

Callidus News

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UNDERSTANDING THE KEY ASPECTS OF SHIPBUILDING CONTRACTS

The shipbuilding industry is one of the oldest and most volatile industries in the world. The contracts to construct entirely new ships are non-maritime by nature and not within the admiralty jurisdiction as it is insufficiently related to any rights and duties pertaining to sea commerce or navigation. Shipbuilding contracts are different from conventional sales contracts in terms of the contract's nature, time frame, and passing of risk. Each shipbuilding contract is unique. Hence, a shipbuilding contract must be carefully drafted to account for the possibility of damage before its completion.

Shipbuilding contracts are commercial contracts for the complete construction of a ship that involve the sale of future goods, therefore the property may not pass title at the time when the contract is concluded. Accordingly, under English law shipbuilding contracts are classified as a contract of sale of goods, more precisely classified as an agreement to sell future goods by description under the Sale of Goods Act 1979, with certain characteristics of a construction contract.

PRE-CONTRACT STAGE:

The pre-contract stage is the first stage in a shipbuilding

contract, this stage is particularly important to the builder as well as the buyer, as this stage can be time-consuming and expensive. At this stage, there is a need for negotiation in great detail between the buyer and the builder before an agreement can be released about the form, the substance of the contract and the ship's specifications.

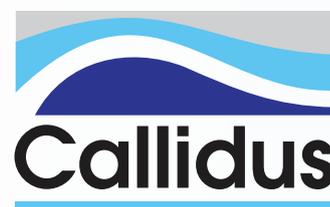
STANDARD FORMS: The Standard forms of shipbuilding contracts have been used for decades. The most used are the Association of West European Shipbuilders form of July 1972 (AWES), the



THOUGHT
for the MONTH

The best way to make your
dreams come true is to
wake up

PAUL VALERY



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Shipowners of Japan form of January 1977 (SAJ), the Maritime Subsidy Board of the US Department of Commerce (Marine Administration) form of 1980 (MARAD) and the Association of Norwegian Marine Yards and the Norwegian Shipowners Association form of October 1981.

The NEWBUILDCON is the industry's only International standard shipbuilding contract designed for use across jurisdictions and for any type of ship. BIMCO's objective in creating NEWBUILDCON was to balance the interests of ship-owners and shipbuilders in a clearly written and well-structured comprehensive contract that improves upon the other standard forms in the market.

FORMATION OF CONTRACT: A shipbuilding contract may be written or verbal. There is no requirement that a shipbuilding contract should be concluded in writing. It will also be legally enforceable orally provided that appropriate formal elements are present. The main terms of an agreement such as expenditure, timescale and risks involved in shipbuilding, are better to be recorded in written form. In order to create an enforceable agreement, the

essential elements to form a legally binding contract must be presented, they are the general terms of a contract such as: Offer, Acceptance, Consideration, Privity of contract, Intention to form a contract and Capacity.

Other essential terms of a shipping building contract without which the contract might not be complete are rights and duties for the builder and the buyer (shipowner), ship description and dimensions, speed and fuel consumption, price and method of payment, inspection of work in progress, modification of agreed description, nature and conditions of trails, time and place of delivery and transfer of title and risk with insurance arrangements and rectification of defects.

Ships nowadays are built subject to the safety requirements laid down under the Merchant Shipping Act which has a special part in various jurisdictions across the world pertaining to the construction of vessels. The relevant Acts are the Merchant Shipping Act of 1974, the earlier Merchant Shipping (Safety Convention) Act, of 1949 and the Merchant Shipping Act of 1964.

In short, shipbuilding contracts establish the rights, responsibilities,

rules of conduct and assignment of risks between the parties regarding all technical, cost, delivery and financial matters, contractual guarantees and builder's guarantees which protect a party from issues arising from financial loss caused by the insolvency or default of the other party etc.

IMO AND SHIPBUILDING STANDARDS:

In recent years, IMO has introduced very broad, overarching safety and security standards for the shipbuilding industry such as the Goal-based standards (GBS). GBS are high-level standards and procedures for ships that must be met by regulations, rules, and standards. There are international conventions such as SOLAS, MARPOL and COLREG conventions which have set certain standards for shipbuilding. The construction standards mentioned under these regulations shall be kept in mind by the builder during the building of the vessel.

The latest IMO instruments using the GBS approach are the Polar Code, the International Code of Safety for ships using gases or other low-flash point fuels (IGF) code are the goal-based ship construction standards for bulk carriers and oil tankers ■

WORLD'S LARGEST FLOATING OFFSHORE WIND FARM OFFICIALLY OPENED



Norway marked the official dedication of the Hywind Tampen wind farm with a ceremony attended by Crown Prince Haakon of Norway and Norwegian Prime Minister Jonas Gahr Store on the Gullfaks C platform in the North Sea. Billed as the world's largest floating wind farm the project is unique in that it is being used to power mature offshore oil production while it is also seen as a further proof of concept project to support the development of floating wind turbines. The wind farm was developed by Equinor with the company noting it took five years for the project to go from the drawing board to completion. The wind farm is located nearly 90 miles from the shore. At a water depth ranging between approximately 850 and 980 feet, Hywind Tampen will be exposed to some of the harshest offshore conditions. The field



lines to the northwest of the city of Bergen, Norway. Hywind Tampen is the first offshore wind farm in Norway, demonstrating the opportunities for renewable power production on the Norwegian continental shelf

www.maritime-executive.com

HAPPY ONAM

WISH YOU A HAPPY ONAM



On this auspicious occasion of Onam, Callidus Group extends its warmest greetings to you and your families. May the spirit of Onam fill your homes with happiness, prosperity, and an abundance of joy.

Onam is a time to reflect upon the rich traditions and values that bind us together. Just as the colorful 'Pookalam' unites various blossoms, our partnership with you is a beautiful tapestry woven with trust and collaboration.

We are truly grateful for the trust you've placed in us. Your unwavering support has been the cornerstone of our success. As we celebrate Onam, we also celebrate our fruitful partnership.

May this Onam festival bring you and your loved ones good health, success, and cherished moments with family and friends. Callidus Group is committed to continuing to serve you with dedication and excellence.

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