

The MARITIME EXECUTIVE

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John Veson

IMOS: Integrating Data to Create Sound Maritime Business Strategy

Veson Nautical Offers a User-Friendly and Flexible Platform That Allows Customers to Stay One Step Ahead in the Ever-Changing Global Shipping Markets

By MarEx Staff

If asked, any shipyard executive will tell you that the last fifty years of the twentieth century brought change to seagoing vessels primarily in terms of size. The introduction of ULCC tank vessels and 12,000-TEU container ships was most often regarded as the most visible bellwether of change at any shipyard. Most notably within the past decade, the advent of technology on board any marine vessel has eventually taken the place of size as the primary change and improvement in ocean commerce.

In the business of running these very same vessels, it could be argued that the processing – and efficient analysis – of information has run along similar lines. Although the Master of a tramp steamer no longer runs the business of his ship or decides where to go next, the input of his data into a flexible, standardized software platform will potentially have everything to do with whether or not he has a job on the following voyage. Some things never change: The noon position and bunker consumption reports still go from the ship to the office every day. What happens to that information once it arrives ashore is another story. And that's where Veson Nautical comes in.

COMPUTERS AND OCEAN COMMERCE: GROWING UP TOGETHER

The PC arrived on board ocean carriers of all types more than two decades ago. That grimy box sitting in the ship's office or cargo control room performed a myriad of tasks ranging from the calculation of stability and trim characteristics for a particular vessel to planning cargo stowage, keeping track of a ship's payroll accounts and, later, developing into a touch-screen device that controlled critical ship's engine and cargo systems. Those customized, typically one-dimensional programs have grown up, replaced and/or augmented by shore-based technical software that helps to manage maintenance cycles and

even monitor the temperature of a critical turbine bearing via broadband connection to an office 9,000 miles away.

Slower to follow was the trend of more sophisticated technology on the operations side of the equation. Today, the utilization of software to streamline data analysis and provide more cogent decision-making in the boardroom is now becoming all but standard practice in most companies. One company that has quickly moved its focus from producing customized software solutions to providing a standardized platform for marine business is Veson Nautical, based in Boston. Long a player in the marine software game, Veson traces its roots back in 1979 to devising distance tables and voyage-estimating software.

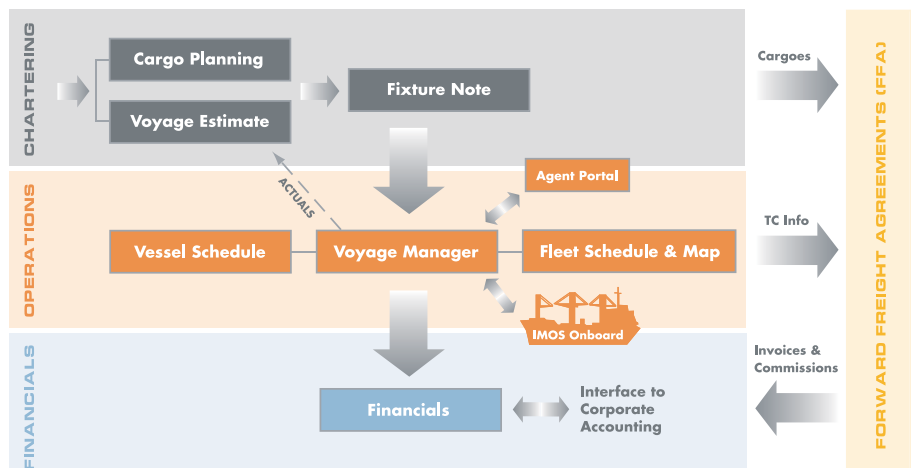
MARITIME ROOTS + CUTTING EDGE TECHNOLOGY = MEASURABLE IMPROVEMENTS

After company founder Michael Veson pioneered the automation of port-to-port distance tables for use in early voyage-estimating software, he turned his attention to meeting the individual needs of countless worldwide maritime clients. In 2003, Veson's son, John, took over the firm and, leveraging

