

GLOBAL SUPERYACHT FORUM 2006

Conference Day 4 — 16th November 2006

Class Debate

Bob Curry	ABS
Paolo Moretti	RINA
Englejan De Boer	Lloyds
Anthony Gradwell	Manta Maritime
Doug McElroy	Scan Marine Systems
Wim Koersvelt	Icon Yachts
Capt A J Anderson	WMG
Dirk De Jong	Amels
Wolfgang Franzelius	Germanischer Lloyd

Martin Redmayne

Good morning everyone. The biggest panel in history. Smallest audience—perhaps we should call it a flagging forum. But no, we'll call it the class debate. Class is in session, guys, I won't introduce the panel because there are so many of them, it'd take too long. The idea is to get this going as quickly as possible so we can get lots of discussion. There's loads of subjects to raise and to debate. Thank you everyone for last night—behaving yourselves.

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I'll start off by introducing Engel —is it Engel? Please come and talk.

Englejan De Boer Lloyds

Good morning everyone. It's difficult to see you with these bright lights. I'm sure you're sitting there. Thank you Martin for a having the perhaps doubtful privilege to begin the morning after a party last night which was well organised and perhaps the ongoing partying afterwards. And here we are at day 4 of the superyacht forum. I hope that we can have a stimulating debate; it's a big team. On the one hand you can see the class societies and on the other hand some of the people who might ask us lots of difficult questions but I hope you have some for us as well.

One of the issues I'd like to raise today and hence the presentation—I'm not going to try and sell Lloyds as such, apart perhaps from the last slide—is the matter of interpretations. Interpretations is something which has been a point of discussion right throughout this forum and I think it is something that we could debate upon for many days. Well, some of you have probably seen or heard the following terms: the optimist interprets the glass as being half full, the pessimist interprets it as half empty and what does the engineer do? Well as you can see, he interprets the glass as being twice as big as it needs to be. But interpretation is something that always comes up, because of the fact that yachts are so unique. As you can see here, some definition of interpretation and it does involve quite a bit of subjectivity on the part of an actual individual. And just to set the scene slightly, and to emphase the role of class. Class is mainly involved with things such as structural strength, machinery aspects and electrical engineering; you can use the Lloyds rules, you can use the ABS rules, on top of that we are often asked to act on behalf of the flag states, to seek compliance for the large yacht code, in other international conventions as you can see on this balance. The reason I've put a balance on this slide is it's the role of

the class surveyor in the end to ensure that that particular ship balances safety with respect to all of the prescriptive regulations. Of course we don't only have to consider the prescriptive regulations and make sure there is a balance in it. One of the most important things which we all need to do in the industry and not only class, and that came quite clear from one of the speakers on Monday is that we need to balance all these requirements with the owners' requirements. The statement at the bottom—my family, my friends and myself—of course came from one of the owners one day which I think is a very valid point. Personally I was a bit disappointed that he didn't mention the crew but OK. Owner's interpretations? Again, you can see it on this; owner's requirements, as you can see on this slide— what is the most important thing for an owner? They need to enjoy it and he wants to do it in relative safety. And of course there are many other requirements —statics, operating costs, I'm not going to mention all of them to comply with. So not only are there prescriptive requirements of the rules and regulations and the flag state requirements there is also all the requirements from the yacht owner. But each yacht is unique, yet so many regulations? So how do we achieve this uniqueness? There is always this aspect of balancing, and if you're balancing, you do come into interpretations. Now uniqueness is definitely not a set of prescriptive regulations so it is difficult sometimes to achieve that uniqueness. Uniqueness quite often is an acceptable alternative for that yacht, also known as an equivalent arrangement. And inevitably it requires interpretation. And each interpretation is not applicable to all ships, and that's what makes that particular yacht unique. And one other matter which we are often confronted with is inconsistency. We are often being blamed for being inconsistent around the world and quite often an interpretation is made by a particular surveyor one side of the globe and then we are being asked locally with questions—" but you accepted this on this particular yacht. That's a bit inconsistent." Well, we have to balance all the requirements and perhaps for that particular ship that interpretation was valid and I'm sorry, it's not valid for your particular yacht. Now in our opinion what is the best way to achieve this acceptable uniqueness? And I think Peter Simpson from the Cayman Islands said it on Tuesday—it's basically to get involved at an early stage. The usual way of developing a yacht satisfying the owner's ego as someone said, is you go through a concept, there's the specification, there's the design, the design gets implemented, the ship gets commissioned and there's the delivery. And of course in the end the concept has to meet the owner's requirements and all the other aspects are being dealt with by builder's subcontractors. It's up to us to make sure that we satisfy the owner's requirements. Now this is the normal Lloyds or class entry point and of course what we have to do not only flag but we as class as well and I think it is the best way forward to achieve this uniqueness is to already be involved at the conceptual stage. What we call the collaborative entry point. So hence the balancing. That was really the end of my presentation but concluding—coming back to what I said earlier—with the owner's desire of uniqueness, interpretations are inevitable and interpretations do not necessarily mean that there is an inconsistency.

Martin

Paulo, do you want to come and join us?

Paulo Moretti RINA

You asked me to be quite short so I have adjusted my presentation just to one light. The idea is just to say that what we think is important in this industry first of all is the service that the class society is going to give. Service means having not only skilled surveyors but also surveyors who have time to go and to take care of the owner, to take care of the captain, the boat builders. So our first goal was to create a dedicated business line that takes care of all aspects of yachting, technical, we have a

dedicated plan approval commercial but also operation. This is what we started doing by this year. Creating a network of inspectors working 100% on pleasure craft, so not jumping from commercial ship from passenger to a bulk carrier to an oil tanker but just dedicated all their working days to this industry. The second thing is going in that direction of trying to make some standards, some common rules, for the charter yachts where the class is mandatory. What we decided to do was to create a new set of rules which incorporates the flag requirements between our safety rules. So that at the end we are ruling lines on which are the most advanced requirements on the yachting and you know, it's different from maritime ships, where everything was settled down by IMO and rules are developed by class society. Here the important thing is the safety code that was developed by the most advanced maritime administration. So our choice was to introduce them and this is why at the end I just said. I will close my presentation with this light—it is to put service notation of charter yacht and in brackets to specify the codes of the administration whose flag the yacht is flying, or in any case, who's the owner's has asked the compliance to. So our codes, our rules at the moment—we propose in case of certification as for a commercial yacht, for example, say a Grenadine flag, we propose to classify it according to MCA service notation that is the first safety rules that we bring inside our class rules. From this here we have introduced also on the Italian new safety codes so that if an owner wants independently from having a commercial or a private service wants to be classified and to certify that it's built according to some flag codes and to maintain this compliance through the service, through the yacht life, this can be done also. With the support of the class societies. OK I've finished and I want to save time for the debate that I think will be very interesting.

