

**U.S. Commercial Shipyard Industrial Base**  
***Market Trends & Industry***  
***Safety Performance***

Ron McAlear  
CEO, Atlantic Marine Holding Company

## New Construction

- Nearly \$5 billion in double-hull tankers and tank barge construction and conversion work will take place by 2015 to meet the double-hull requirement under Oil Pollution Act of 1990.
- Offshore Marine Services Association reports that its members will build \$3 billion worth of vessels to service offshore gas and oil development.
- Overall the value of new vessels on order at U.S. shipyards, which includes naval and commercial vessels, such as product tankers, offshore rigs, offshore supply boats, tugs, barges, work boats, patrol boats and ferries, is **over \$27.3 billion** as of September 2007.<sup>1</sup>

<sup>1</sup> The Maritime Administration and the U.S. Marine Transportation System: A Vision for the 21<sup>st</sup> Century, pgs. 23-26.

<b>Current Contracts</b>	<b>June 2009</b>
Product Tankers	11
Ferries/Passenger Vessels	14
Jack-Up Rigs	7
Tank Barges	25
Tugs/Towboats/Push Boats	147
AHTS/Support Vessels	1
PSV/OSV	47
Lift Boats	10
Crewboats	19
Deck/Dry Cargo Barges	7
Megayachts	1
Misc. Other	11
<b>TOTAL</b>	<b>300</b>

\*\*These figures are approximate values. Source: [www.shipbuildinghistory.com](http://www.shipbuildinghistory.com)

<b>2009 Deliveries (as of May 27, 2009)</b>	
Product Tankers	3
Ferries/Passenger Vessels	17
Jack-Up Rigs	1
Tank Barges	91
Tugs/Towboats/Push Boats	63
PSV/OSV	33
Lift Boats	3
Deck/Dry Cargo Barges	199
Dredge	1
Megayachts	6
Misc. Other	7
<b>TOTAL</b>	<b>424</b>

Source: [www.shipbuildinghistory.com](http://www.shipbuildinghistory.com)

## Future Government Construction Demand

- Building out the Coast Guard's Integrated Deepwater System
  - The Fast Response Cutter
- Littoral Combat Ship
  - Defense Secretary Gates released his proposed budget to the Administration and he supported the LCS program and requested 3 LCS's in the 2010 budget.
- In general, the Navy is looking to work much more with mid-tier commercial shipyards on future ship procurement, expanding from the 25% of ships being purchased to securing 60% of Navy ships from mid-tier shipyards by FY 2013.
- Fleet
  - 24 vessels >25 yrs.
- Continued Replacement of OPA 90 Fleet
  - Double-hull requirement must be met by 2012
- Large General Cargo Barges
  - 9 >30 yrs.

## Future Construction Demand

- An estimated \$3 billion is to be spent on vessels for the offshore oil patch in the Gulf of Mexico
  - Congress recently lifted restrictions on offshore oil and gas drilling to allow for greater development in the Atlantic and Pacific.
  - Increased Deepwater production in the Gulf of Mexico may require substantial construction of shuttle tankers and the necessary offshore vessels to serve remote production installations.
- Vessels for Short Sea Shipping Transportation
  - Series construction and virtual shipbuilding could build the future fleet that will make up the marine highway system to move cargo from congested road and rail systems to short sea routes.