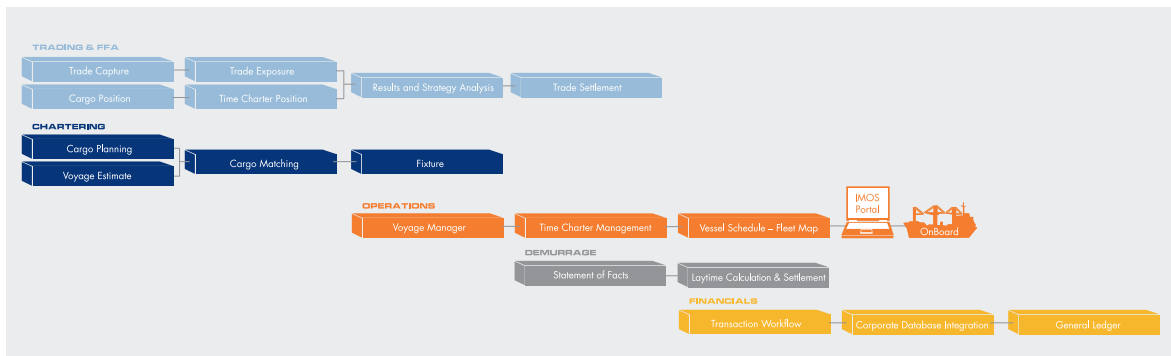
its maritime legacy, he took that focus in a new direction. Veson's Integrated Maritime Operations System (IMOS) is the most visible manifestation of that effort. At the close of 2007, over 70 companies worldwide had chosen IMOS as their primary tool with which to manage and organize their business. IMOS consists of three core modules: Chartering, Operations and Accounting. A fourth module, OnBoard, can be used to build complete solutions for bulk carrier, tanker, container and barge companies.

John Veson touts his IMOS platform as the most technically advanced and complete chartering and operations system on the market today. The most recent release employs a Microsoft.net framework to enhance functionality, user-friendliness, system stability and graphical presentation. Because of this, he says, experienced office personnel can hit the ground running, using known data sets from multiple sources and producing definitive analyses of complex shipping problems.

The real value of IMOS rests somewhere between the efficient integration of multiple streams of data and the accurate forecasting that can drive the decision process. Rather than replace an existing accounting system,



IMOS Modules



however, IMOS fully interfaces with and takes data from financial systems such as SAP or Oracle and then integrates that data with information streams from other sources. IMOS users therefore enjoy the functionality of being able to engage any number of variables into their decision-making rather than dealing with multiple spreadsheets in a stand-alone environment.

SPECIFIC APPLICATIONS: MANAGING PHYSICAL RISK AND FINANCIAL PITFALLS

From the standpoint of voyage accounting alone, the IMOS platform is probably worth its weight in gold. From a twenty-twenty hindsight position, the IMOS “true cost” determination uses transferred data, integrates it into company-generated information and provides a bottom-line analysis of a particular voyage charter. Showing budgeted assumptions versus actual data, the platform provides what John Veson characterizes as “packaged consulting.” In real time, IMOS provides built-in “views and warnings,” turning the conceptual (potential) voyage into something “actual.” Veson says that his clients have come back to him with tales of the voyage charter that they didn’t fix because IMOS showed them in advance what the business would cost.

Charterers are the fastest growing part of Veson Nautical’s client base. Focused on the commercial side of the business, IMOS naturally assists charterers in booking their fixtures. There is also a vetting component, which pulls information from SIRE, Fairplay and other sources to help manage the vetting process. But unlike other systems, which merely crank out data for assessment, the Veson vetting module can provide an instantaneous approval or rejection of a charter choice, based on preset rules determined by the charterer and dependent on their particular threshold of risk. Veson recognized

early on that vetting IS part of the business decision and, because of it, customers can now balance their commercial decisions against the risk presented by an unsafe ship or operator. Even the best financial deal will be a failure if it is founded on the use of an unsafe or otherwise commercially undesirable (non-performing) vessel.

The right software platform can mean the difference between accurate forecasting and mere data collection. And while John Veson dislikes the use of the term “plug-and-play,” the IMOS is billed as the superior out-of-the-box trading module to assess risk and exposure to market conditions. The IMOS add-on feature, says Veson, can help charterers lock in freight rates – limiting downside exposure – by using Forward Freight Agreements (FFA).

In simple terms, the operating performance of a particular tanker company’s spot tanker segment can be measured in net revenues per revenue day, or time-charter equivalent (TCE), and includes the effect of forward freight agreements (FFAs), which may be entered into as hedges against a portion of the company’s exposure to spot market rates. Predicting exposure and performing “what if” scenarios, John Veson says, “IMOS let’s you look at the overall freight position and see if you can hedge your exposure to freight markets. In simpler terms, IMOS is a planning tool for determining which tonnage to use to move a particular cargo.” Because FFAs are an integral part of many ocean-shipping company’s business activities, the IMOS Trading Module enables users to have a unified picture of all physical and paper trades.