Martin

Thank you Paulo. Allright I'm going to ask Bob Curry very briefly to raise some of his topics and then essentially we'll get straight into discussing a pet subject of mine.

Bob Curry ABS

Good morning. I'm not going to talk about ABS except to mention that we have do have two notations for yachts, we have yachting service for private yachts and we have commercial yachting service for charter yachts. Other than that I just want to briefly go over the discussion topics I think might interest you. Some have a potential for misinterpretation such as windows and port lights, they've given us a number of not problems but they've taken much more time than ordinarily they should and our revised rules now cover windows and port lights very very specifically, both for private yachts and for charter yachts. Another topic which is actually under development concerns sailing yachts. The hull girder strength for yachts in general for unrestricted service we use the IACS unified requirements. However for sailing yachts we have to consider the mast and rigging loads and generally we know what the still water and wave bending moments are but the moments from the mast and rigging loads are determined generally by finite element analysis and the combined loading we have a criteria that it shouldn't exceed 75% of the yield. We're in the process of developing longitudinal strength requirements that would include the effects of masts and rigging without using FEA. Structural fire protection for FRP—this is something that really needs further development and I'm sure we'll be discussing this during the discussion period that follows the presentations. One item I think is very important on sailing yachts are the keels and especially the keel attachments. We have developed criteria such that if a sailing yacht grounds the keel can be damaged but the hull structure in way of the keel will remain watertight, it may be damaged but it will not be breached. Last year we had a big sailing yacht that grounded, the keel was badly damaged, this was an FRP yacht, and while the single

skin laminate in way of the keel did have some damage it remained, I think the fractures only went in about 50% of the thickness and the hull remained intact. Another item I think will interest you; would be the owner's operating manual. We have one for class and there's also one required for the MCA so maybe that is also something that we can discuss. Finally two years ago when I was here there was talk of an international large commercial yacht code; this does not seem to have progressed very far but I think ultimately it would be a very good idea; it would simplify compliance and would provide what is very badly needed, a uniform level of safety internationally. Thank you very much.

Martin

Very simply, this is now the time to discuss the five industry panellists—I'm nervous as to what they'll now do, but essentially I'm not asking anyone to say anything yet. I've had various conversations with the panel via email or whatever; my ultimate question is directed at the class societies. Why is it that all the interpretation decisions cannot be made available to industry so we have a level playing field of information? This is part of the debate I want to sort of bring out into the open. Just to speed up processes, make it more intelligent for the market to understand how decisions are made, how interpretations are made, and can that information be shared? Would anyone like to answer that? There's only four mikes can work at one time so can you just press the button—when you've finished speaking press the red button again.

Engel

The question with respect to interpretations being made available worldwide. Yes I do think that's a good idea, the only problem we are facing is that, like I said earlier on during my presentation, each interpretation is not necessarily applicable to all yachts. There is a general line to be found within all of the yachts but it's far too difficult to say this particular interpretation is valid for all yachts, so we have to be careful. We can publish the interpretations if necessary but the final decision will have to remain with the attending surveyor or the flag state surveyor.

Martin

Similar to the legal profession, where a case is made available for guidance or for information—would it not make sense to make that a clear document that people could use as reference?

Wolfgang

Yes I would like to amend that all the decisions we made from the class society point of view in most cases refers also to drawings and in many cases the class societies are not able to publish any interpretation referring to drawings due to copyright reasons, because otherwise we have to show something that is of interest for any other colleague in the same industry way, so this is one item where we are struggling with, from our side. It would be sometimes of course helpful to do so, and also from our side it's easier, but it's not always possible. And in addition when we are talking about interpretation from flag state requirements there of course it is easier to do so and when we are talking about the old LY1 you know there was a list of interpretation given from all the class societies which was available from the MCA so I would prefer to have at minimum this list again also for the LY2 because there's a lot of problems with regard to interpretation.

Wim Koersvelt

Good morning. The issue of publishing rulings is something that I contributed to this list. And during the past years working at quite a few yards even in Holland you see differences in interpretation. I understand the remark we cannot publish rulings because of possible copyright rules but I'd like to look at it in a different way. Engel has said interpretation is necessary; it's true otherwise you wouldn't need judges in courts if the law would be black and white. But what is important is consistency and to create that level playing field and I am not going to cite individual examples but I've come across rulings that were given and one could question why the surveyor ruled in a different way and that the ruling could not copied from a sister office of the same classification society within a two hour drive. Then my claim is, if you list those rulings then you would force the person requesting the ruling to properly formulate his case and if he requests a ruling that is different, that differs from the set of rules that is published then he must accept that he must submit evidence and supporting documents including drawings, that will be published and I think if you lay that responsibility there you may get less questionable rulings, you may get less quick rulings, I have to be careful what I say about questioning— at least the rulings will be properly formulated and the person who's asking for the ruling will know that he will be scrutinised by his peers and colleagues, and yes, it's more work for the classification societies; I think the professional people that seek a ruling will be willing to possibly pay for that, but it might be a way forward to create continuity and to rejuvenate and keep the rules up to date. So I would not look for a reason why we couldn't do it but look for ways forward and profit from it. Because I think if class rulings are consistent certainly the pedigree of the class society that will do that will be enhanced.

Martin

Dirk, what do you think about having your drawings used in a situation like this?

Dirk

Well it depends I suppose. Sometimes as a shipyard what came across our experience is you work to a solution that you actually basically developed together with class or with a subcontractor to find a way out of a particular situation which might be normally not allowed if you look only, like Engel said, to the clear interpretation of the rules. Of course if you have that solution investigated and put some effort in it then you don't really want to publish it worldwide, for everybody, because it seems like a valuable point for yourself. But on the other hand we are also keen on the fact that if in other parts of the world in general things are accepted which we see being not acceptable then of course for us that's a disadvantage. So it needs to be balanced out quite well before you get that done, but I fully agree with Wim Koersvelt that we should try to effect getting a little bit more open discussion and opening up about it instead of keeping it really dedicated to the class surveyor who is making this decision and keeping it away from anyone else.

