'. This contract is serviced in association with partner Keppel. The Belgian operation is also a partnership, in this instance with URS. Five ASD units, from 45 to 65 tonnes bollard pull, support the Fluxys LNG facility.

In Egypt, SMIT now has two 60 tonnes bollard pull units working at Damietta. This contract,

Loek Kullberg, Managing Director SMIT Terminals Division, says: "There is a definite trend within the market towards higher bollard pull. In part, this is due to the steady increase in vessel size, but it also reflects the growing demand for active escort services. The market has gravitated towards 65 tonnes bollard pull and the next phase may move towards 80 tonnes or even higher."

The LNG sector's prospects remain buoyant. Over the next two years a large number of new LNG terminals will be commissioned, in countries such as Mexico, India, China and Australia. Against this background, SMIT Terminals is already an active bidder for new LNG terminal support contracts in the UK, Mexico, Qatar, Yemen and other countries. In some instances, bidders are asked to include active escort.

Loek Kullberg adds: "We like to work very closely with prospective clients, in a proactive consultancy, when developing new business opportunities. In some cases close co-operation leads to a decision to reduce the initial bollard pull requirement, as a result of more exact definition of the operational needs."

"We also offer advantages due to standardisation and fleet scale - with over 80 tugs delivered or on order over the past three years. This means we can provide "front-runner" tugs, to service a project whilst purpose-built tugs are built. In turn, this allows our clients to meet very short lead times. Furthermore, we are accustomed to achieving unusually high levels of localisation, so maximising returns to the local community."

SMIT Terminals' support for oil facilities is set to expand. In Angola, for example, SMIT is short-listed for an FPSO support assignment in BP's 'Block 18'. The requirement here is for a large anchorhandler. This is a three-year contract

(plus a two-year option) and the successful bidder will commence operations in May of next year.

In South Africa, the 116 tonnes bollard pull anchorhandler 'Smit Madura' commenced a contract this November to support an FSO stationed offshore Durban. The client is the BP/Shell joint venture SAPREF. In due course, the 'Smit Madura' will be superseded by a newbuild. The Robert Allan-designed Rampart 5000 tug is expected to commence work off Durban in 2008.

Various contracts have been extended over the past six months. The support contract at Sakhalin, for example, has been extended for a further four years, to 2011. The initial contract was awarded in September 2005. Two icebreaking tugs, the 'Smit Sibiu' and 'Smit Sakhalin', are currently undergoing preparatory works prior to service at Sakhalin in the standby role. This upgrade includes additional accommodation and firefighting capacity.

SMIT Terminals' Bonaire contract has also been extended. SMIT has been working at Bonaire for the past two decades. Three tugs are stationed at this oil terminal. The existing support contract has been extended for another five years. In due course, one of the Bonaire-stationed vessels, the 'Smit Indusbank', will be succeeded by the 'Smit Lutaya', a tug currently working in the Bahamas.

Buoy maintenance by a diving team in Durban, South Africa.



SHEERLEGS PLAY MAJOR ROLE IN SALVAGE OPERATIONS

SMIT's sheerlegs have played a prominent role in many salvage operations undertaken over the last half year. In the United States, hurricane-related clearance work continued in the Gulf of Mexico. Three sheerlegs - 'Taklift 4' (1600 tonnes lift capacity), 'Taklift 1' (800 tonnes) and 'Smit Cyclone' (1000 tonnes) - are engaged in debris clearance in several offshore oil-fields.

These assignments, carried out for a number of leading oil and drilling companies, focused on the recovery of leg debris, left in place when rigs were set adrift by hurricanes Katrina and Rita. These clearance projects involved very close co-operation with the clients, as many tasks were performed close to live wells. These operations were brought to a successful conclusion in complete safety.

Clearance work still under way at the time of writing included the recovery of the remains of the legs of the jack-up rig 'High Island 3'. The leg stumps and spudcans were left in the seabed. These were removed, together with all other debris, including the drilling tower and accommodation module. This work was performed by the 'Taklift 1' and 'Smit Cyclone', on behalf of Global Santa Fe.

During October work began on the latest assignment - clearance of legs and other debris from the drill rig 'Adriatic VII'. 'Taklift 4' is mobilising to the US Gulf for this project.

Meanwhile, in Europe, 'Taklift 7' was deployed for the 'Michelle' wreck removal off the Dutch coast. This work began in earnest during the Summer season and was recently close to a successful conclusion. The sheerlegs cut the wreck into two sections, lifting the stern first. This was followed by the bow, with the accommodation block to follow - which had separated from the hull.

In addition, SMIT has a contract to remove the wreck of the general cargo vessel 'Twin Star'. This ship went down off Callao, Peru, following a collision. The 'Twin Star' had a cargo of 22,000 tonnes of steel products - coils and beams - at the time of the accident. SMIT Salvage earlier removed oil from the wreck, under a separate contract.

Vessels, equipment and personnel are mobilising from Canada and Singapore for this project. The 'Twin Star' sagged and broke, settling on the bottom in 26 m of water. The salvage fleet for this project will include the new workbarge 'Smit Adaman', together with the 'Smit Ibis' and 'Smit Labuan' and support vessels.

Work commenced in October. The programme provides for cargo removal and preparations for the wreck clearance to proceed simultaneously. The recovered cargo will be loaded onto barges, for onward transport to Callao Port.

During the final phase of this project, 'Smit Cyclone' will reposition from the US Gulf to Peru. The big sheerlegs will assist in the main wreck removal. There is a possibility that the hull can be refloated intact, but this is subject to more detailed surveys and inspections.



Sheerlegs 'Taklift 1' during the recovery of the remaining legs of jack-up rig 'High Island 3'.



