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## SHIPBUILDING CONTRACTS



Shipping 'at a glance' guide 5

# HILL DICKINSON

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## Introduction

This firm has extensive experience of new building arrangements and reviewing the documentation and financing arrangements that are likely to be required in relation thereto whatever the type of vessel involved, whether it be a cargo carrier, passenger vessel or luxury mega-yacht. We believe, therefore that we are well placed to provide owners and shipyards with all the necessary legal assistance required when Shipbuilding Contracts are being entered into.

Accordingly, we have produced this guide in order to provide clients with an indication of the main issues that will need to be considered in any negotiations between a Buyer and its selected Builder (or as part of any tender process that is undertaken) and to provide an idea of the type of terms that are commonly agreed.

In our experience, given the competing interests of Buyer and Builder and potential for unforeseen circumstances to delay or cause difficulties with the build the likelihood of dispute becomes almost inevitable if these issues are not addressed and dealt with in a properly negotiated and documented contract so that the rights and obligations of each party and the risks that they are to bear are clear. Without such a process, expensive legal proceedings and delays to delivery are often the result. With it the likelihood of such disputes can usually be minimised.

## 1. Form

As with any contract, the parties should aim to reach agreement on each of the main commercial issues before formal contractual documentation is prepared (possibly by the Buyer and Builder entering into a non-binding form of letter of intent). Unless there is a requirement or an opportunity to have a specific shipbuilding contract prepared to send to the proposed Builders, which is more common where the design role is being dealt with separately, or where there will be a sophisticated tender process (where tenders may be ranked in part according to the number of non-conformities with these standard terms that they give notice of) then it is normal for the Builder to produce the first draft of the contract. However, the Buyer will wish to review the same extensively to achieve a balanced contract that contains all the Buyer's reasonable requirements. This will be especially important for a Buyer where standard forms (such as AWES or SAJ) are used since these will generally be favourable to the Builder.

## 2. Specification

Agreement of a detailed specification for the ship will be one of the most important and earliest issues to address. It is of particular relevance if the ship is of a non-standard design with particular requirements in terms of its technical capability and performance with which Builders may not be familiar.

Unless such expertise is available in-house the Buyer would normally select a technical adviser to advise it in relation to the specification required and to negotiate and agree the detailed specification with the Builder (acting on the instructions it has received from the Buyer). The specification should also detail the spares and other equipment to be provided with the ship. The lawyers involved would also aim to identify those areas of the specification where problems might arise in the hope that such problems can be dealt with and minimised where possible. The Shipbuilding Contract would also need to specify the authority of these advisers to approve relevant plans and drawings and their rights to inspect and oversee the various works and how any technical disputes are to be resolved. Ownership of any designs may also need to be dealt with.

In addition to technical issues, other matters that are likely to affect the specification are as follows:

- (a) intended use of the ship (i.e. commercial or non-commercial)
- (b) trading patterns
- (c) Classification required and Classification Society appointed
- (d) choice of flag and flag state requirements

The ultimate objective is for a detailed specification to be agreed and to form part of the Shipbuilding Contract (usually by way of a schedule thereto) although in the event of any inconsistencies between the agreed specification and the Shipbuilding Contract the latter will normally prevail.

## 3. Contract Price

The purchase price will be another of the main commercial issues to be agreed both as to the overall amount and as to the stages at which this will be paid.

In most commercial arrangements the price agreed will be fixed and the Builder will bear the risk of any increased costs of construction. Agreements for the Builder to receive its costs plus a fixed level of profit are rare but may be appropriate for some government contracts or development projects. Nevertheless, it is possible that in volatile conditions a Builder may seek provision for the price to be varied in certain circumstances, which might include:

- (a) changes to take account of variation in the cost of core construction materials (such as the price of steel); and
- (b) changes to take account of variations to exchange rates. This may particularly be the case for European or Far Eastern yards which quote prices in US Dollars but whose expenses are likely to be incurred in local currency.

In such cases alternative methods of dealing with these risks may need to be explored (e.g. by hedging in the financial markets). Buyers should also be anxious to ensure that any variation clauses of this nature operate in both directions (and will reduce the price where there is a variation which is favourable to the Builder) and are also subject to some limits (so a maximum price can be specified).

It would also be normal for provisions to be included in the contract to deal with any price adjustments that may result from a change in specification. Such changes (and the resulting price adjustments) are a common cause of dispute so it is desirable to agree a detailed specification from the outset in order to minimise any requirement for the same. However, such variations cannot always be avoided. For the Buyer it will be desirable that where variations become necessary the Shipbuilding Contract imposes an obligation on the Builder to give effect to the variations even if appropriate adjustments to price and the delivery schedule cannot be agreed (and need to be determined by an arbitrator) although the Builder may often resist an obligation of this type. The Buyer may also wish to have an express right to seek a waiver of any mandatory requirements so that it has an opportunity to lobby any relevant authority if it believes it has a case for avoiding the same.