Martin

Bob, do you want to come in?

Bob

I think it would be a very good idea to have the interpretations and decisions and supporting documents on the internet but there would problems I think.

Interpretations are essentially potential rule changes and there might be legal problems in putting these potential rule changes onto a website into the public domain when they have not been approved, for example, by the ABS technical committee. Only they have the legal authority to approve rule changes so I think there could be some problems and certainly that would have to be discussed and considered.

Wim

I understand what Bob Curry is saying and I wasn't planning on citing examples but quite a few years ago we were doing in Italy some fibreglass boats in different yards in the same city and it was very funny, quite a few were ABS so now I address that. And I disagreed with the way portholes were being installed and it was at 3 different yards so we were doing it the same way. A certain instance— I did something that was a bit impulsive and I took a piece of plywood that was laminated to the porthole opening onto which the porthole was fastened on the inside of the boat, put my foot on the side of the hull and I ripped this piece of plywood including the porthole, off, to the inside of the boat, quite shocking. I objected to that surveyor locally, a gentleman who has now retired with whom I remain good friends, he said I know but this is the way it's been done for 20 years. I wrote objections about this, with sketches to the ABS Genoa office, to London, to Huston, never got an answer from any of them. In the end the yards where I did this they have changed and they're now putting in the portholes according to the rules but I use this as an illustration that I understand what he's saying about the technical committee has to look at it, but this is exactly a point. If people ask for a ruling, they should be scrutinised so you don't get approvals of putting portholes in there that you can rip off the way I did. And similar—the ruling would not be given because the ruling would be scrutinised first of all, by other people in the industry, and they wouldn't accept this. And if the rulings must be looked at by a team of people then so be it. That's good. Because they are potential rule changes and they should only be accepted if indeed the ruling could and is correct to become potential change of the rules. Otherwise you shouldn't rule them. And if that means that for rule changes you will have to maybe pay a fee for the investigation then also so be it. Of course if you need to have a small tipping bracket change because of—small things like that, a surveyor should be able to continue to deal with. But I'm talking about serious changes, something that has to be looked at, maybe also innovation. But if you want to change, if you do not want to play by the rules, then the other people who have to play by the rules should know. So they can also continue to work to the same rules as everybody else.

Wolfgang

OK. I fully agree with Wim. And I also understand what the problem of the industry is in general. I'm just a little bit wondering why the industry in some cases is not going another way, because there is other possibility when we are working together on international industrial standards like ISO, the German and British standards. I'm working in many of these different working groups and always when we asked industry colleagues to join this group and to have the possibility to take direct influence on rule development, things like that, they are almost no replies. Or quite seldom. And of course the class societies can and in certain circumstances interpret their own rules in a certain way and as ABS says it's not always easy because it's difficult that only a certain body within the class societies is allowed to do so, and this is good, because otherwise you would not have the problem with a surveyor on site but you would have always the same problem with each individual plan approval staff in the different office, so it makes sense that there is a certain regulation within the class societies that not everybody is able to change the rule in its own way.

Bob

I would just like to follow up along a similar line to our friend from Germanischer Lloyd. I know for sure ABS has an internal quality system, all interpretations have to be approved internally and are distributed throughout all our divisions. Also in the quality system there is a client feedback method of process and anyone that is dissatisfied with an interpretation or an inconsistency in interpretations should use the ABS quality feedback and send it in to ABS and complain about the interpretations that they are concerned about.

Anthony Gradwell

I'd like to suggest that perhaps as a lot of decisions are left to the attending surveyors at the shipyard they can make decisions within that shipyard that perhaps don't get fed back to the headquarters. Perhaps something has been missed, god forbid, and almost a kneejerk interpretation is necessary. It also leads on to the question of the training of field surveyors. But we'll approach that separately perhaps. But I think that there's definitely scope within the flag administration and classification societies to publish some of the interprets which are almost like a rule clarification and yet I can still see that there is a need for the class societies to retain some flexibility, to be able to make interpretations for specific projects, and specific vessels.

Engel

Just to support Anthony and I want to raise another matter. Indeed I think the reason there are so many interpretations is also because not only we as class but also out in the industry there's a need to have a better understanding of the fundamentals i.e. the reasons for the rules. Why were they imposed, why were they developed. So you need to go back into history, you need to go back to basics. And perhaps the fundamentals need to be better explained. With respect to interpretations again, one of the ways that we're trying to deal with it within Lloyds, we have a yacht focus group —this meets twice a year with all the surveyors worldwide, attending surveyors, plan approval surveyors. Based on that, the interpretations get discussed and these get then put into what we call a knowledge base which is accessible to all the surveyors. Possibly within those interpretation database there is a possibility to make some of the information more available to the industry. With respect to one of the queries raised by my colleague from Germanischer Lloyd, ISO and other international bodies I worked in the IMO myself for two years and I know how slow that process can be once you want a change to be adopted. So I'm always a little reluctant to moving in the direction where we develop an international yacht code whereby there is an involvement with too many flag states because the process will become very slow and I'm afraid that might halt innovation, which of course is necessary within this industry.

Paulo

Yes. From our point of view, now that we're involved with as many members as also GL and industries in the ISO etc that is supposed to rule on ISO standards for large yachts and supposed to clarify and to give common standards to many problems to many particular items like portholes, windows and scaffolds, fire protection, on the contrary I must say that what we try to do in for example in Italy with Italian boat builders when there was this new safety code is to try to build together a common platform of interpretation to give to the Italian ministry for their approval, so that at the end we know that once we are approving a drawing or once we are doing a survey

which are their interpretations which are clearly allowed, and this protocol has been created with the cooperation of all the involved parties, because there were builders, there were all the class societies recognised by the flag, not only RINA but also ABS, BV, Germanischer Lloyd. Of course at the end we realised that this is covering 70—80% of the problems because then there is that a yacht is something unique. There is still something that at the end we require, some sort of additional interpretation. From our point of view we believe that we have to try to reduce personal interpretation by a surveyor; at the end who rules is our dedicated structure for the plan approval because in this case if they take a decision they're going to make sure that everyone, not only in Italy, or the Netherlands or in UK will act according to this common rule. One other thing I must say is that yes, sometimes a captain, an owner, an inspector with supervising a new build can find from the class society point of view saying OK, we have always done it like this for many years. But this is happening sometimes also from the other side, because you ask something that is not so difficult to be done often, and often the answer is OK but we build like this so many years. But actually the rules are changing, the certification that are becoming mandatory for big yachts due to their size, are a lot, there are SOLAS certification, there are others, so I think we have to put in a balance and understand that from both parties in any case there is something that needs to be looked at in a different way because there are also additional safety requirements nowadays that were not applicable maybe up to three or five years ago.