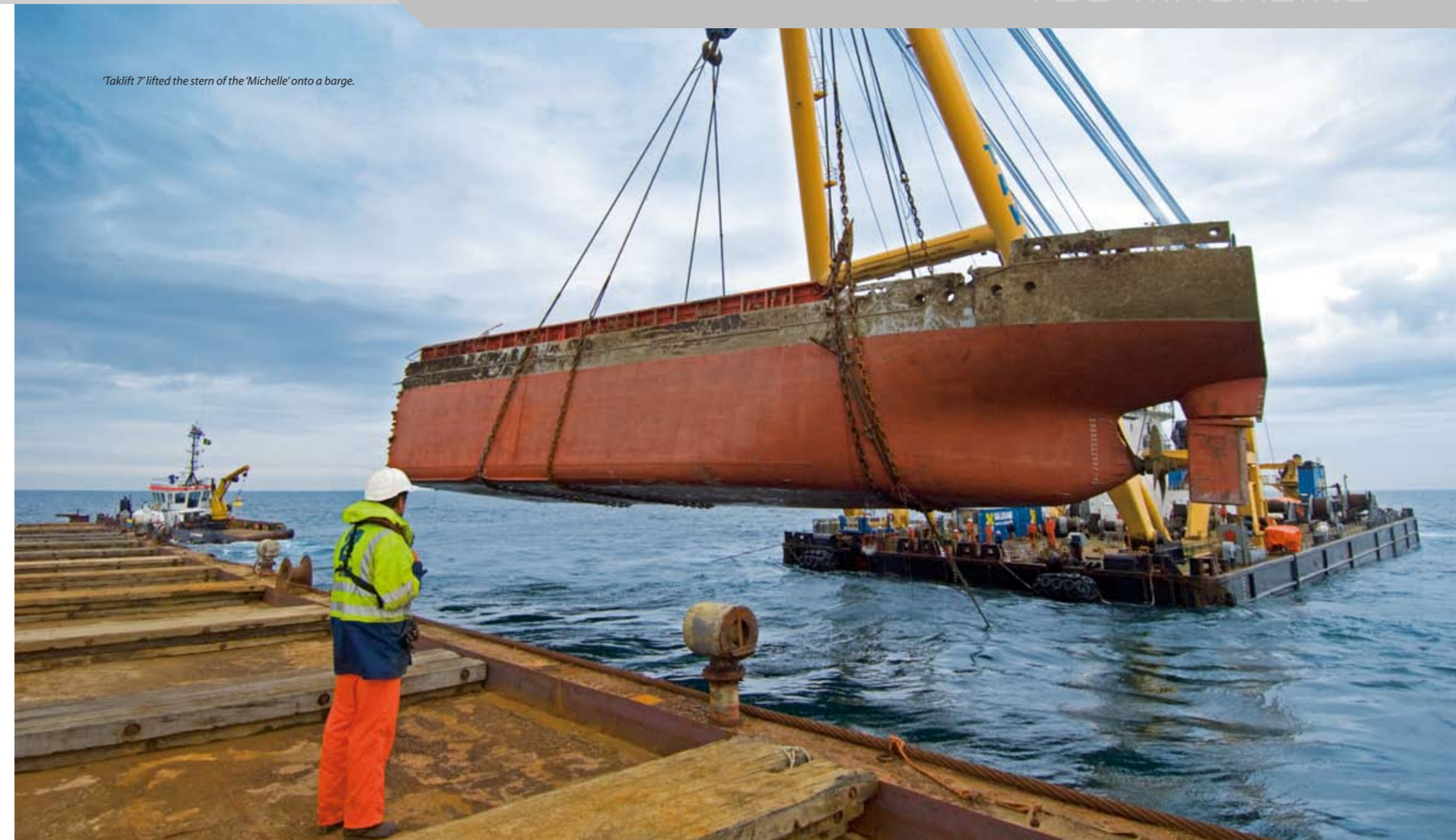
'Taklift 1' and 'Smit Cyclone' removed the legs of the platform 'Ocean Warwick'.



400 containers were discharged from the grounded 'Safmarine Agulhas'.



The wreck of general cargo vessel 'Twin Star', which sank as a result of a collision.



'Taklift 7' lifted the stern of the 'Michelle' onto a barge.

REMOVING THE WRECK OF THE GENERAL CARGO VESSEL 'MICHELLE'

SMIT Salvage recently completed a demanding wreck removal operation in the North Sea, on behalf of the Dutch authorities. The subject of this contract was the wreck of the 1487 GT general cargo vessel 'Michelle'. This German-owned, 95 m vessel became a casualty in late August of last year - she sank in 35 m of water following a collision. At the time of sinking, 'Michelle' had a cargo of 4600 tonnes of coal.

The wreck removal contract was awarded to SMIT Salvage in late 2005. The removal was planned for the Winter period but was later rescheduled due to persistent bad weather. A lengthy spell of benign weather was required to perform the works, utilising a sheerlegs and various support vessels.



The wreck of the 'Michelle' was transported to a scrap yard, near Rotterdam.

Divers found that the wreck had settled on her starboard side. The cargo of coal had been washed out. Soon after the sinking, the immediate removal of the 'Michelle' was deemed essential by the authorities, as the wreck rested in a main traffic lane. During the move, the vessel lost her accommodation. The wreck removal contract included removal of the accommodation block.

The wreck removal plan, as originally conceived, envisaged the refloating of the 'Michelle' in the upended condition, followed by a tow into Rotterdam, where the vessel would be parbuckled and righted. The space available for parbuckling, however, suggested that this operation would have to be performed outside the port, prior to entry in the conventional manner. Once again, a new approach was required when the true extent of the damage became apparent. A detailed examination revealed that the damage was too extensive to allow the hull to be righted. 'Michelle', therefore, had to be cut in two.

This decision shaped the wreck removal as a three-stage operation: the removal of the stern section, followed by the bow and, lastly, the accommodation.

