



....Making a positive difference

Starboard

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Operations — The Sequel

We have recently put yet another year behind us and have reported the results of our endeavors for 2002. Generally, we are happy for a positive outcome, but unhappy of events setting us back on resources we had to employ to compensate for damages and equipment failures. These events took place during fourth quarter and without these events we would have reported the best results ever.

Even though most of these events were outside our reach it is nevertheless a proof of the tight ropes on which we are walking when we manage our resources. We are naturally taking this very seriously and our company operational focus for this year is cost/quality control and the containment of cargo claims. These initiatives are more fully explained in this issue and I am confident that with the team dedication we now are attacking these problems we will steer ourselves into more stable and predictable results in this sector of our company. After all these are initiatives made to improve parameters within our control.

I was pleased to visit *Tundra Princess* between X-mas and New Year and experiencing the enthusiasm of *Captain Sanjeev Dutt* who commented "show me the changes you wish to have made and I promise it will be done within the next 30 days". We wish more of this attitude and would like to complement *Captain Sanjeev Dutt* and his crew for these efforts. Simultaneously, *Captain Pappy Sastry* of *Tundra Consumer* received high marks from USDA just recently as well as the relieving *Captain Rajesh Rosario* did from Berg's Polarservice - ship surveyors. Again our appreciations to them and their team. This warms our hearts and gives us confidence and boosts our energy in handling future problems.

At time of writing we are also experiencing buoyant high season markets and we need to harvest the maximum of this cycle as we all know that there is another more calm cycle coming up thereafter. So what you are not doing today is lost forever and carries a higher price tag than what you postpone to later. Outside our company windows the world is in great turmoil and nervousness is abundant. Para-

mount is that we take care and never compromise on your or our safety during this volatility. Safe sailing and calm winds until we next time meet on-board a ship that will make us all proud to belong to.

Personal Regards
Aage Thoen
Chief Executive Officer

Zero Tolerance - Zero Damage

"Owners have for several years seen a considerable increase of cargo damages and claims resulting in increasing insurance premiums, which in turn have had a drastic effect on owner's freight revenues in a continues poor shipping market," says Capt. Finn Haraldsen in STAR Reefers. As a consequence of this we together with Belgian major operator, Seatrade of Antwerp and LauritzenCool started some time back a project called **Zero Damage**. This approach resulted in the companies deciding to elect a working group aiming



Finn E. Haraldsen,
STAR Reefers AS

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2003 High Season so far

(Jonathan Solomon, STAR Reefers Inc.)

This has been an astonishing 2003 to date for the Reefer Market which no one could have predicted. Statistically the rates we have seen are the best since 1997.

The reasons are that many things have come together at the same time. Firstly its no secret that many followers of the market believe it is 80 pct psychological and 20 pct reality that creates the market from the outset. Easter falls in late April this year which is a lot later than last year, and this is the traditional point for Owners to panic and accept lesser rates. The market in January was buoyant but no better or worse than the previous year. The impetus came from 4 things happening at once 1) the coldest weather in Russia for 15 years enabling only fully Ice Classed vessels to trade to St Petersburg and therefore seeing freight rates close to USD 7 being paid - a previous unheard of figure in this market 2) Argentina deciduous commencing 2 weeks earlier and despite incursions from the containers the volumes are 15 pct up on last year and see no sign of abating and 3) the all mighty banana mar

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Zero Tolerance—Zero Damage (Continued from page 1)
to develop the project further. .

The members of the working group are: *Mr. Walter Wildoer* of Seatrade (initiator), *Mr. Mukul Ghildiyal* of LauritzenCool, *Mr. Hiroyuko Sawa* of NYK Reefers and Capt. Finn Haraldsen on behalf of STAR Reefers. The two latter working together on behalf of NYK STAR Reefer Pool.

The working group is leaning on the already good work developed, and progressing quickly in streamlining procedures and recommendations to fit the requirements of each member. The goal is zero damage, and the group has been given the mandate to implement and execute the requirements that is needed.

Secondly the group, forming a massive purchasing power, will seek to co-operate on purchase and delivery of quality cargo securing equipment, which naturally essential in good cargo stowage.