Martin

Allright. I'm going to bring Doug McElroy in now. Because Doug is one of the useful people that has literally left the industry. He has resigned from Northern Lights and is now running a nice little company in Seattle and we've often discussed the subject of class over the last 10 years of Projects. Doug, what is your comment.

Doug McElroy Scan Marine Systems

I guess it's interesting that you become most useful when you leave the industry. I agree with a lot of the things that have been said here. I would like to seek a couple of clarifications however. In my previous role I spent a great deal of time wrestling with the class societies. A lot of it having to do with misinterpretations by an American of European systems which is common. But at one point we reached a point of impasse at the end of the last century and seeking clarity I contacted Lloyds offices in Holland and asked to come and speak to some people and clarify some issues, most of them electrical, having been a generator supplier. And I was surprised to be informed that to do so was going to cost me €550 an hour. And we made the decision to go ahead with this and I went for a 2 hour meeting. It was shocking partly because that was more than I was paying my attorney at the time. But while I was there, and speaking with some genuinely very helpful good people, I made the comment that I had the understanding that the rule, as it was written— I made a comment X, it happened to be about energised stop systems on diesel generators, and I was immediately stopped by one of the gentlemen there and told that I was not capable of reading the rules. Which surprised me a bit because they'd been sold to me for a good deal of money a little while before. And so it's a point of clarity—are the rules as written today something that a person of the industry should be able to read? Because I asked for clarification then—I said you mean I can't read the rules because I'm clearly incompetent or is it that no-one can read the rules. And it was made clear to me that only a surveyor could read the rules. Is that the case today?

Martin

So who can read the rules?

Bob

Anyone can read the rules and I don't see how reading the rules should be limited to anyone. Any person should be able to read the rules and understand them and make an interpretation of them. As long as they have the general understanding of the content and the subject. I've never heard it said that only a surveyor can interpret the rules.

Doug

So if that's the case and that could be considered an AICS agreed component, then there should be no reason why the class societies in my opinion can't write their rules down, make them clear, and should someone want to deviate from those rules that would simply be a deviation that's noted and you move forward. But without rules you have chaos. You have whatever the local guy cooks up. And we're —what is the word— a global supplier of machinery and we believe that there's value in that global supply, meaning that if I get an engineer trained to understand our machinery in one part of the world he can take the boat to another part of the world and expect that people might help him there would share their understanding. So that being the case, we work with a surveyor in the Seattle area and his interpretation of the rules can be radically different from the interpretation of a surveyor in Holland or Italy or many other places. And this is where this feeling of chaos, the guys can think up whatever they want, becomes a real caution, a real bone of contention for a supplier.

Bob

As I mentioned before, we have a quality system and also we have a training system and I think it's every two years all surveyors wherever they are they have to go to the Huston office to spend a week there to bring them up to date and on interpretations and things like that and if you should ever have, as I mentioned earlier, if you have some concerns about interpretations of the rules then you can use your client feedback process which will go directly to our technical consistency department and it will be handled there.

Wolfgang

So I have to agree again with ABS because it is like this, that the rules are no secret. So the rules from Germanischer Lloyd are published in the internet, you can download all the rules at PDF file and if you go through these rules and have questions please take the phone—there's always a contact person mentioned you can call them and ask. And as far as I can talk for Germanischer Lloyd we have it a little bit easier because all the plan approval will normally be done centralising in Hamburg. So the interpretation of any rules from the surveyor point of view is quite limited as the plans which are already approved is the basis for the surveyor to work, so of course there are still some minor items where a surveyor must do the decision on site, at the shipyard but even there if there is a point of discussion no class society I assume had a problem to talk to the customer, to the shipyard, to anyone like that and I don't know how many times our telephone in my department is ringing when all sub suppliers are asking for an interpretation, they have new developments, they would like to know how to use the rule in this specific case and things like that. We do not hide behind a big wall and sit there and hope nothing will happen. We are

talking, and there is email, there is fax, there is I don't know what kind of ways of communication. And so I'm a little bit wondering why everybody is saying there is no way.

Engel

I didn't think that we said there is no way—there are so many ways, we just like to have insight in these ways and see some consistency. And publish your ways. I give another example. In the last 13—14 years I've produce 70 specifications of maybe half of those were actually turning out to do with boat building projects. In those specifications I had a standard request where it's requested from the builder that a log is maintained of all visits by the surveyor purpose of the visit, and any decisions taken during those visits. I can give you a list of all the premier builders in Europe where I've done projects I will not do that, but I have never once succeeded in really getting these lists from any of these people. That is part of the itchy feeling that there are things, rules and exemptions and decisions made locally and you want to publish that. And that's what we're saying. There is many ways of getting answer, obviously, I work with the class societies on other new projects and yes we're getting answers but we're talking about them being known so that everyone can profit, we create some jurisprudence, the rules will be rejuvenated and we'll become innovative.

Tork

On the publishing of interpretations it seems that you're saying some can be published and some cannot. I can see why that could be the case if the shipyard doesn't want to reveal some particularly clever idea they have. The problem is if you only publish some of them it's not exactly worse than useless but it's not a real solution because some are still hidden for whatever reason, and if that happens to be the one that you're interested in, or if happens to affect one of the published ones, then you don't really have the whole picture from outside the societies.