During December last year a wreck survey was performed, using two diving stations and a diving A-frame, hot-tap equipment (to check all tanks), the URS salvage vessel 'Union Beaver' and the sheerlegs 'Taklift 7'. During January preparations continued on site. Work was then suspended until the Summer season. A fresh wreck survey was performed in May. This revealed extensive silting of the holds. Calculations showed that a parbuckling force of over 1000 tonnes would be needed to right the vessel. In June the parbuckling was performed and the 'Michelle' was then partly lifted and righted. The condition of the hull, however, was such that it was lowered back onto the seabed by 'Taklift 7'.

The sheerlegs returned to the site, off the Dutch coast, in late July. The 'Michelle' was cut into two sections and subsequently the stern, a weight of around 500 tonnes was recovered.



Following the stern, the bow of the 'Michelle' was lifted and removed.

During mid-September the sheerlegs recovered the bow section of 400 tonnes. The sections were lifted onto a barge and taken to a Rotterdam scrap facility.



AMBITIOUS PROGRAMME FOR SMIT SALVAGE INNOVATION & DEVELOPMENT

SMIT Salvage has established a new Innovation & Development Department. The new department has three major centres of interest: environmental service development, innovation & research in a broader sense and knowledge management.

Director of SMIT Salvage Hans van Rooij says: "Our central aim is to change the traditional character of salvage, which, not surprisingly, has a focus on the short-term - the next casualty or the next wreck removal. Salvage is a highly volatile business and Innovation & Development Department's brief is to explore ways in which salvage services can generate stable income.

"Options here include long-term contracts for emergency response and preparedness. Environmental concerns are driving the market in this direction and this trend is likely to continue. We see increasing opportunities in the

oil and gas sector, for example, to provide services under long-term contracts. We are also interested in expanding SMIT's involvement in the provision of salvage standby services and large Emergency Towing Vessels, or ETVs."

The new SMIT Salvage Innovation & Development Department also provides a strategic centre for plans to develop new joint services with regional partners, so increasing geographical spread. One recent example on this front is the OPA-90 alliance with US salvor Donjon, to provide a wide range of compliance services to vessel owners and operators.

Hans van Rooij adds: "Furthermore, the ETV market is of interest in our search for stable income streams. Whilst these activities have no dramatic impact on revenues they have the potential to make a greater and extremely useful contribution to results. In addition, standby services always have a potential to

generate additional income from associated activities. For example, there is a growing requirement for safety/standby vessels for the offshore sector and we are well placed to meet such needs. In part, this trend relates to the application of ever higher environmental standards."

The new Innovation & Development Department is also responsible for ensuring continuity of expertise within the SMIT Salvage organisation worldwide. Hans van Rooij explains: "This is a major challenge for all salvors working in the 21st century salvage market, which is characterised by fewer cases but often of a more complex and demanding nature.

"To aggravate this situation, we also have a generation gap, with the expertise too heavily centred on those in their fifties. We have already responded by introducing new sys-

tems for recording how knowledge and expertise was applied to solve specific problems on particular jobs. It is harder, of course, to do this retrospectively, but we must try to capture as much as possible from the major operations of the past, by interviewing Salvage Masters and studying the available documentation, then recording the knowledge for future reference. We need knowledge recording systems which offer detailed and timely recall."

The new department is also steering a number of R&D projects, ranging from upgrading salvage techniques to a new generation remote offloading system for recovery of liquid pollutants from wrecks, including wrecks at extreme depth.

INVESTING IN SMIT'S CAPACITY TO GENERATE STABLE INCOME

SMIT Transport & Heavy Lift's strategy is focused on contracts producing stable income. Investment strategies are geared towards the vessel types and the resources needed to service and expand such business.

Abel Dutilh, Managing Director of SMIT Transport & Heavy Lift Division, says: "Every long-term opportunity for a vessel - and that means three years plus - allows us to add extra tonnage. In this way we are building a growing fleet of highly versatile, multipurpose work vessels.

"We have made good progress recently, having taken delivery of the Keppel Singmarine-built 'Smit Kamara', 'Smit Nicobar' and 'Smit Komodo'. 'Smit Kamara' is now busy with a long-term charter in the North Sea for the Shell/NAM partnership. This new vessel is a floating base for platform maintenance crews. 'Smit Komodo' has started a two-year assignment for Petrobel in Egypt and 'Smit Nicobar' has found immediate employment supporting operations offshore Sakhalin.

"We also acquired seven newbuilds of 75 tonnes bollard pull, which are referred to as the 'L Class'. One of these vessels, the 'Smit Lombok', has already joined the fleet. Later this year the 'Smit Langkawi' will follow and the remainder will enter service over the period to May 2008. Three of the seven have long-term contracts for work in Saudi waters, on behalf of Saudi Aramco."

Abel Dutilh continues: "In Europe we continue to add to our fleet of smaller multipurpose vessels. We have already taken delivery of the 28.5 tonnes bollard pull vessels 'Smit Bronco', 'Smit Barracuda' and 'Smit Bison'. All three of these

IHC newbuildings received their names at a ceremony in Rotterdam on September 19. "These vessels have Rotterdam as their home port and they will work in the spot market for the most part - although the 'Smit Barracuda' has now commenced a 12-month assignment at Milford Haven, in the UK. The vessel is providing support for a project team clearing a disused jetty as part of the site preparations for the construction of a major LNG facility."

The new, crane-equipped, multipurpose vessels in this smaller size class are the frontrunners of newbuildings to replace SMIT's "fresh-water" vessels. Their area of operation, however, will extend from Europe's major rivers to estuarial and coastal waters. The new generation ships are ideal for supporting civil projects such as offshore windfarm construction. The emphasis, in all cases, is to provide expertise as well as equipment - within a total package of marine assistance. Abel Dutilh adds: "We will order more vessels in the 'Smit Bronco' class over the next two years, building up to a fleet of around eight in all.

"Looking back over the past four years, it can be seen that we made some sound investment decisions in 2002. We have since been consistent in the pursuit of our goals. We have concentrated on market sectors offering encouraging returns. We should also acknowledge, of course, that market conditions have been good to us. In the oil and gas sector, for example, oil prices have risen from USD 32 to USD 60 per barrel. Oil and gas investment programmes developed ahead of steam at just the right time from our perspective. Now we have more opportunities to secure long term employment for our new vessels."