Considering the three steps in the line of transportation; load port, passage and discharge port, the group has focused on the loading where the majority of the problems starts, and categorized and rated problem areas as follows:

1. River Plate
2. South Africa
3. Argentina
4. Ecuador/Brazil.

During their last meeting the group worked out sensible recommendations for the loading in the River Plate ports. Agreements have been made to employ a local survey company that will look after the loading in all Plate ports. The survey company will deploy one foreman on the dock and one surveyor in each hold supervising the cargo loading, stowage and checking condition of cargo. The cargo will be controlled before loading, and approved or rejected as the case may be.

To assist the surveyors in this work the group has developed a system with stickers where red sticker indicate damaged packing or cargo and consequently rejected while green stickers indicate accepted cargo. Such sticker will be placed on pallets on the dock as well in the holds and will contribute greatly controlling the quality of loaded fruit. This system is already accepted by the Plate stevedoring compa-

nies and the Shippers all seeing the need to load quality fruit in a safe and proper manner, and already partly implemented by Seatrade in their regular load ports.

Additionally each member of the group will employ their own super-cargo at the load-ports. The super-cargo will control all preloading arrangements and check cargo being prepared in the sheds, assist the master with stowage and general problems arising, oversee the activities throughout the loading operation and liaise with owners' survey company.



The group believes that implementing and execution of these procedures in a proper and professional way will greatly reduce cargo damage in this troubled area. Besides from having owners' super-cargo overlooking the operations, extra costs will naturally incur employing the surveying company. These costs are estimated to abt USC 25-30 per pallet pending total number of pallets loaded by the group. The procedures

will naturally require proper documentation to be filled in and acknowledged by all involved parties, and these forms are presently being developed.

The group furthermore discussed common practices on cargo handling and lashing equipment. Resulting from the need for efficient operation and reduced costs, the end users of the fruit is increasingly putting the fruit on display in their stores. This means that the boxes and the contents must represent an attractive purchase by the customers, which puts extra burden on the parties in the transportation chain delivering impeccable cargo. In this respect the walking boards is becoming owner's most important tool in preserving the cargo. The group will adopt the Seatrade type of walking board constructed by hard plastic 120 x 60 cm in orange colour. Likewise the LC type of enforced air-bags is being considered in view of the fact that statistics show that 7 out of 10 airbags collapse during the voyage resulting in shifting and damage of cargo. The group hopes to formalize these purchasing activities as soon as possible and seek to establish depots in convenient ports.

We understand that some officers have already experienced Zero Damage procedures, and thanks Captain Sanjeev Dutt on the Tundra Princess for his valuable report, encouraging everybody onboard

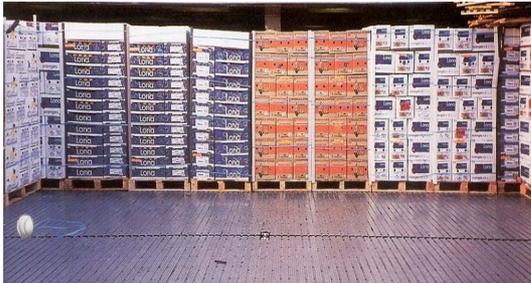
and ashore to forward their ideas and contribution on this important project.

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Needless to say bringing the cargo to its destination in a fresh and sound condition is our bread and butter and requires all the good efforts by everybody. We expect to execute above within short and will

In meantime we wish all onboard happy sailing and professional cargo handling!



20th February - An Important Date

(Greg Thomas, STAR Reefers Inc.)

We have recently past one of the most important dates in the Calendar for Ship Owners and Operators throughout the world, namely the 20th February. Why is the 20th February so important? Well this is typically the date when the Ship Owner or Operator renews their Protection and Indemnity Cover (P & I).

