

VALUATION OF MARINE VESSELS

BACKGROUND

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- ❑ Nigeria is a littoral state that has vast amount of mineral and natural resources in her maritime environment.**
- ❑ Federal Government of Nigeria took the step that ensures the people of Nigeria benefit from their God's given wealth by the local content initiative.**
- ❑ Many investors and entrepreneurs have continued to go about vessel acquisitions without seeking professional assistance. The consequences of this unprofessional approach to doing business include loss of investment and littering our coastlines with abandoned unserviceable vessels.**

Theme:

“Engineering Economy as a Key Driver for Sustainable Development in Nigeria”

Topic:

“Valuation of Marine Vessels”

BACKGROUND

- ❑ Proper valuation of marine vessels could not be effected without obtaining an opinion on the structural and mechanical conditions of the vessel as applies to all reasonably visible aspects of the vessel, her rig, machinery, service systems and her equipment.**
- ❑ Estimates of value arrived at is usually by studying the average current market value of similar vessels and adjusting this figure to reflect the condition of the vessel at the time of survey and not at the time valuation report was issued.**

AIM

To acquaint us with the necessity for obtaining proper professional assistance in valuing vessels before venturing to commit resources to acquire them.

Who can Conduct Valuation of Marine Vessels ?

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**Marine Surveyor with background in Naval
Architecture or Marine Engineering.**

MARINE SURVEYING

- ❑ **Marine Surveying is a well-defined profession with its own principles, practices, societies, ethics and codes. It is the practice of inspecting marine equipment, vessels and cargo, to determine its safety and market value.**
- ❑ **A detailed inspection of vessels, hopefully done by a qualified, diligent and honest surveyor, for the purpose of determining its current condition and seaworthiness.**

MARINE SURVEYING

- ❑ Marine surveying is often closely associated with marine insurance damage and salvage, accident and fraud investigation as insurers generally lack the training and skills required to perform a detailed assessment of the condition of a vessel.**
- ❑ Independent Marine Surveyors are often employed by the clients of marine insurers to provide evidence in support of damage claims made against the insurer. Even those who are qualified benefit immensely from a second professional's cold and unbiased opinion.**

MARINE SURVEYOR

- ❑ **A marine surveyor is a person who conducts inspection, surveys or examinations of marine vessels to assess, monitor and report on their condition and the products on them.**

TYPES OF MARINE SURVEY

- ❖ **Condition surveys.**
- ❖ **Statutory surveys.**
- ❖ **Classification survey.**
- ❖ **Fitness for purpose and performance surveys.**
- ❖ **Commercial surveys.**
- ❖ **Quantity surveys.**
- ❖ **Warranty surveys.**
- ❖ **Insurance loss surveys.**
- ❖ **Accident investigation surveys.**

❖ **Condition Surveys**

Condition surveys are done to determine the condition of a vessel or equipment at the time of the survey. Condition surveys share this requirement but they do not all share the same reason for the survey.

Reasons for Condition Surveys

- ✓ **On-Hire and Off-Hire.**
- ✓ **Surveys for Major Oil Companies.**
- ✓ **Protection and Indemnity (P&I) Club Entry Surveys.**
- ✓ **Sale and Purchase Surveys.**
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❖ **Statutory Survey**

- **Governments of littoral states pass legislation to regulate the operation of shipping operated both by their own nationals and by those of other countries when within own ports and waters. Such legislations translate into regulations that must be complied with by individuals and organizations involved in shipping.**
- **Regulations may also be as a result of the government having ratified international agreements.**

❖ **Statutory Survey**

- **They achieve these by using their own surveyors and survey agents or by requiring the shipping operators to set up a system that ensures compliance through audits.**
- **International Safety Management Code (ISM Code).**

❖ **Statutory Survey**

- **Statutory surveys therefore seek to ensure compliance with the relevant regulations and certificates are usually issued following every successful statutory survey.**
- **Governments of countries work together to ensure that vessels under their flag and foreign flag vessels entering their ports do comply with standards set by international agreements. This is achieved through Flag State Inspections (FSI) for own country vessels and Port State Inspections (PSI) for vessels of other nationalities.**

Statutory Certificates

- ❖ **Certificate of Registry.**
- ❖ **Certificate of Class.**
- ❖ **Tonnage Certificates.**
- ❖ **International Safety Management (ISM) Certificates.**
- ❖ **International Load Line Certificates.**
- ❖ **Safety Construction Certificate.**
- ❖ **Safety Equipment Certificate and Record of Safety Equipment, including Life Raft and Lifeboat Fall Wire Test Certificates.**
- ❖ **Safety Radio Certificate.**
- ❖ **Ship's Radio Communication Licence.**
- ❖ **Safe Manning Certificate.**