## U.S. Shipbuilding Outlook

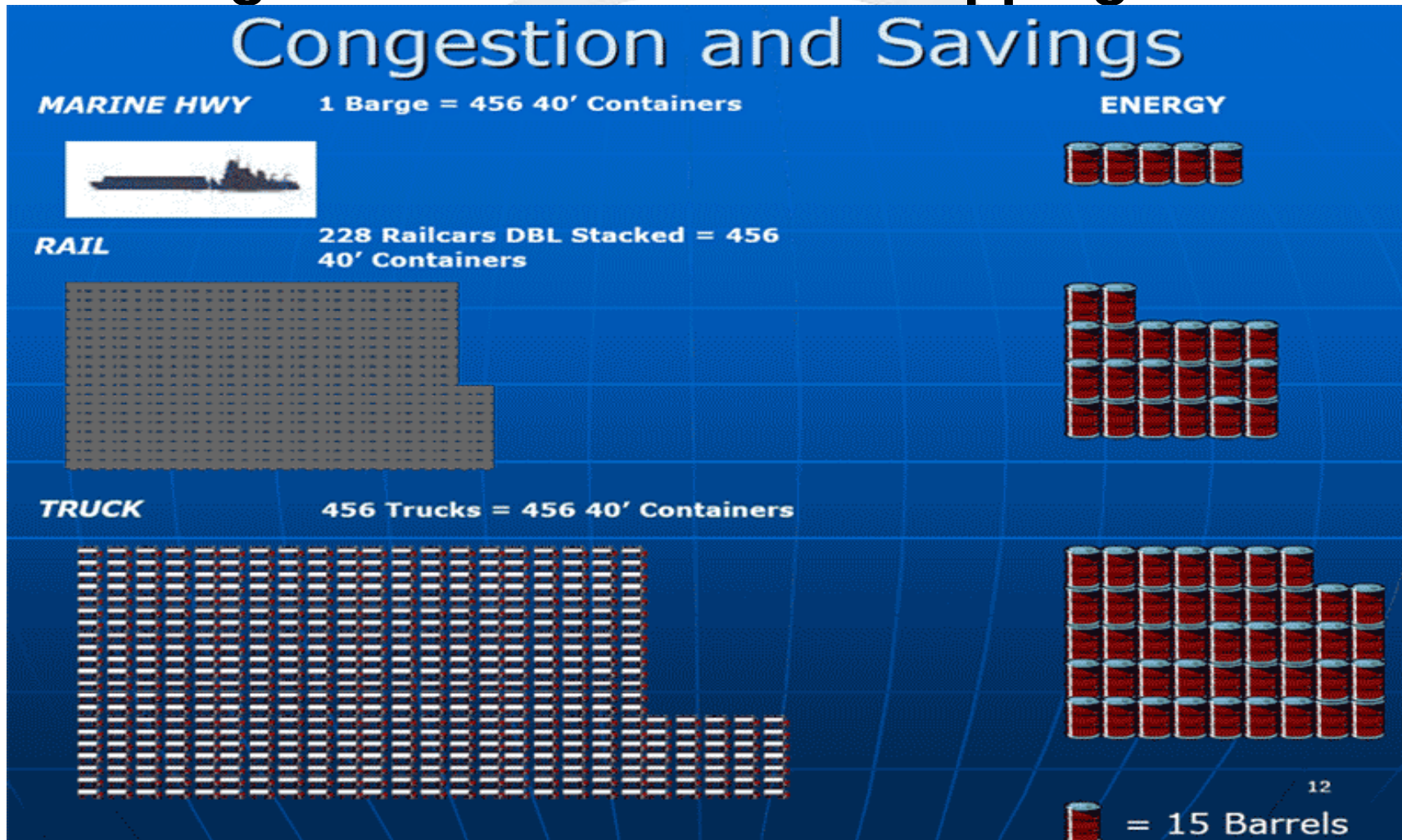
- U.S. accounts for less than 1% of the world's shipbuilding output
  - In the global marketplace, U.S. shipbuilders do not represent a significant market for suppliers
- Recent backlog of shipbuilding orders has been the result of OPA 90 replacements
  - Backlog drops off after 2011
  - Even with potential containerships, shuttle tankers, Ro-Ro replacements, and Alaska Crude (in 2020), there is a substantial U.S. shipbuilding gap from 2014 to 2020
- Six to eight Navy ships are being built a year in the U.S., which may result in a 240 ship fleet (below the stated goal of 313 vessels)
  - Substantial decline from the approximately 600 ship Navy in the 1980's
- USN shipbuilding plan has been changing year to year making long term planning for facility investments challenging
- Marine Highways vessels represent a growth opportunity that could help to fill in orders as OPA 90 replacements are completed to sustain U.S. shipbuilding

## Short Sea Shipping Potential New Market

- The Obama Administration is looking for infrastructure projects that will put Americans to work- Ships for S3 are an excellent candidate as are U.S. Port modifications required for accommodating S3 vessels.
- S3 can be a "green" transportation mode when considering how much more efficient, per gallon of fuel, it is to move cargo by water compared to both trucks and railways.
- In addition to the reduction in greenhouse gases afforded by ships, the economics favor transportation by sea as well.