There are only a few insurers throughout the world capable of offering this type of insurance coverage, and at STAR Reefers we are delighted to announce the formation of a new partnership with Assuranceforeningen Gard (The Gard). The Gard is one of the largest Members of the International Group of P & I Clubs and as of this renewal will be the Club for in excess of 100 million GT; they have consistently received excellent financial ratings (currently rated A by Standard and Poors) and together with a dedicated team of staff in Arendal, Norway they have offices throughout the world in most of the major cities and time zones.

STAR Reefers has great faith in The Gard, its product and its staff, although as with most Owners and Operators we hope that we do not trouble them too much in the coming months and years.



W elcome to Gard P & I

The Gard P&I products are provided by Assuranceforeningen Gard through Gard Services AS, which is a joint management company for managing the P&I activities of Gard and the Marine & Energy activities of If P&C Insurance Ltd. Basically, Assuranceforeningen GARD provides liability insurance for shipowners and charterers, but has also been the leading Club for the offshore industry since 1973. The Club has an international spread of shipowners and operators with its core business in Scandinavia. Once mainly known as a tanker club, the Club today insures quality operations of practically every ocean going ship type.

Assuranceforeningen Gard, the 2nd largest and one of the most financially secure Clubs of the International Group, has over 100 million gross tons and over 5,000 ships insured. The Club is rated Api by Standard and Poor's and receives the highest rating by Supplementary Calls Underwriters. The Club has free reserves in the region of 2.5 year's net premium and mutual Members have not had a full estimated supplementary call since 1992, and indeed from 1996 to 1998 there were no supplementary calls.

The Club has a hard-won reputation for sympathetic and realistic service provided by its claims' staff. This is perhaps due to the maritime traditions of Gard P&I's Arendal headquarters. Many of Gard P&I's claims handlers are former seafarers, who know what is needed and expected when problems occur on board. The staff has a wide range of backgrounds, including those of a commercial, legal and insurance nature. Gard Services have a commitment to remain true to the Club-like atmosphere developed since 1907 within the Gard P&I Club.

Gard Services' more than 300 professionals are located at the head office in Arendal, Norway, and in Oslo and Bergen. Additionally, there are regional offices in London, New York, Hong Kong, Tokyo, Gothenburg and Helsinki. Obviously, Gard Services's also have a network of listed correspondents in all major ports worldwide.

In short, remaining true to the Scandinavian marine tradition and heritage, Gard Services have become one of the main players in today's marine insurance marked.

Additional information about Gard Services can be found at www.gard.no



Incident reduction in STAR Reefers

So far this year we are witnessing improved operations of the ships in our fleet. The best evidence of this is a sixty percent reduction in incidents involving the P & I Club. We work systematically to build strong defenses to eliminate claims put up against the company and the vessels in relation to cargo, crew, collision and contact type of incidents, and potential third party injury claims.

The improvements are the result of the increased operational investment in the fleet and clearly show that STAR Reefers is going in the right direction. We are though raising the bar even higher and expect to see even greater improvements as we progress further in to 2003 and beyond. There is no doubt that all at STAR Reefers is prepared for this task.



Terje Aschim,
STAR Reefers AS

Financial

Preliminary Results 2002

For the full year 2002 SRI reports a net profit of USD 6.5 million or USD 0.86 per share compared with a net profit last year of USD 4.7 million, (USD 0.65 per share) The results

strengthened due to higher operating income and reduced net financial items.

Revenues in 2002 increased 28.8% to USD 110.1 million as compared to USD 85.5 million in 2001.

Ships operating expenses for the owned fleet including dry-dock for the year was USD 4,400 per day, which is not an acceptable outcome for the year. Especially during 4th quarter we experienced a severe set back in ship operations. This was caused by a combination of navigational errors, mal functioning temperature controls / auxiliary engines and emergency dry-dockings.

Net financial items were USD 7.5 as compared to USD 8.5 million in 2001, primarily due to lower interest bearing debt and interest rates.

The net profit for 2002 was USD 6.5 million as compared to USD 4.7 million in 2001.

STAR Reefers have in 2002 expanded its fleet and thereby its revenue generating capacity, which will benefit us greatly if the market rates improve. In 2002 ships operating expenses were on the high side. It is very important, going forward to control

our costs and deliver a reliable service to remain competitive in the international reefer industry.