In the heavy lift sector SMIT has completed the restructuring of the sheerlegs fleet. The smaller units have gone and the larger cranes are deployed in a more flexible manner. These sheerlegs have achieved very high levels of utilisation over the past year, repeatedly demonstrating the high level of synergy between heavy lift and salvage.

Abel Dutilh says: "Taklift 7, for example, played a major role in the 'Michelle' wreck removal

'Smit Kamara' currently operates in the North Sea, functioning as a floating base for platform maintenance crews thanks to its Offshore Access System (OAS).

in the North Sea. In addition, 'Taklift 1' and 'Smit Cyclone' have been busy in the US Gulf area, clearing debris resulting from hurricanes Katrina and Rita. They have cleared the wreckage left when a number of jack-up rigs were ripped from their legs by hurricane-force winds and a storm surge. In the final quarter of this year the two sheerlegs working in the US Gulf will be joined by 'Taklift 4'. This busy period underlines the fact that SMIT's Salvage Division is a prime client for SMIT's Transport & Heavy Lift Division - and every sheerlegs deployed also requires a support vessel."

'Taklift 7' has a new assignment in the Caribbean. The sheerlegs will arrive in November in Curaçao, to offload barges from a heavy lift carrier. This contract is for Oldendorff's account.

'Taklift 1' will return to Venezuela, to provide heavy lift capacity in that area. In addition,

'Taklift 6' - based in Brazil - is booked for a series of module lifts in the new year for the FPSOs 'P51' and 'P53'. This sheerlegs will be joined by 'Taklift 4', which will move to Brazil from the US Gulf.

Meanwhile, further employment opportunities are being generated by SMIT Marine Projects. This business unit packages services on a project basis, adding engineering and management expertise to the core competences of towing, lifting and diving. Abel Dutilh concludes: "SMIT Marine Projects has been successful in finding niche opportunities for packaged services, in areas such as SPM change-out and FPSO positioning. In addition, in the civil sector SMIT Marine Projects continues to win bridge construction and other project assignments, including the Venice storm surge barrier engineering evaluation. This contract is for technical consultancy. Experience has demonstrated, time and again, the importance of being involved in major projects at the earliest possible stage."



Two of SMIT Transport's new multipurpose vessels.

SHEERLEGS COMPLETE ROUEN ROAD BRIDGE PROJECT

The efficiency and cost-effectiveness of sheerlegs for bridge construction works was demonstrated once again during the Summer months at the French port of Rouen. This project involved the installation of a road bridge over the River Seine and called for two sheerlegs, the 1200 tonnes lift capacity 'Taklift 7' and the 1500 tonnes 'Matador 3', together with pontoons and support tugs.

SMIT Heavy Lift's contract was with the main contractors for the bridge, a project consortium involving the French contractor Eiffel and the Belgian group Victor Buyck.

The new Seine bridge has a stunning, modernist design. SMIT's work began in June, with the load-out of a 350 tonnes 'butterfly' deck support structure and a 1200 tonnes deck section at Eiffel's Lauterbourg Yard, on the Rhine.

Following a successful load-out onto pontoons, the butterfly and 120 m long deck section were towed 650 km to Rotterdam. During the tow the butterfly was transported in the horizontal condition, in order to clear the bridges across the Rhine. Upon arrival in Rotterdam the butterfly was raised to the vertical for the final phase of transport to Rouen.

The load-out of the second butterfly and road section took place at Victor Buyck's facility at Wondelgem, near Ghent. Due to sailing height restrictions, the heavy components were towed to Rouen suspended between two large pontoons. The route taken was via Terneuzen. Following the successful passage of the bridges between Ghent and Terneuzen, the butterfly and deck section were loaded (still in the horizontal condition) onto one barge for the tow to Rotterdam - where the upending of the second butterfly took place. This was accomplished in early July.

Installation work at Rouen then commenced. A team rigged the sheaves for the hoisting. The two butterflies were installed on the support pylons by 'Taklift 7', rigged with its 130 m long boom. 'Taklift 7' and 'Matador 3' then rigged for the dual lifts of the deck sections, with 'Taklift 7' in the A-frame configuration. The second deck section was installed on August 23, completing the work programme prior to demobilisation.

Gerard Keser, General Manager SMIT Transport & Heavy Lift Europe, says: "These bridge decks were floated into position prior to lifting. There is a strong current in the Seine, running at 3-4 kts. The cycle began by positioning a sheerlegs at each end



'Taklift 7' and 'Matador 3' install the second bridge section in a dual lift.

of the bridge. The section was then brought onto the bridge line on the pontoon. This operation required close coordination, with the heavy lift scheduled during the brief period of relatively slack current.

"We attracted a 'fan club' during this project. Hundreds of people crowded the quayside to watch, even at 5 am in the morning!"

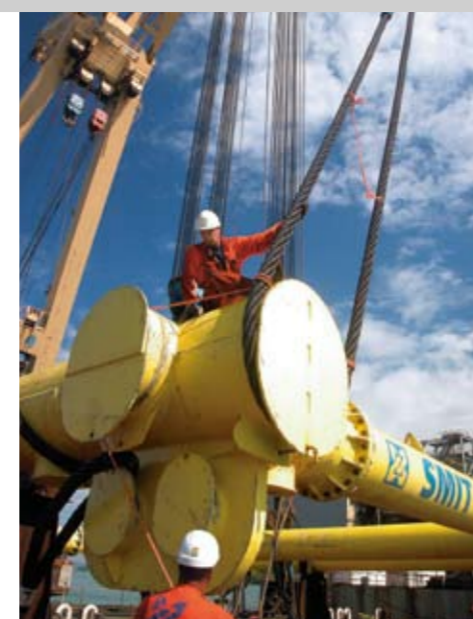
Elsewhere in the world, SMIT's heavy lift activities included the installation of modules for the FPSO 'P52', on behalf of Petrobras. The work began with the load-out of modules at Niteroi, near Rio de Janeiro. With the modules on the barges, the tow commenced to the Brasfels yard at Angra dos Reis - a voyage of 60 miles. The load-out was performed by the 1600 tonnes lift capacity 'Taklift 4'. The installation was accomplished in a series of dual lifts by 'Taklift 4' and 'Taklift 6'. The assignment was completed on September 7.