Paulo

Well I must say that there are two problems I think, that we have to face. Because in any case nowadays everyone is going to boat shows and travelling around, so it is pretty easy that someone goes on a boat, on a yacht, and says OK but why—hey—come on, why you approved this solution here. And you didn't do on my boats. So I think in any case making standards, making something harmonised, is really important for all of us. Another issue is nowadays there are a lot of safety codes developing also of flags, not only class rules. There is the Italian, Luxembourg, Maltese, there will be the Vatican City one maybe, but at the end that could be the possibility that in yachts like on ships over changing of class, of changing of flags, so the point could be that sometimes if you give some interpretation and they're not written and someone else is going on board because it's change of class, or a change of flag, could be problem because if there is nothing written of which were the technical equivalent solutions that brought to give in these exemption or to accept these equipments or solutions, these could become also a problem— for example change of flag or change of registry. So I think that as I said before, nowadays rules are developing a lot, industry is developing a lot, there are a lot of involved parties, it's no more like some years ago when at the end that was mainly private yachts, there was mainly one flag with one code, now the parties are many. So sometimes we have also to think that giving standards, harmonised standards, maybe from a flexibility point of view could be a problem but on the other hand it could be an advantage because everything is clear for everybody.

Martin

Thank you. Engel, do you want to come in?

Engel

Yes. I wanted to come back to something Doug said. I'm glad to hear he does read the rules. We do unfortunately come across a lot of questions which in our opinion are quite well stipulated within the rules. I do think that perhaps the behaviour of that particular surveyor in that case, if he told you well you don't know the rules is an unacceptable behaviour and if you felt offended by it then I think on behalf of Lloyds we should apologise. The stance of Lloyds is always quite clear. We set a level of quality, it's in our statute that we have to. And sometimes we can come across as being very tough. We don't mind, we have to be. We stand for the safety of the owner, and for the safety of the people on board including the crew, but on the other hand we need to be flexible enough in order to find the solutions. So yes, tough on safety, flexible on the solutions. And it's within the flexibility which you need on yachts that you get the problem, the issue, with interpretations. Similar to ABS and probably similar to any of the other class societies we as well have a quality scheme and yes, you can appeal, but like any other quality scheme by the time you get the answer the ship might be sailing on the other side of the world. So we need to keep the flexibility of the surveyors on the job there in order to get the project going and moving forward. Coming back to what was said earlier on with respect to the rules, rules need to be clear. If the rules are unclear they're unclear to the industry, they will be also unclear to the surveyors themselves in the end. Although they get trained and get given the basis of the rules there is definitely a need to improve on our rules, and I think we have to take that on board. I take this as a complaint in our direction and we say there is a need to make the rules clearer, and perhaps there is a need to incorporate some of the interpretations within the rules.

Martin

AJ. What is your experience of the class process?

AJ

I have a solution. Everyone knows that what Doug and Wim have expressed is really what's happening in the field. So we can say everything is good, we have systems, we have communications, but what they've expressed I think if anyone has been in that business out there you've felt and experienced the same thing. And it's not anyone's fault, necessarily, it's just the way things have progressed. I think that we have to have published interpretations. So there's some unintended consequences; we have to figure out what they might be. Don't publish the design, keep some limitation on the information. I think what Anthony suggested that a threshold on which interpretations—you know, what qualifies to be published, as far as what's important enough to be published, certified enough to be published, I think that would be a tool, an instrument. I think what Engel suggested going back to the original purpose, of why that particular rule is there, what it's trying to achieve, and then do something unique because it was before yachts, this whole SOLAS thing, do something unique and say what is the operational profile of the yard and apply it to that original purpose, I think you'll have something, that you'll see an evolution of SSC or the ABS equivalent etc. I think you'll see this evolution and all these interpretations that are necessary now, there'll still be those interpretations but there'll be fewer of them because you've realigned the original purpose of the rule and adapted it more closely to the operational profile of the type of vessel we're dealing

with. So the bottom line is, there's a big problem with interpretations but I think there's an easy solution—all you have to do is find out how to deal with the publishing of the interpretations. And to go back to what Engel suggested I think what Bob suggested as far as international large yacht, commercial yacht code—you know, there was a life before LY1—I remember about 11 years ago LY2 was a great attempt by a lot of people but basically it fell right back to SOLAS for the most part. In some cases more stringent. So I think that there's actually a point in time now because of these guys and I think they're kind of thinking out of the box a little bit. Here's an opportunity now that we can develop an improvement on LY3 perhaps.

Martin

AJ thank you. Dirk you have something to say?

Dirk

Yes. I would in any case like to emphasise what Engel also says that it's good to make aware of changes that are being introduced, interpretations being done, like Wim is asking for, on the other hand you need to be aware that needs to be instant decisions being made at a certain point in time where you are building a yacht or a generator or anything else. And that needs to be shipped, needs to be delivered, or otherwise. So if it means that any interpretation runs into potential rule change, which I heard before, and that should be approved by a committee then I think no-one will be able to build a yacht anymore. Or a piece of equipment which is supplied to the yacht. So that there definitely should be a rule—because careful with what happens with these interpretations and I think in that respect there should be some flexibility by the surveyor on the spot, to make some decisions.

Wim

Make the decision because he's right, sometimes you have to make a decision to move forward, but publish it. And work out some sort of mechanism that if it is blatantly wrong and safety is becoming an issue because of the ruling, then it has to be maybe a way of changing back, or cancelling out, the ruling and otherwise it just stays. But at least you create some jurisprudence that a ruling like that cannot be made in the future. But sure, you've got to move forward, but publish, be open.

Doug

Yes. I hesitate to quote another publication—one of your close competitors—

Martin

I have no close competitors—they don't exist!

Doug

Tug & Salvage magazine. And there's an article, very well written, by a fellow by the name of Jim Kearney, and I'll paraphrase him a little bit here, in July and August of 06. He's Vice President of one of the marine divisions for TwinDisk. And he made the comment that Lloyds LRS requires that all castings and forgings be done through LRS approved foundries and forge shops. And you need to understand this industry a little bit—the marine gear industry is one where you have all these marine gears lying around and they're always the wrong gear ratio whoever happens to call you and then you have this huge inventory of pieces and now you're being told you can't

sell any of those pieces to a Lloyds project unless Lloyds inspected the foundry and casting shops that you worked through. Less than 1% of what they do is going to ever be falling into that category yet they have to move their patterns to a facility that is Lloyds approved. Now you multiply that problem by 10 which is the number of IACS classification societies there are and realistically in the yacht business there are about 6 of them that are truly working. So multiply it by 6. Now you have to have patterns sitting in foundries at 6 different approved facilities. Your numbers of manufacture in this industry are tiny; so you just increased the price of marine gear practically speaking by maybe ten fold. Is everyone in the industry ready to pay that? Of course not. And now one of the things that was brought up by Bob that I thought was very important and it's very poorly understood I think by the industry is the concept of the IACS unified requirements. There are rules which all these classification societies agree upon to a certain extent. And I think that there needs to be a focus driven toward that concept and those rules so that everyone can at least put some things away in the hopper and say OK we know we have to do these things. Because everyone agrees. And I would assume that deviation from those rules on the terms of special interpretation would have to be a bit harder to attain, since you now have ten class societies who all say yes you must do X —Bob is there a vehicle for the industry to be able to get hold of those rules and understand them clearly?