Around the cargoes

(Doug Spooner, STAR Reefers AS)

It makes a change to report on a shipper who is reverting back to conventional bulk reefer operation after shipping his commodity in containers in recent years.



We were pleased to recently secure two shipments of palletised grapefruits from Port Canaveral, Florida to Japan. Earlier this month MV Swan River berthed in the port and loaded over three thousand, three hundred pallets of top quality citrus in three days.

Clearly the shippers were justifiably proud of their fruit and carefully monitored the loading and stowage of the cargo to ensure that all the cargo was in peak condition. This consignment was not subject to cold sterilisation treatment as USDA and Japan Quarantine Officials place fly traps in the groves to check for fruit fly, if none are trapped then the cargo is not subjected to the sterilisation program.

It was interesting to note that a week before the vessels arrival snow flurries were sighted in the port and fearing damage to the less hardy fruits, citrus harvesting was in full flow. Legend has it that fruits picked in such a period are often sweeter than normal and we hope that reports sent back on the condition of the cargo will strengthen our cause for future bulk shipments!

(2003 high season so far

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ket being consistent and 4) most importantly Owners using their common sense !

On the consolidation side we see that Seatrade/Green have formed an alliance of sorts which makes sense on the smaller vessels and still we hear rumours circulating about Global Reefers. This seems to be the way forward and taking this year as an example is statistically very successful.

The question is how long this will last and will be as above determined greatly as to how long the Owners hold their nerve.

Cargo Care and Reporting



Captain Sastry Pappu, Tundra Consumer, has contributed to the development of STAR Reefers' standard cargo reporting procedures.

"Reefer trade is a specialized trade and reefer ships are peculiar in their own way". This is an ignored truth that is the bottom line to many a mishaps.

It is a well known theory that many reefer ships carry very sensitive, perishable cargo and sure enough, most of them complete their voyages without anything much to talk about.

Cargo care on a reefer ship is a team effort like any other vessel but what is expected of each person is definitely different from that on other type of ships. The foundation for a trouble free loaded passage is the effort that goes in on a ballast passage. Among other things, the cargo holds cleanliness, condition of gratings, clearing of scupper lines, overhaul of motors, checks on cargo & vent fans, leak tests of the system, ice test of all sensors, repairs on insulation and gas tightness and most of all the stock of spares onboard contribute to the degree of control you can expect to have in a loaded passage.

The checking cargo prior to loading, the pulps while loading, and the proper stowage of cargo is the key to the success of a loaded passage. The highly rare commodity of common sense is what comes into play at various stages of the voyage. That is the only scary part about the whole reefer trade and I have had many sleepless nights with that thought.

Unlike other cargoes, someone is required to go and take a look at the cargo everyday. Be it sunshine or hail, this step is most important. One visit to the cargo holds a day can prevent a lot of damage from happening. Fleet Management Ltd., has done a wonderful job by specifying guidelines on who should do what on a reefer ship in a loaded passage. The standardizing of reefer practices specific to the vessel and the trade is very important as that way no cards can be left unturned. There is no such thing as a fool - proof method for anything in today's world; so we might as well have methods that even fools could follow.

A lot has been spoken about the ISM code and "say what you do and do what you say". All temperature reporting on a reefer ship has one purpose: To notify all of what exactly is happening. The report of temperatures from a reefer ship should be simple. In fact, it should be so simple that anyone who sees a temperature report should be able to catch your typing errors.

New CEO NYKSTAR

After 18 months of successful operation and strengthened results NYKSTAR has recruited Mr Lars Rutberg, formerly Vice President of LauritzenCool, as new CEO. Mr Rutberg has a long and profound experience within the conventional reefer industry we and wish him and *Lars Rutberg* the management team all the best in continuing a proven success story.



At the same time the Board of Directors of **NYKSTAR Ltd** is composed of *Aage Thoen* (chairman), *Mitch Tanmiya*, *Kevin Harding* and *Lars Rutberg* whilst the Board of **NYKSTAR Inc** consists of *Aage Thoen* and *Mitch Tanmiya*.