Recent work also included the series of stone transport voyages undertaken by the semi-submersible 24,000 DWT barges 'Giant 2' and 'Giant 3', required for the Chaivo project, Sakhalin. The five voyages were for the account of Van Oordt and each involved 20,000 tonnes of stone. The final voyage is scheduled for completion in November. This assignment

contributed to the construction of breakwaters for Sakhalin's new oil and gas terminals. The barges were protected by a tough cement/fibre skin, as the stone was discharged by dumping and by grab. The 'Giant 2' and 'Giant 3' are equipped with heavy mobile discharge units for this task.

Looking ahead, SMIT Transport has the 'Giant 4' booked with Saipem UK for the installation of a module for transport to the Halfdan Field, in the Norwegian sector of the North Sea. The load-out is scheduled for March next year, at Ravenna. This is a 90-day contract with a 30-day option.



Preparation of the lifting frame for the module installation in Brazil.

'Giant 4' is currently in Rotterdam, having completed a module transport for Heerema. The 'Smit Anambas' was also at Rotterdam in late September, due to load a container crane for transport to Bristol. Following discharge, 'Smit Anambas' will return to Rotterdam to load another container crane, for delivery to the port of Gdynia.

Sheerlegs 'Taklift 4' and 'Taklift 7' installing the modules on FPSO 'PS2', in Brazil.

SMIT EXPERTISE CONTRIBUTES TO THE BATTLE FOR VENICE

SMIT Marine Projects is continuing a major programme of engineering studies associated with one of the world's largest flood defence schemes. This team, supported by SMIT Engineering specialists, is engaged in developing methods for the transportation and installation of storm surge barrier elements at Venice.

Venice is in danger of losing both its heritage and natural environment. The city consists of islands in a large lagoon. The growing flood problem is aggravated by two factors: rising sea level and the fact that Venice itself is sinking. The streets of Venice are now flooded on more than 100 days a year, as against an average of only seven just a century ago.

The Venice Storm Surge Barrier works - the so-called "Moses Project" - have two main aims: to defend the city against flooding and, secondly, to reduce the rate of wetland erosion. The Venice Lagoon is an area of special environmental significance and the marshlands afford natural protection. The construction of the storm surge barrier will allow the regulation of water flow in such a way as to reverse the wetland losses suffered in recent years.

The entire scheme represents environmental engineering on a colossal scale. The flood

barriers to be built within the current phase form only one element of the enterprise. Work began nearly 40 years ago, in 1968, with the construction of "hard" flood defences and the expansion and replenishment of beaches. For nearly four decades work has continued on beach restoration and the replacement and reinforcement of flood defence infrastructure.

The Venice Lagoon is connected to the Adriatic Sea at three locations. In the north, the "Lido" has two inlets (Lido Treporti and Lido San Nicolò). In the south, there is the single inlet known as the Chioggia. Between these locations is the Malamocco, another single inlet. Each of the four inlets is to be protected by a storm surge barrier, to regulate the water level in the Venice Lagoon.

Grandi Lavori Fincosit are main contractors for the Malamocco and Lido San Nicolò inlet barriers. This group is SMIT Marine Projects' client, having awarded a contract for the design and engineering for the transportation and installation of the storm surge barrier caissons. The contract was placed in May of this year. Two other main contractors, Clodia srl and Ing. E. Mantovani Spa, have the contracts for the construction of barriers across the two other inlets (Chioggia and Lido Treporti, respectively).

The storm surge barriers providing the focus for SMIT Marine Projects' work consist of floodgates fabricated from concrete elements. In the current concept, the floodgates will be recessed into the seabed and will rotate upwards to protect against an anticipated storm surge. Once raised, the structure will allow for a difference in water levels on both sides of the barrier. The stretches of barrier across the various inlets consist of a total of 79 hinged sections.

SMIT Marine Projects' present design and engineering tasks will be completed during the first half of next year. This scope of work is confined to the transport and installation of the shoulder caissons and gate caissons. The installation of the floodgates and the filling between the shoulder caissons and the mainland (by means of smaller caissons and other elements) is excluded from the current work scope.

The SMIT design and engineering team has focused on the towout and installation procedures for shoulder and gate caissons designed for the Malamocco barrier - which is subject to the most onerous environmental conditions of all the inlets. These procedures are also applicable for the Lido San Nicolò barrier.

Danny Spaans, SMIT Marine Projects Project Manager, says: "We have now identified various installation methods for the shoulder and gate caissons. Current thinking is to install each caisson by means of an installation/lifting barge. This method would provide sufficient stability during transport, as well as during lowering and positioning into a specially prepared trench. With the help of four tugs and a special, pre-laid anchoring pattern, the gate caissons would be positioned and installed in a most effective manner. The main concept of the flood barrier is to recess the barrier elements in a seabed trench, so providing full navigational clearance when the barrier is not in use. This benefit of unhindered navigation is in complete contrast to the approach to flood barriers built elsewhere in the world. Typically, such barriers have locks, which allow vessels to move through them, albeit slowly.

"When our year-long design and engineering appraisal is completed, we will prepare a comprehensive proposal for the execution of the works, with a possible start date in 2009."

SMIT Marine Projects has already submitted proposals for the design engineering required for the two other inlets. These proposals are now being considered. The approach would be broadly similar to that adopted so far, but with provision for a different installation methodology. The proposals for project execution will cover the detailed design of all systems and equipment required for installation of the caissons - from lifting points to the hydraulic devices required to pull the caissons together.