# The Argument for Short Sea Shipping

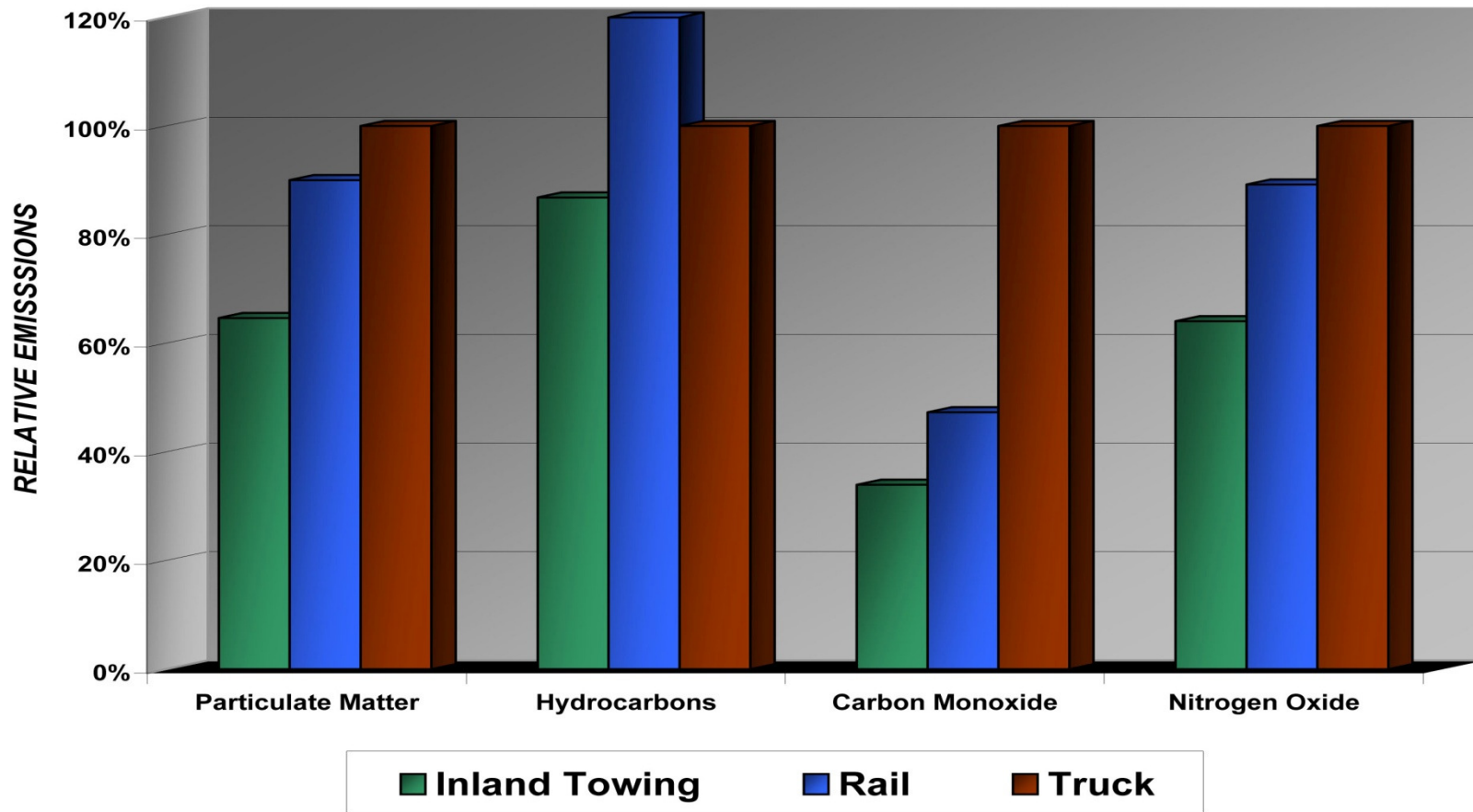
## Congestion and Savings



Source: [www.americasmarinehighways.com](http://www.americasmarinehighways.com)

# Short Sea Shipping is Good for the Environment...

## HARMFUL EMISSIONS PER TON-MILE



Source: [www.americasmarinehighways.com](http://www.americasmarinehighways.com)

## Short Sea Shipping Vessel Types

- A wide range of vessel designs have been proposed for Marine Highways markets including:
  - traditional tug-barge
  - articulated tug-barge both in container on barge and Ro-Ro varieties
  - Rail-on/rail off
  - high speed trimaran trailerships
  - high speed Ro-Ro monohulls
  - both larger and smaller traditional Ro-Ro's

## Congressional Support for Short Sea Shipping

- Congressman Oberstar, Chairman of the House Transportation and Infrastructure Committee, is a key proponent of the initiative.
- In comments made 8 June 2009, pertaining to the upcoming Highway Bill, he stated, “We’re going to transform the future of transportation in America, and put maritime in the front ranks.”
- “We also need to embrace short sea shipping. This is one I think has great promise,” Oberstar said. He said the Harbor Maintenance Tax is a barrier to entry that should be eliminated, and Congress should consider tax credits for trucking companies that shift freight from the highway to water.