Bob

Which rules are you particularly referring to?

Doug

Well you referred to them as the IACS unified requirements.

Bob

There are IACS unified requirements for ships, commercial ships. Generally IACS are for vessels in unrestricted ocean service, they are cargo carrying or they can be passenger carrying vessels. Generally there is the longitudinal strength and materials IACS requirements apply down to vessels of length 90metres. Some of the other IACS requirements vary in their limits. However there are no IACS requirements for yachts or even for charter yachts. Whether IACS would consider this that would be a decision for them and not for any individual society. I will say one thing, IACS are very very busy at present, they're tied up very much with the IMO gold based standards, the development of that. That's a horrendous task. But I think things would be easier if there were IACS requirements for example for large yachts.

Doug

Yes, if there is a way to homogenise some of this. Because you understand what I'm talking about in terms of what Jim Kearney raised in that in order to build a product and large yachts, small yachts, all of them included, want to use off the shelf componentry for much of this stuff and so if you build a marine gear for instance and you have to now build it for 6 different masters; any one of them might show up at any day, now we're talking about building only custom marine gears. And custom generators and engines. It becomes an unnecessary level of burden.

Martin

Wim your finger was almost ready?

Wim

Yes. Paulo said something a little while ago about going back to basics and now listening to Doug and something I hadn't thought about before. Go back to basics. Class societies are national bodies and maybe—this is a bit provocative maybe. Because we don't hear much. This is what we're supposed to do. Provoke debate. So maybe here is a small provocation. I think that the other one that we all wanted to see, published the rules, I think we all agree on that.

Class societies are national bodies. They came out of history when the world was small and people rode horses—that's a little exaggerated. But we're now really a global world, distances are small, communicating and buying all over the world. Maybe the days of national class societies are finished. And the class societies should bundle their rules, maybe the class societies as we know them may become authorised agencies from IMO to survey a single IMO rule for building and operating yachts, whether private or commercial, because why even have that difference. Provocative thought maybe?

Martin

Well two days ago Bureau Veritas made a bid for Germanischer Lloyd so maybe this is changing. No offence, Wolfgang. Right, I'm going to open this to the floor. Can we have some light please? Let's have some hands and see if we can get any of these debates coming from your side of the fence. Yes I have a question there from Celine.

Celine Renaud ALCAN Aerospace

I was very interested by your discussion because we are producing aluminium so we are in direct contact with class societies and I understand the need to have some interpretation that are not published and stay on your side but I would suggest something has to have something harmonised at least for the material. For example everyone say we have IACS for aluminium for example but if I take the rules I will have different mechanical properties for one single alloy in each rules. So this makes the work very complicated and that's the same for example for what we call marine grade aluminium alloy—we must put an M on the marking on the plates and depending on the classification society the M must be before the name of the alloy or after the name of the alloy, or etc. So I think the first point could be if I can say that, to harmonise things on the materials first. And it will make for us the work easier and for our customers also the work easier, and the choice easier.

Bob

The IACS unified requirement for aluminium has the unwelded mechanical properties of aluminium and as you know the mechanical properties are very much affected by welding. Both the ultimate tensile and tensile yield are reduced following welding for about 25mm either side of the weld. And I think the problem is not in unifying the unwelded properties, the problem is in unifying the as welded properties and I believe this has been already discussed by IACS but I think that is the as welded properties at this point are something of a barrier to unifying the requirements.

Celine

I must say that I completely agree with you, most especially because we are working at the moment with some people from ABS to have the correct value for some alloys because the gauge length is different in new welds than some other welds, so that's a very important point indeed.

Martin

Thank you. John Aune from the flag site.

John Aune Cayman Islands Shipping Registry

I just got a comment from what Wim was saying from Icon Yachts. First of all he was talking about national class societies. But all the class societies are sitting on that panel, a global class societies, they are working in all parts of the world represented in most countries in the world and working for most flag states, or together with most flag states in the world. So I don't think we can call them national class societies. The second one is he was talking about having the IMO authorising class societies to carry out all the work. The IMO is an organisation for the different flag countries and also coastal countries and port states. The IMO could never authorise class to do this. It's really down to the individual flag state to decide on how much work they want to authorise or delegate to the different recognised class societies.

Martin

John thank you.

Wolfgang

I would like to amend something. I have to. First, GL would not be international just due to the offer from Bureau Veritas just because the offer was coming from Bureau Veritas Germany so it was just still be a German company if this would happen! And unfortunately they are sponsored by some of our nice whisky colleagues here but anyhow when we are talking about national class societies none of all the societies and—thank you very much for the comment from our flag state colleague because we are international, not national. So not at all—we have to consider all international requirements, we have to combine in our rules international requirements made from IACS, made from IMO, and so on. And so we cannot do on our own, sitting in Germany, in Italy, and do what we want to do so this is absolutely not true.

Martin Baum Pantaenius

I have a little bit more of a general question. I heard before from some of you that you differentiate between private use yachts and chartered yachts. I wonder sometimes whether it's not more sensible to think about seaworthiness and security as a general issue. Why would a chartered superyacht be more safe or secure than a privately owned superyacht ? I assume the measurements would be more seaworthiness and sensibility really.

Anthony

I think this stems from the fact that the shipping conventions on which the yacht codes are based have for years, in some cases, nearly 100 years, exempted pleasure yachts not engaged in trade therefore yachts that aren't chartering, and obviously 100 years ago these were little wooden things with a mast. Things have changed quite a lot so it's continued now to the stage where we have 160metre

yachts that if they were operating privately in theory need not comply with half of these conventions, but I think we can expect if the conventions don't change, which is looking unlikely, then I think we're going to see some flag administrations enforcing their own rules on top of the conventions to ensure the safety of the crew, owners, private guests of these yachts.