SMIT MARINE PROJECTS TEAMS COMPLETE SPM CHANGE-OUTS

SMIT Marine Projects' workload in recent months included the installation of two SPMs (Single Point Moorings). In Lithuania, SMIT Terminals has a long-standing support contract at the Klaipeda oil terminal, serviced by the diving support vessel (dsv) 'Smit Sulawesi'. In December of last year, however, a vessel damaged the SPM and SMIT Marine Projects was tasked with the change-out of this installation.

The contract for the Butinga CALM Buoy change-out was awarded by Mazeikiu Nafta in June of this year. With the completion of engineering preparations, the URS diving vessel 'Union Beaver' was mobilised from Rotterdam to join the dsv 'Smit Sulawesi' for the project.

The change-out of the Klaipeda SPM began in mid-September, with the disconnection of subsea hoses, between the SPM and the pipeline, and the floating hose and hawser allowing moored tankers to weathervane around the SPM. With the anchor chains disconnected, the buoy was towed into port and the new buoy taken out to location. It was then hooked up to the legs and the hoses and hawser were reconnected.



Installation of the new CALM buoy.



SMIT Marine Projects' scope of work also included testing of the mooring system. Two anchor legs were pre-tested to 180 tonnes load prior to the installation of the new buoy. This was performed by the anchorhandler 'Olympic Hercules'.

Earlier in the year - during the second quarter - another SMIT Marine Projects team installed a SPM off Abu Dhabi, on behalf of client ADOC. The contract was awarded to SMIT in April.

This change-out had an unusually tight time-frame, with a requirement for the first tanker loading at the new SPM on August 9. SMIT Marine Projects mobilised the dsv/accommodation vessel 'Instant Mariner', the crane barge 'Barbeel', a 70 tonnes bollard pull anchorhan-

dlar and the smaller, 35 tonnes bollard pull anchorhandler 'Smit Sumatra'.

The schedule provided for a maximum of just 45 days for the work to be carried out. The project was progressed so as to achieve completion within the time-frame - ensuring that the first tanker loading took place on schedule.

The work programme began with the back-flushing of the system and the removal of the existing buoy, hoses and anchor chains. The project team then installed a series of 56 in. diameter anchor piles, followed by new anchor chains and the new buoy. With the PLEM installed, the subsea and floating hoses were connected and pressure-tested.



The 'Smit Sulawesi' and 'Union Beaver' were deployed as diving support vessels during the preparations for the removal of the damaged buoy.

SMIT'S SECOND NEW AHTS LAUNCHED IN SINGAPORE

September 26 saw the launch of the second of seven 6000 bhp anchorhandling tug supply vessels under construction at Keppel Singmarine for SMIT in Singapore. The series is being built in Singapore and Nantong, China.

The seven AHTS vessels were purchased from Hadi H. Al-Hammam. Three of the new vessels have already secured long-term employment in the oil and gas sector, through Hadi H. Al-Hammam, for Saudi Aramco in Saudi waters.



NEW LONG-TERM ASSIGNMENT FOR 'SMIT-LLOYD 33'

SMIT Amandla Marine's anchorhandling tug supply vessel 'Smit-Lloyd 33' commenced a long-term contract for PetroSA in early August.

Under this five-year assignment, 'Smit-Lloyd 33' takes the role of safety standby vessel for the FA Platform. This deployment required some fast-track vessel modifications. The work included the fitting of two fast rescue crafts and other changes required for the safety standby task.

SMIT Amandla Marine Commercial Manager Dave Murray says: "All credit to the vessel staff and SVMS for completing this intensive modification programme within a tight timeframe. PetroSA were pleased that this work was completed on schedule."



'SMIT AMANDLA' REINFORCES SPILL PROTECTION ASSETS



'Smit Amandla' towed the 'Gavea Lifter' from Cape Town to Saldanha Bay.

The powerful tug 'Smit Amandla' is on contract to the South African government and is utilised as pollution prevention tool to assist the country in protecting its marine environment from harm. The contract has been held by SMIT Amandla Marine since its inception.

This vessel is deployed under contract to the Department of Transport in the front-line defence against marine pollution.

'Smit Amandla' contributed to the response to the recent grounding of the container vessel 'Safmarine Agulhas'. This incident occurred off East London on June 26. 'Smit Amandla' was deployed to assist in the refloating efforts.

More recently, in August, the tug held off the 'Songa Mecur' whilst the 'SmitWijs Rotterdam' called at Cape Town. During the following month 'Smit Amandla' towed the large vessel 'Gavea Lifter' from Cape Town to Saldanha Bay.

SAFETY PERFORMANCE: SMIT SETS NEW GOALS

SMIT's SHE-Q initiatives have achieved encouraging results over the past four years. During the period 2002-05 the number of "lost-time accidents" (per million exposure hours) fell by half, from seven to 3.5 annually. The challenge now is to achieve further improvement.

SHE-Q General Manager Aart de Gloppe says: "Our short term goal, over the next period, is to achieve a further 50 per cent improvement in the indicators used to measure safety performance. This is not going to be easy. Further progress is linked to our ability to confront the human issues, to win hearts and minds. We want to build a culture in which no-one will accept anything less than total compliance with safe procedures. In short, safety is - and will remain - everyone's business."

"We have systems in place to achieve further improvement, but the active promotion of safe behaviour requires some sharper communication if we are to achieve our ambitions. People need to understand exactly what is expected of them and be encouraged to contribute to greater safety awareness amongst their colleagues. There are some obvious focal points, of course. It seems that people are often at their most vulnerable when executing routine jobs. In addition, we all have a part to play in reducing risks associated with the most common type of accidents, such as slips, trips and falls and working with rotating machinery. That applies on the vessel, at the quayside and in the office. We also need more effective ways of sharing information and best practice on safety issues."