## Future Construction Challenges

- The current economic challenges have impacted securing credit and financing for new construction.
- Up-front capital cost of vessels underscores the importance of financing and is a significant barrier to entry.
- The shipyard industry is supportive of Title XI financing and expansion of the Capital Construction Fund for new construction orders.

## Ship Repair Capabilities

- There are ship repair facilities in 28 states, including Alaska and Hawaii, capable of maintaining and repairing every ship type that calls on US ports.
- The primary determinate of what a ship repair company can service is the size of a company's docking capabilities. There are a limited number of US shipyards capable of docking Panamax size ships.
- There are a larger number of US shipyards capable of maintaining workboats and barges.

## Ship Repair Outlook

- The ship repair industry, both government and commercial, has remained stable and work remains steady industry-wide.
- The economic downturn has generated some additional repair and rebuild work in the ship repair sector in order to maintain and extend the life of current assets.
- The ship repair industry in the Gulf has benefited from the expanded offshore energy development and maintaining the fleet of supply and service vessels for this industry.

## U.S. Shipbuilding and Repair – Impact on National Economy

- The domestic “Jones Act” fleet consists of over 38,000 vessels.
- These vessels were built in U.S. shipyards and represent an aggregate \$48 billion investment.
- Building, repairing and maintaining this Jones Act fleet sustains roughly 150,000 jobs throughout the U.S. economy.<sup>2</sup>
- Shipyards directly contribute to the output of the U.S. manufacturing sector by purchasing numerous components produced in other industries throughout America.

<sup>2</sup>The Maritime Administration and the U.S. Marine Transportation System: A Vision for the 21<sup>st</sup> Century, pgs. 24-26.



# **U.S. Shipyard Industry Safety Performance**

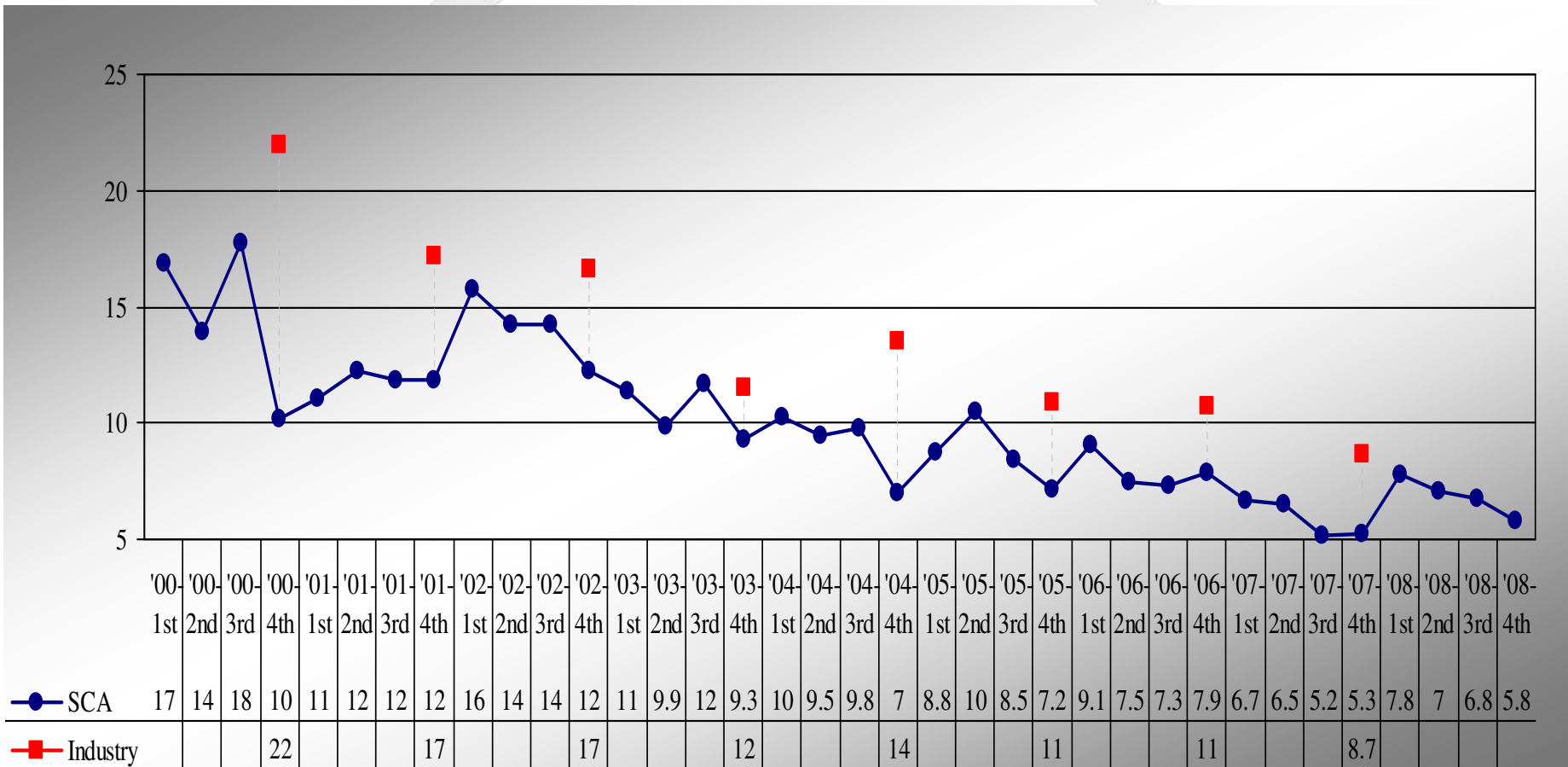
# The Shipbuilders Council of America Industry Safety Benchmarking