Statutory Certificates (Cont)

- ❖ **Deratisation (Public Health Regulations) Exemption Certificate.**
- ❖ **Oil Pollution Prevention Certificate (MARPOL).**
- ❖ **Shipboard Oil Pollution Emergency Plans (SOPEPs).**
- ❖ **Oil Record Book.**
- ❖ **Survey Particular (Hull, Machinery, Refrigeration, Drydocking).**
- ❖ **Cargo Gears Register and Test Certificates.**
- ❖ **Stability Information Book.**
- ❖ **Cargo Loading and Securing Manuals.**

Classification Survey

- ✓ **Periodic and Routine surveys**
- ✓ **Damage and Repair surveys.**

Fitness for Purpose and Performance Survey

- ✓ **This type of survey is carried out to ensure that the vessel is fit for the purpose it is to be put.**

Commercial Survey

- ✓ **Commercial survey is more or less like cargo survey except that the purpose for which the survey is required is different. The principals are mostly firms involved with goods and commodities in international trade.**
- ✓ **Surveyors may be required to carry out inspections of goods in an independent capacity and to provide a firm with a certificate covering the surveyor's findings. This certificate may then be used to provide independent verification of some condition that the principal may wish to establish to other parties to a transaction.**

Supervisory/Overseeing Survey

- ✓ **Supervisory / overseeing surveys may be called for by ship owners, charterers and shippers for certain types of cargo and its handling.**
- ✓ **The surveys in this category include Pre-shipment surveys, Loading surveys, Securing/Lashing surveys and Discharge/Out-turn surveys. Again, this type of surveys does not play any part in valuation processes.**

Quantity Survey

- ✓ **Quantity survey is carried out to determine the quantity of cargo, bunkers or deadfreight.**
- ✓ **Quantity surveys include draught surveys, weight, measurement and hullage survey, bunker survey and deadfreight.**

Warranty Survey

- ✓ **An insurance policy requires warranties with which an insured must comply in order to maintain the validity of the policy. This is what warranty surveys seek to provide and it is more to ensure that the risks involved are minimal.**
- ✓ **The warranty surveys include towage approval surveys, lay-up and recommissioning /reactivation surveys.**

Insurance Loss Survey

- ✓ **Insurance loss survey is done to provide underwriters with the facts about which they need to be satisfied with.**

Accident Investigation Survey

- ✓ **Accident investigation survey is about a systematic process of investigation to uncover the fundamental causes of a casualty. The cause of an accident or damage may be obvious but why it happened would need investigating.**
- ✓ **Accident investigation surveys are often statutory requirements in order to determine the cause, and steps that can be taken to avoid a similar incident in future.**

Accident Investigation Survey (Cont)

- ✓ It may also be to determine if a breach of regulations was responsible for the accident and if so what penalties should be imposed including possible prosecution.**

Valuation of Marine Equipment and Machinery

Valuation of any equipment or machinery starts with their inspection in order to determine the state of the equipment. Marine surveyor provides the invaluable input for any meaningful valuation of marine equipment and machinery.

Marine Surveys that serve as Prelude to Marine Equipment and Machinery Valuations

- ❖ Condition surveys.**
- ❖ Damage and repair surveys with regard to the extent of damage to enable the estimation of repair costs.**
- ❖ Insurance loss surveys with regard to consideration of repairs and costs.**
- ❖ Accident investigation surveys with regard to third party liabilities.**

Valuation of Marine Equipment and Machinery (Cont)

The reasons for which valuation of marine equipment and machinery was required will dictate the appropriate type of surveys to be carried out.

Valuation is often carried out at the same time as when survey on vessel, marine equipment and machinery is conducted and it is used to determine the fair market value of the vessel.

Valuation of Marine Vessels

Marine Vessel Valuation is a sub-set of Marine Survey, often required by finance houses, insurers and other interested parties while dealing with a marine vessel.

It is important to note that the realisable value is often very different from the asking price. Having ascertained these factors, a fair valuation of the vessel is made. The valuation report will also include a general condition report with recommendations for repair where required.

Vessel Valuation Process

- ✓ **Develop a Good Understanding of the Vessel.**
- ✓ **Review historical valuation records and identify comparables with valuations undertaken for similar type of vessels in the past.**
- ✓ **Review the current and future earning potential for similar type vessels using current and prospective transactions**
- ✓ **Consider market conditions against the global events**

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Vessel Valuation Process (Cont)

- ✓ **Consider costs for refitting the vessel or having a new-build and compile valuation figures that best represent the vessel's value.**
- ✓ **The final step is to prepare the vessel's valuation certificate which usually incorporates characteristics of the vessel and the valuation report.**

CONCLUSION

THANK YOU

QUESTIONS ?