One strategy for improved performance is to concentrate on specific geographical locations, tailoring new safety initiatives to meet specific needs. Another move under active consideration is "Safety Coaches". Aart de Gloppe explains: "This needs to be structured, with a framework based on detailed observation of workplace practices by independent safety consultants. They need to have direct experience with working in such environments. With their assistance we will deliver additional training packages incorporating the "guardian angel" approach."

SMIT has some advantages in taking forward the Group's SHE-Q programme. Aart de Gloppe says: "We have excellent equipment and proactive training policies, but we cannot be complacent. Good equipment is just part of the story. We need even greater awareness of the importance of safe behaviour."

"We have demonstrated what can be achieved over the past four years, through the comprehensive development of safe procedures. We have also introduced new safety management tools and supervisory regimes (including intervention between colleagues when unsafe acts are observed), in my view, we can achieve a further 50 per cent improvement, but it will require total commitment from everyone, ashore and afloat. When it comes to safety, ambition is always a virtue!"

F.l.t.r.: Vessel Surveyor Car Fontaine, SHE-Q Assistant Ron Molenaar and General Manager SHE-Q Aart de Gloppe.



SMIT AMANDLA MARINE ORDERS NEW GENERATION BUNKER BARGE

South African marine services provider SMIT Amandla Marine has ordered a new and technologically advanced bunker barge. The new vessel will join the SMIT Amandla Marine fleet in August of next year.

This newbuilding order marks the conclusion of successful negotiations between SMIT Amandla Marine and Durban shipbuilders DORMAC. The design of the new vessel reflects the new requirements set out in the International Maritime Organisation's MARPOL Convention, which specify that bunker barges should be double-hulled with effect from 2008. Furthermore, at the local level, there is a trend away from pipeline delivery of bunkers in the Port of Durban and a requirement for a new bunker barge.

Paul Maclons, SMIT Amandla Marine's Managing Director, comments: "It is pleasing

to be able to announce that one of the first of a new generation of MARPOL-compliant, advanced bunker barges will be built in South Africa, for a South African operator.

"The new vessel will join our three existing bunker barges - 'Pentow Energy', 'Marine Excellence' and 'Smit Bongani' - currently serving vessels calling at Richards Bay and Durban."

The new barge is a substantial vessel, with the capacity to carry up to 5000 tonnes of marine fuel (fuel oil, gasoil and diesel). The features of this newbuilding include a high safety specification, optimal manoeuvrability and high capacity bunker delivery, at rates of up to 1000 tonnes/hr.

Paul Maclons adds: "In many ways, the new vessel will set standards for international bunker barge design and outfitting. The new-

build's features include diesel-electric propulsion, closed loop loading, a bunker gantry and full wheelhouse control of operations."

SMIT Amandla Marine has a track record of successful operations spanning three decades. The company has bases in Cape Town, Durban, Richards Bay, Port Nolloth and Mossel Bay. Beyond bunkering, the services provided include management of offshore tanker terminals, subsea services, environmental protection, coastal towage, offshore support and supply and marine emergency response.

SMIT is a strong supporter of the South African government's programme to transform the country. During 2005 SMIT restructured its South African operations, profiling SMIT Amandla Marine as a leading exponent of the transformation process in the South African maritime sector.

This is reflected in SMIT's commitment to the local shipbuilding industry. The order for the new bunker barge underlines SMIT's support for sentiments expressed recently by Transport Minister Jeff Radebe, who emphasised the importance of revitalising the South African shipbuilding industry when speaking at the Africa Joint Operations Conference 2006.

Meanwhile, SMIT Amandla Marine is progressing the skills development programme required to support the new vessel upon its entry into service. Paul Maclons says: "We have already commenced the training of new bunker barge masters and crew. We are focusing on expanding our pool of local personnel with the skills and experience needed to operate such vessels to the most demanding standards. An investment in people is as important as an investment in new hardware."

“SAFETY FIRST” IN SOUTH AFRICA: RAISING AWARENESS

SMIT Amandla Marine launched a new safety campaign in the second quarter of this year. The “Safety First” initiative has two primary aims: to maintain and increase safety awareness amongst employees and, in a broader sense, to underpin the efforts to sustain high SHE-Q standards across SMIT’s extensive operations in South Africa.

“Safety First” was designed, from the outset, as a ground level programme led by Managing Director Paul Maclons. The key programme elements include visual reminders of the “Safety First” messages, reinforced training and skills



development initiatives and measures to foster a stronger peer culture, under which employees proactively watch over one another and intervene if an apparently unsafe work practice develops.

The “Safety First” programme features a yellow wristband emphasising the roadshow theme of greater visibility of safety reminders, backed up by posters, leaflets and newsletters.

The “Safety First” roadshow has toured South Africa in recent months, visiting bunker barge operations in Durban and Richards Bay, terminal operations in Mossel Bay and Durban, off-shore supply and support operations in Mossel Bay and Port Nolloth and a range of ship management, pollution prevention and support operations in Cape Town.

Paul Maclons says: “We are encouraged by the initial results. “Safety First” resulted in a marked decrease in “lost-time accidents” in the May-September period. It has also generated a much greater understanding of the impor-



tance of SHE-Q and its place in daily operations. Above all, there is a wider understanding of the causes and consequences of unsafe working. We all need to appreciate the importance

of the “Safety First” motto: “Think safe! Act safe! Be safe!”

KHULANATHI: INVESTING IN THE PEOPLE MAKING SOUTH AFRICA’S FUTURE

SMIT Amandla Marine’s Khulanathi Project is making a real difference to people living in Joe Slovo, an impoverished community in Cape Town. This project began three years ago, as a corporate/community partnership between SMIT Amandla Marine and local representatives. The aims are to feed the poor and sick, encourage job creation and extend other forms of community support.

Khulanathi is one of SMIT Amandla Marine’s key Corporate Social Investment (CSI) projects in South Africa. The emphasis here is on the corporate/community partnership - building a relationship that delivers real results and is rewarding to all concerned.

