



An Orientation to:

Fixed Price Service Contracts for Marine Electronics

Basic description:

A *Fixed Rate Service Contract* is intended to cover the cost of maintenance & repair of bridge electronics equipment for one flat rate per ship, per year.

What is a typical price?

\$15,000 - \$22,000 per year, per ship. The price depends on the age of the equipment; the brands of the equipment; voyage routes; gyro spheres/ binnacle coverage, and if there is any "extra" equipment such as dual gyros or a third radar.

What equipment is covered?

All IMO required Communication and Navigation equipment such as Radars, Gyros, Satcoms, Radios, Sounders, Pilots, AIS, SSAS, (S)VDR, LRIT, Navtex, ECDIS, etc.

What services are covered?

All Parts and Labor related to repairing and maintaining the stated equipment, plus local travel charges, plus the annual Shore Based Maintenance Certificate, annual GMDSS Radio Survey and (S)VDR Annual Performance Test (APT).

What is NOT included?

Non-COTS equipment or customized equipment; purchases of new equipment; installation of new equipment; user faults, transducers; travel time and mileage beyond a 25-mile radius; for long-distance travel, airfares, hotels; per diems, travel time.

Name some ship owners presently using Fixed Rate Contracts?

Maersk Lines, Teekay, OSG, Bernard Schulte, Carnival Cruise Lines, APL, Norden, E.R. Schiffahrts, Chemikalien, US Shipping Partners, Thome, V-Ships

Who makes a suitable prospect for a Contract? Who does not?

The most suitable candidates are ship-owners that own and operate their vessels, and whose vessels call in numerous ports around the world. A Service contract is less suitable for Ship Management companies who may lose the ship at any time during the contract period, or ship-owners whose ships consistently call in the same few harbors.

How is the contract invoiced?

Contract premiums can be paid quarterly or semiannual, in advance. As service jobs are performed, the ship-owner will receive individual invoices for any costs not covered under the contract, if any.

What are the advantages of a contract?

The ship-owner obtains a highly predictable budget for maintenance and repair of their bridge electronics; the pressure and effort to locate and evaluate competent emergency service is shifted from the ship-owner to Mackay; a single point of contact for all service needs, being *Mackay World Service*; periodic computer reports listing jobs performed and identification of "at risk" equipment that is best replaced in a planned, convenient matter . . . not under emergency conditions; a strong likelihood that the ship owner will reduce their overall cost of Maintenance and Repair, downtime, off-charter, and the need for additional follow-up interventions.

What are the disadvantages?

The price of the contract might exceed the ship-owner's current costs of arranging service; some parties within a shipping company prefer to have the authority to choose their favorite service company rather than use Mackay World Services; time zone considerations.

How does Mackay benefit?

Mackay seeks to make a profit on the contract price; Mackay obtains the first opportunity to perform the service work themselves; Mackay can raise standards of performance with other service providers by leveraging our ability to channel volume toward the best performers; Mackay hopes to position ourselves to be solicited for add-on business such as equipment sales, replenishment of consumable items, such as handheld radios, Navtex paper, satellite airtime, etc..

Can the contract be "customized"?

Mackay has historically determined that having standardized contract terms results in greater efficiency of service, consistency in billing, and lower cost for our customers. However, since the customer is assigned to a Contract Manager within *Mackay World Service*, requests for customizations are taken seriously and solutions often accommodated.

What is the next step?

Mackay can provide a blank form of a contract for your review. In turn, the ship-owner should provide Mackay with a list of equipment-on-board their ships. Mackay can provide a form for this along with a listing drawn from our own records.

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