Statement from Berg's Polarservice

"I attended M/V "Tundra Consumer" in November 2002 in order to make a condition report on the vessel, and at the same time look into spare parts and maintenance systems onboard. The vessel had at that time been in a regular run between Moin and Camden, this is - as we know - a short sea voyage with limited time for maintenance.

I joined the vessel again in February 2003, and I had to look twice to be sure that it was the same vessel I left less than two months ago."

The above confirm that good planning and hard working give positive results. A big thank and hand to *FML*, *Captain Sastry Pappu*, *Captain Rakesh Rosario* and their crew.

A nice little Irish Story

An old man lived alone in Ireland. He wanted to dig his potato garden, but it was very hard work. His only son, who would have helped him, was in prison for bank robbery. The old man wrote a letter to his son and mentioned his predicament. Shortly, he received this reply, "For HEAVEN'S SAKE Dad, don't dig up that garden, that's where I buried the Money!" At 4 A.M. the next morning, a dozen policemen showed up and dug up the entire garden, without finding any money. Confused, the old man wrote another note to his son telling him what happened, and asking him what to do next. His son's reply was: "Now plant your potatoes, Dad. It's the best I could do from here."



Kjetil Bruun-Olsen,
STAR Reefers AS

Predictable Operations and Optimized use of Recourses

We have for the last year launched several programs for improvement of ships operations. These programs have been related to upgrading and improvement of crane operations, auxiliaries, hatches, cargo holds and reefer plants, in addition to implementation of routines for cargo monitoring / reporting and planned maintenance systems (PMS).

The challenge for the future is to control the costs and use the recourses in the most intelligent and creative way, and to get more out of every dollar spent.

A clear action from STAR has been to increase the number of ship's visits from the Fleet Department. Each ship is to be visited at least twice a year. The idea behind these visits is to monitor the ship's appearance, performance, and involve and motivate the officers and crew onboard.

During the visits, there will not only be discussed technical matters, but also operations, cargo handling, customer care, shipboard management, ships budgets and how to optimize the use of recourses on each ship and between ships in our fleet.

It is stressed that budgets are economical plans which are only guidelines for the ship's operational expenses. In order to improve/bench mark the budget versus the actual costs, we are also discussing; cycles for overhaul and re-use of reconditioned parts, use of STAR's specialized engineers between the managers, travel squads and optimized use of overtime. One objective is not only to meet the budgets or avoid overruns, but enable us to go below the budget and/or optimize our resources. Our operational expenditures are USD 40 mill a year and in this context we need to maximize our resources on each and every cost item with a long time view.

I am happy to experience the positive feed-back from officers and crew with regard to our approaches, and are convinced that this will contribute to meet our vision;

.....*Making a positive difference*

Captain Peter Buckley

Captain Peter Buckley, Master of Napier Star; died 22nd. of January in hospital in Turbo, Colombia, after suffering from heart-attack.

Peter joined Blue Star Reefers in 1987 as Chief Officer and sailed on the Snow Class vessels. It did not take long for him to establish a reputation as a hard working, highly competent Officer. A year later he was promoted to Master, and his first command being MV Avelona Star.

He remained with the A Class until early 1993 when he was appointed to MV Scottish Star where he served as continuity Master until 2001- this was no mean achievement..

Latterly, Peter sailed on our Banacol trade from Philadelphia to Central America and his final command was on our newly acquired Napier Star.

Peter was a highly respected Master and cared greatly about his role. He had a wonderful ability to be capable of conversing with charterers from all corners of the world, none more so than the four years spent trading with the Fyffes Group.

It was well known that he took a personal interest in the maintenance of the accommodation decks and his vessel was affectionately known as 'the yacht' and indeed the best turned out vessel in the fleet. He would frequently tell me with pride that the attention afforded to the maintenance was more than just cosmetic.

Peter will be greatly missed by his colleagues both afloat and ashore and we at STAR Reefers have received many calls from Charterers, who were saddened to learn of his untimely death.

In short, Capt Peter Buckley was truly a highly professional Master Mariner. He will be greatly missed.