- The Shipbuilders Council of America (SCA) conducts quarterly safety benchmarking surveys of its membership. The information received provides important trending data on type and location of injury and illnesses.
- Atlantic Marine is an important and active member in both the Association, and the survey process.
- SCA receives injury and illness surveys from approximately half of its member shipyards. These companies are located on all three U.S. coasts, the Great Lakes, and the inland waterways. Survey respondents represent close to 90% of the total SCA member workforce.
- Over the past ten years, SCA has cut its year-end rate in half and has been consistently lower than the sector at-large rate.
- **This accomplishment reflects SCA member company's commitment to safety.**

# SCA Membership vs. Industry At-Large Injury and Illness Rate Comparison

AVERAGES	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Industry Total Recordable Incidence Rate (TRIR)</b>	22.40	20.20	22.00	17.20	16.60	11.50	12.90	10.90	10.70	8.7	N/A
<b>SCA Total Recordable Incidence Rate (TRIR)</b>	12.94	10.76	14.60	11.76	14.33	10.58	9.16	8.74	8.25	5.86	6.87

# SCA Membership vs. Industry At-Large Injury and Illness Statistical Data continued...





# How GSSC Can Contribute

# What GSSC Can Do...AWARENESS

## Continue to educate:

- Grade K-8 students on careers in the Shipbuilding/Repair Industry
- Grade 9-10 students on:
  - Staying in school and off drugs
  - Learn to read, write and do basic math
- Grade 11-12 students on:
  - Staying in school and off drugs
  - Learn to read, write and do basic math
  - Courses are available on Fitting and Welding
  - Personal Responsibility including:
    - Punctuality
    - Manners
    - Honesty
- Educators, Counselors and Parents on:
  - Career Opportunities
  - Pay
  - Safety

# What GSSC Can Do...**TRAINING**

## **FUTURE SHIPYARD EMPLOYEES**

- Bootcamps for potential employees focused on:
  - Basic Skills for Structural Fitters and Welders
  - General Shipyard Safety
  - Importance of Punctuality and Staying Drug/Alcohol Free

## **CURRENT SHIPYARD EMPLOYEES**

- Project Planning and Execution (similar to Executive Seminars) focused on:
  - Safety
  - Planning and scheduling
  - Continuous Improvement
  - People (supervisory) skills
  - Timekeeping and Charging
  - Implementing Safety Programs
  - Project Financials
  - Attendees should include/at differing levels of detail:
    - Craft Supervisors (front line supervision of workers)
    - General Foremen (Craft Supervisor leadership)
    - Superintendents

## What GSSC Can Do...CONTINUE TO GROW GSSC

- Expansion into Texas and Florida
- Increased input from Vendors; especially:
  - Training Providers (commercial and government)
  - Outside Labor Providers
- Increased participation by Senior Management at Quarterly meetings