IMOS can be used in many other ways as well. Interfacing with AIS systems, the platform can verify the statement of facts, manage “time-bars,” and create a standardized demurrage solution by generating a freight statement. Additionally, IMOS, partnering with third party information, can be used to manage bunker fuel purchasing by maintain-

ing a constantly updated database for pricing at individual ports while also tracking on board consumption.

IMOS ONBOARD: UP AND RUNNING

In November 2007, European oil refiner and marketer Neste Oil Corporation became fully operational on Veson’s IMOS platform for the purpose of better managing its fleet of 30 tankers. Veson’s IMOS now enables Neste’s Shipping Division to operate its large tanker fleet more efficiently and profitably, from the onset of the voyage to the financial tie-out. “The greatest benefit we have experienced is having an integrated system that handles chartering, operations and accounting,” explains Joakim Kärkkäinen, Vice President of Neste Oil Corporation’s Shipping, Finance and IT Department. The independent northern European oil-refining and marketing company regularly moves refined product from its two Finland-based refineries. With a total refining capacity of approximately 250,000 bpd, Neste also employs about 4,500 people.

On the other side of the equation, Broström Tankers AB, headquartered in Göteborg, Sweden, was one of the first users of what would eventually become Veson Nautical’s full-fledged Integrated Marine Operations System (IMOS). The company has been leveraging IMOS for its chartering and operations activities for more than a decade.

In 1993, Börje Forss, Chartering Manager at Broström Tankers AB, and Michael Veson, founder of the predecessor of today’s Veson Nautical, began working together to create a tailor-made solution for Broström’s chartering calculation needs. Börje Forss explains, “Originally we had a DOS-based calculation program, but it did not have the functionality or power we needed. Michael Veson approached us with the beginnings of a solution and we started working together. Michael is a technology expert who understands the

needs of the shipping business.”

As a respected logistics company, Broström serves the oil and chemical industry and its needs for marine transport solutions. The company runs approximately 35 vessels – owned, partly owned and some on commercial management – operating mainly within Europe. Today, Broström vessels make as many as 2,000 voyages per year, transporting cargo for major oil companies such as BP, Chevron Texaco, Exxon Mobil and Shell, among others.

The long relationship enjoyed between Veson and Broström is, perhaps, ample proof that Veson software provides a competitive edge. “With IMOS, we can always evaluate which cargo is the best for each vessel. In addition, the ability to combine voyages is both significant and unique,” remarks Forss. “I’m sure we make better decisions because when you have a good calculation tool and you can combine voyages, it’s truly a benefit.”

CHASING THE BOTTOM LINE: THE STANDARDIZED APPROACH TO SHIPPING

Perhaps the number-one reason to consider an integrated maritime operating

system – IMOS, for example – is to catch the errors that might be made through the use of stand-alone or less interactive management systems. In fact, says John Veson, “Many clients initially run our system in parallel with their previous systems. This

practice helps them to catch errors and see where they might have been saving money in the past, had they been on board with IMOS from the start.”

With more users coming online as the value of its software becomes more widely known, Veson is gearing up to meet the expanded challenge. Already with a strong European and U.S. presence, its Singapore office has been up and running since September 2007. Veson now has 27 employees and is looking to expand even further. As industry continues to evaluate the adoption

of technology solutions, IMOS will certainly be among the products being vetted for managing the business of maritime commerce. It is far too early to say that Veson’s IMOS platform will eventually become the benchmark for integrated management tools, but the

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early vision of Michael Veson certainly set the stage for what was to come next.

The same integrated sophistication considered standard on the technical side of the shipping equation is now available for maritime players who want to run those physical assets in a more efficient and productive manner. It’s not too late to climb on board, but as they say in the shipping business, “the Captain is singling up the lines now.” Not to worry: John Veson will hold the gangway a little longer for you.

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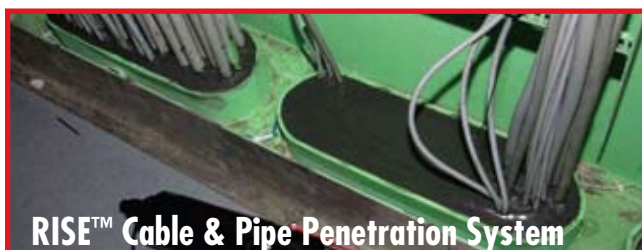
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