Engel

Just to make it clear—at least from our point of view, Lloyds does not distinguish between a chartered yacht and a private yacht. The life aboard of people whether it's chartered or private and whether it's crew makes no difference. In addition to that we also need to look after the life of those creatures who live in the sea, there shouldn't be any difference. We make no difference.

Doug

I wanted to ask a question. One of the issues that faced us for a long time with generators was the fact that there is a rule among IACS members that the machines have to be energised to stop. In other words you need electricity to stop it from running. If the electricity is missing it was presumed that it would continue to run, so that if the boat lost its DC or electricity that the boat would still have its generator power. It seems contradictory to me. But in any case when we questioned this because of the onset of electronic diesel engines and electronically controlled diesel engines we were told that this was something that was not changeable because SOLAS said it had to be. Are the class societies actively engaged in working in an interactive basis with SOLAS so that what is clearly an antiquated rule might be able to be changed in the light of newer machinery, newer technology.

Engel

Well the answer is yes we are. Assisting or participating in discussions. The class societies cannot sit individually in the IMO to discuss the regulations yet we are present through our body, IACS, and also we tend to sit with some of the flag states in order to make sure that the rules developed by some of the politicians within the IMO are suitable for the industry. It's a long and difficult process hence what I said earlier, let's make sure that we do not get involved within the IMO for this particular industry. Picking on that point, what AJ said earlier, I think it's an opportunity for us, class societies, to perhaps work more together to develop an international large yacht code. My question would be what would then happen to the MCA large yacht code? And would it be supported by the industry. It would be interesting to see. It's a challenge.

Martin

What do you think, guys?

Bob

Well I fully endorse what Engel says about class societies working closer together to come up with unified requirements for yachts. I would like also to go back to the previous question from the floor and talking about seaworthiness and the difference between private and charter yachts. As far as ABS requirements are concerned, the structural integrity and the structural requirements for private and charter yachts are identical. And as I mentioned when I made my first brief presentation, both private

and charter yachts, the hull girder strength, which is the global strength of the yacht we use the IACS unified requirements extended down from 90metres in length.

AJ

Yes. The question from the floor was very good in respect of the difference between a private and commercial yacht as far as IACS members I'm pretty sure are concerned. Even as far as flag is concerned is that the only difference between the two profiles is the manning at this stage, which will change, and the safety equipment. So the vessel itself that's going to come out of the shipyard is the same seaworthy, fire protection and so forth is going to be the safety equipment. The manning will be different on those two vessels and that's not going to be controlled by IACS, it's going to be controlled by the flag states. And then the other point—I'd just like to bring up quickly is that the flag really I believe needs to do a better job giving guidance to class. In the new construction phase which Wim is very familiar with a class will come on, they'll read the code, they'll do what they know is right as far as safety equipment now. Again, not construction, not load line, but safety equipment. The class will come on board, they'll do what they believe is correct, port light locations and so forth, or dead light location and other safety equipment and then 6 months later flag will come along and say actually this doesn't work for us. I believe that flag and class need to work a little closer together where flag gives better defined guidance to class, so that later on the owner doesn't have to reconstruct certain parts of his boat.

Martin

Who else?

Wim

Coming back to the question would industry support this? Would industry support a single common rule? I think yes. I know a little bit, been around the industry for some years, seen different things. At the moment we're working on two new yachts, the owner of the first one 62metres, 1200 ton boats, intends to fly the Dutch flag, which is another new rule, the Dutch have actually created a commercial cruising vessel category in the Dutch shipping register that developed some rules, so far up to 500 tons, over 500 tons it's going to be subject to interpretation, lots of discussions. The second owner will do a Cayman Islands boat, so we will have to comply with MCA. If there would be a single set of rules to work with, it would be wonderful, I think. Just imagine, an IMO rules for passenger ships up to 18 passengers as a next step. Under 36 passenger rules. I think it'll be a wonderful new world. And save a lot of money. Right now we're talking with the one, talking with the other, and we'll have to take the most difficult onerous solution of the Dutch Shipping inspectorate and the most onerous of the Cayman Islands and MCA, that'll be the end result so we can build two identical boats, to save money to build it. So a single rule, wonderful.

Martin

Can this be done before LY3?

Wim

Maybe instead of LY3 or work out LY3 and join forces and present it to the IMO and say we've done your work for you. Accept it. Trial basis.

Martin

Is this feasible, class?

Wolfgang

You know that the class societies are only working on common structure rules for tanker, for bulk carriers, for things like that. And they are implemented now, they aren't forced, the first vessels are signed, to be built under these common structural rules but be careful, dear industry. If you would have this kind of common rule for a yacht it's not that easily done any more because you still have some interpretation problems to discuss, you could not put everything in a rule; there's still always an open point to discuss. And if you then have to discuss this common structural rule with all the class societies in this body you have a really really big hill to move. I don't know, I hope my colleagues from the other societies know it also, that when there is no decision within the common structural rules for the other ships it's not that easy to do so, and to have a discussion and meeting and interpretation. I cannot really see that it is useful for this kind of industry for the bigger yachts where we have to be flexible, we have to be fast, and as my colleague from Lloyds says, I think everyone should be careful unless he knows what a big body lies behind this new structure of regulation point.

Martin

Paulo please.

Paulo

Yes I agree. Actually for us from a certain point of view it would be very useful to have the pleasure craft business inside the IACS because we're used to working in it. I don't know if really it will be good for the industry especially if we think about before, we were speaking about the possibility of the surveyor making his own decision quick and fast and whatever, but if there are common requirements and if IACS is fully involved in this business then forget about somebody coming and saying OK, this I will accept, but only on this yacht. Then on the other hand no, it cannot be done. Because there will be also be the possibility that another class society will tell you you behave in an unfair way, you are giving relaxation, not technical equivalencies. So bringing the ruling on the IACS field from a certain point of view could be useful because there will be very definite and public standards but for some, let's say needing his market, could be also like a boomerang, I think.

Martin

Paulo thank you. What does the Red Ensign group member think?

[From the floor]

My point is basically you're talking about an international set of yacht rules from the IMO, again something like that would take a minimum of 5 years to get through in the IMO and every single time you want to make a change to a small part—minimum of 2 years.