CSI is a significant component of SMIT Amandla Marine’s overall transformation strategy and, as such, it focuses firmly on the future of the country. It underlines the company’s commitment to the development of South African society, by creating greater opportunities for disadvantaged individuals and communities. The emphasis is on making a real difference, where it’s needed most.

The CSI strategy combines transformation, reconstruction and development. SMIT Amandla Marine’s CSI investments are centred on four main areas of activity. Each is of crucial importance to the development of South African industry and the country’s future in the broader sense:

- ▶ **Education, training and skills development:** effective training and skills development provides the depth of human resource required to achieve the objectives of South Africa’s maritime industry. Education is a core activity of SMIT Amandla Marine’s CSI programme, with the aim of alleviating poverty and building a stronger skills base for future economic growth.
- ▶ **Economic development and support for entrepreneurship:** SMIT Amandla Marine provides assistance to SMMEs, in the form of donations. In addition, the company sponsors two New Enterprise Development “learnerships” for candidates who already display the required creativity and determination to succeed.
- ▶ **Social/community development:** SMIT Amandla Marine supports a range of worthy initiatives, ranging from the Khulanathi Project itself to the “Community Chest” initiative in KwaZulu-Natal and, with a marine connection, the Mossel Bay Surf Lifesaving Club in the Western Cape. The aim of all social development projects is to improve the lives of fellow South Africans.
- ▶ **Health:** SMIT Amandla Marine works with community-based AIDS organisations in KwaZulu-Natal, to provide assistance to those suffering from HIV/AIDS.

A year of progress

The Khulanathi Project continued to progress in 2006. It now employs nine full-time staff. Some of the most important project elements were consolidated during the year. Khulanathi was registered as a non-profit organisation in 2005. During 2006, the Khulanathi Sewing Programme employed additional personnel and provided more training. The objective here is to enhance skills, allowing the production of a wide range of corporate goods, such as golf shirts and tracksuits.

SMIT Amandla Marine, of course, is a client of the Khulanathi Sewing Programme, as are a number of SMIT’s clients - including the Department of Environmental Affairs & Tourism. They have all had a positive impact on the 2006 orderbook!

Another programme, Khulanathi Kitchen, continues to operate successfully, serving meals to people on low incomes. In addition, a vegetable growing project has been established, whilst a second-hand goods shop continues to make a useful contribution to project sustainability.

During this year SMIT’s Rotterdam headquarters contributed to the CSI initiatives in South Africa by despatching a container of items for Khulanathi, ranging from children’s toys to furniture. This underscores SMIT’s determination to make a real difference to local communities in need.



SMIT PARTNER DAYS 2006

On September 17 SMIT welcomed representatives of its many partners from across the world to the Group’s headquarters in Rotterdam. SMIT Partner Days, held biennially, are organised to thank joint venture partners for their support and also to work together to explore SMIT’s strategy and clearly identify all possibilities for growth.

To mark this year’s Partner Days, guests took the opportunity to enjoy a guided tour of Rotterdam’s renowned Feyenoord soccer stadium.



MAJU TAKES DELIVERY OF TWO NEW TUGS

Maju Maritime Pte Ltd, the KS Investment/SMIT joint venture, recently took delivery of two additional newbuildings, the tugs ‘Maju Solar’ and ‘Maju Solitaire’.

The new tugs are the first to be built in Manila, by Keppel Philippines Marine Inc. They are Azimuth Stern Drive (ASD) units with a bollard pull exceeding 45 tonnes. The tugs each have two 1800 bhp Niigata engines and are

equipped for firefighting and oil pollution combat.

Maju and Keppel SMIT Towage Pte Ltd (KST), another joint venture between KS Investment and SMIT, together form one of the two leading players in the Singapore/South East Asia towage sector. Beyond local operations, Maju and KST have tugs operating in the Indian Ocean, Brunei, Indonesia and Malaysia.

Between them, Maju and KST own a fleet of 36 modern harbour tugs, ranging from 1600 bhp to 5600 bhp. Units in this fleet are capable of assisting all types and size of vessels.

An additional four newbuildings - all in the 4000 bhp class - are currently under construction. They will join the fleet over the following 12 months.

New tugs ‘Maju Solar’ and ‘Maju Solitaire’ demonstrating their fire units.



SMIT CONTRIBUTES TO ROTTERDAM'S WORLD PORT DAYS



SMIT was an enthusiastic contributor to the celebrations in early September marking the Port of Rotterdam's annual World Port Days. This was the 29th year of Rotterdam's port festival, with the 2006 theme being "Pushing back frontiers in the World Port". The aim of the festival events was to underline how Rotterdam continues to develop as a global shipping and trading centre.

As always, a large number of companies opened their doors to the public - providing a behind-the-scenes impression of one of the world's most vibrant commercial centres. Tours and demonstrations were well-attended.

SMIT has been an integral part of life in the Port of Rotterdam for nearly 165 years and the Group continues to be a strong supporter of the World Port Days.

This year SMIT mobilised a pontoon with a wide variety of equipment, ranging from lifting shackles to a diving tank and a hot-tap system. Other attractions included a photographic exhibition, video screens and a very popular "hard" exhibit - a section from the wreck of the vessel 'Michelle'.

Visitors also had the opportunity to visit the new multipurpose tug 'Smit Bison'. The tug was transported from the shipyard and loaded onto the pontoon, specially for the occasion of World Port Days.

When fully loaded, the pontoon left the Waalhaven quay and proceeded to a special position at the tip of the Wilhelmina Pier, near the Erasmus Bridge. Many visitors boarded SMIT's floating exhibition and gained an insight into a new and exciting world.

World Port Days events also included demonstrations and spectacular shows on the Maas, mounted by the Royal Navy, Customs, Police and other agencies. The SMIT tug 'Thamesbank' added to the spectacle, by assisting a P&O Ferries vessel in front of the Erasmus Bridge.

These events were brought to an early conclusion on a Sunday afternoon, thanks to some inhospitable weather. Nonetheless, the 2006 World Port Days attracted some 350,000 visitors.