Wim

So don't try something if it's difficult?

Tork

Since everyone seems to be in agreement that publishing interpretations is going to be a good idea when we come back again here next year are we going to see any progress?

Martin

Engel, please. Is it feasible by next year to present something?

Engel

You're pushing us in a corner here. Rightfully so.

Martin

No we're not. We're your friends.

Engel

I think there is again and I emphasise there is a possibility but we need to agree on it together, to develop a large yacht international code which is outside IMO, which is outside IACS. Because if you do it through IACS there's lots of other class societies involved who do not have an interest in yachts and again it might take longer than the industry wants

Martin

But is LY3 a basis for that.

Engel

Well the basis for it, as far as I am concerned, and this is my own opinion, is to use the large yacht code which is currently available and —well the UK might not like this — but you have to take it away from a national flag whose taxpayers' money it is to develop that particular code and leave it in the hands of a team, committee, whatever you want to call it, which does involve all the flags which are involved with yachts, all the class societies, and the industry and then we can use the large yacht code as it is at the moment as a basis and then develop that within a year, if we have to, but there has to be some sort of common agreement on it, to which we can all, as class societies, refer to it and say well these are the international rules, we as class, we as industry, we as flag referred to. That would be as far as I'm concerned the quickest way forward but let's not push it through any other organisations.

Tork

The thing is, would you still be able— because such a code would have to be taken to IMO as an equivalent to— for it to be acceptable as the current LY code is an alternative to is accepted by IMO and taken there by a flag state. So if you no longer involve a flag state and you don't have representation at IMO how are you going to be able to present it as an equivalent.

Engel

Hence the involvement of the flag states. If you get the flag states involved with the discussions they can then advise the IMO through a letter like the UK have done and say we consider this as being an alternative or an interpretation— may I hasten to add— to the international conventions. So you need the flag states. It's not only class that's got to do it.

Wim

Engel is I think completely right by saying that. This is also what I referred to in this pair of 62metres yachts — one has to fly a Dutch flag and one has to fly Cayman Islands flag. We're dealing with Lloyds on that. And we've had some initial meetings with Lloyds and with the Dutch shipping inspectorate. This process has narrowed our approval drawings on these boats with Lloyds are quite far; we know it's time to start almost educating the Dutch shipping inspectorate about yachts. But you're asking can we see some movement —there's lots of movement. But maybe—you said who is going to do it—but maybe there is something for The Yacht Report to focus on. Maybe we can challenge some of the people from SYBAAss. I don't know if anybody is here from that because these gentlemen certainly have something to say about that maybe. Let's see. You are a bit of the instigator. Kindle the fire. Provoke. Push people.

Martin

I think SYBAAss have gone fishing by the way. But basically we'll make sure this dialogue continues into a proper discussion by email and other things. I believe there's a question there from Michael?

Michael Eaglen High Modulus

I'm very very encouraged by the fact that it appears that really the only problem we have here is a bureaucratic problem to achieve unified rules. And if Wim and I can start the industry committee in taking on the hard problem then we'll meet straight after this and get started. I think from a construction perspective we do have huge differences with the many classification societies. Sure, whether they're national bodies or international corporations or whatever there's big differences. Those differences are not helpful to any of us. And here we have our flag states that will happily approve or accept yachts that have been classed by any of these major upstanding organisations yet in the construction world particularly in the composite construction world we see some class societies require structures two or three times as strong as another society. And much as I respect Lloyds' line of having a high level of quality I don't always see overbuild as a quality standard and I don't mean to single out Lloyds because it's not actually a valid singling out—all the class societies have issues in some areas. But I think being seen as tough, in the composite structure thing I think it's not actually what you should be aiming for; you should be being seen as understanding the structures, being up to date and we work v closely with a lot of the class societies. I certainly would like to congratulate Germanischer Lloyd above all the others for centralising their plan approval to one office—we have engineering offices in three countries around the world and most of our engineering is done from New Zealand and we find the distance no challenge at all. Germanischer Lloyd is far and away the easiest to deal with of all the class societies in the world today on composite construction so take your lead from them and maybe you can all buy them out and we can harmonise to one group, and we'll all be happy. Thanks.

Martin

Thank you Michael. A well composed question.

Wolfgang

Yes, thanks!

Martin

Yes, Dirk?

Dirk

Martin, I hear a lot of people saying that centralised rules seems a good idea and I think from a shipyard point of view we would like that as well, but on the other hand I hear the lady talking just a minute ago about getting harmonisation for aluminium alloy grading and that seems quite difficult already between the different companies, so in that respect I think there is still quite something to be done in any case between the class societies before we can see something more about even harmonising the rules in a certain way.

Martin

Dirk thank you. I have one SMS and then we'll wrap this session up. It will be perpetuated no doubt through magazine, internet and next year's session with the flag and the class on the same panel. Now—if an ABS yacht only has private notation does this mean she cannot be compliant with the LYC [large yacht code] ? if so what mechanism is in place to ensure that flag is advised by ABS that a yacht only has limited classification status?

Bob

ABS yachts that are classed yacht in service are private and they do not have to comply with the LY2 requirements. Charter yachts are classed commercial yachting service and at present we haven't revised our rules so we accept the MCA LY2 requirements as our class conditions for commercial yacht in service. But we are presently revising the rules and we will be including in there our own requirements for charter yachts but they will be very close to the MCA LY2 code.

Martin

Right. Does that answer the question? Do we have one hand up there?

Peter Simpson Cayman Islands Shipping Registry

Basically whether a yacht can operate as a commercial vessel depends not on the classification society but on the flag state, whether the vessel complies with flag state requirements. Basically from our point of view, Cayman Islands are also Red Ensign group, we require the vessel to be in class as far as hull and machinery is concerned, and whether it's classed as say ABS commercial or ABS pleasure doesn't make any difference in that respect. What makes the difference is whether it complies with the large commercial yacht code and that's something which the flag state would have to get involved with and issue relevant certificates for.

Martin

Right. Panel thank you very much—I don't think you were too surprised by the approach, I hope. Essentially we'll now reconvene in about 25 minutes; the Propulsion Forum will take place in Room A chaired by Tork and I'll be back here by myself for the Navigation Forum. Hopefully not *by myself*. Panel, thank you very much.