## 4. Payments

In most cases the first instalment of the purchase price will be payable before construction starts once the Builder's Refund Guarantee has been issued. Subsequent instalments will then become due following completion of particular stages of construction with a final instalment due on delivery. Normally, completion of a stage of construction (i.e. keel laying, hull completion and launching) would be confirmed by a classification society surveyor (and the society's certificate of completion would trigger payment). One alternative to this is to provide for pre-delivery instalments to be paid on particular dates regardless of the stage of construction reached.

Whichever structure is used, Builders will look to maximise the upfront payments and reduce the amount payable on delivery (which will be subject to the ship successfully completing trials etc) whereas Buyers prefer to defer as much of the price as possible until delivery to minimise the effects of default and costs of capital.

Accordingly, the final payment schedule will be the result of commercial negotiation although any Buyer that has cash available (and may be funding the purchase of the ship either partly or wholly in cash) may be willing (to a limited extent) to accept larger upfront payments in return for stricter penalties for delays in delivery etc.

A Builder will also be anxious to ensure that the Shipbuilding Contract contains appropriate provision for any non-payment. This is likely to include a right to suspend any works and a right to receive interest where payment is delayed and a right to cancel the Shipbuilding Contract in the event of any extended delay. In certain circumstances a Builder may also require a parent company or bank guarantee in respect of the payment obligations of the Buyer.

## 5. Sub-Contracting

The right to sub-contract certain of the works is likely to be sought by a Builder and, although in certain circumstances there may be reasons to resist this, it will often be necessary in order to meet a delivery deadline or because of constraints caused by the price agreed. It is also possible that sub-contractors will be required for certain technical aspects of the construction because they have expertise not possessed by the Builder (e.g. for navigation systems, lifting equipment etc).

Where sub-contractors are to be used the Buyer will normally wish to ensure that-

- (a) it has a right of approval over any material sub-contractors that are used (since these are likely to be known in advance the contract will often specify approved sub-contractors);
- (b) the terms of each sub-contract will be made available to it and the Builder will be under an obligation to ensure that the same are consistent with the terms of the Shipbuilding Contract;
- (c) the benefit of the sub-contracts can be assigned to the Buyer following any termination of the Shipbuilding Contract should the Buyer wish to take over and complete the ship;
- (d) any sub-contractors are prevented from claiming any lien over the ship or retention of title over any goods supplied to the Builder; and
- (e) the Builder obtains guarantees and warranties from the sub-contractors which allow the Builder to give the required warranties to the Buyer.

In each case the Buyer will also be looking for the Builder to continue to be wholly liable to the Buyer in relation to any works that a sub-contractor may carry out.

## **6. Liquidated Damages Provisions**

Any Shipbuilding Contract will, almost without exception, include a liquidated damages provision setting out the agreed damages payable to the Buyer as a result of any delay in delivery of the ship or as a result of its failure to comply with certain aspects of the specification. For cargo vessels these might include failure to comply with warranted speed, fuel consumption, deadweight and cargo capacity and for passenger vessels, levels of noise and vibration may also be included. The inclusion of such a clause is generally to be recommended and has advantages for both parties as it means that:

- (a) the Buyer will not be required to prove its loss in order to claim the liquidated damages referred to; and
- (b) the Builder will not be liable for unlimited losses which it will not be able to quantify or insure against.

Under English law to prevent a liquidated damages provision of this nature being unenforceable as a penalty clause the liquidated damages agreed must be a genuine pre-estimate of the losses that would be suffered as a result of the delay or failure to meet specification. However, since these clauses are normally the subject of extensive and often protracted negotiations it will not usually be difficult to demonstrate this. Accordingly, it is difficult to avoid the terms or effect of any liquidated damages provision which is agreed even if the payments provided for do not in fact correspond to the loss or damage actually suffered. A Buyer will need to get its technical advisers involved in these negotiations and will be seeking to ensure that there are suitable incentives for the Builder to comply with specification and meet the required delivery date. In contrast the Builder will obviously be seeking to minimise the liquidated damages as much as possible.

Some common features of these clauses are as follows (although the inclusion of terms of this nature and their exact terms will depend on the relative bargaining power of the parties):

- (c) An allowance for a limited period of delay in delivery where no damages will accrue. This period should be agreed in the context of the duration of the build.
- (d) An allowance for permitted delays due to changes in the specification or events of force majeure. For these purposes the Buyer will be seeking to ensure restricted definitions of "force majeure" and "permitted delays" so that the Builder cannot claim unjustified delays or delays due to its own default.
- (e) Liquidated damages for delay which bear some relation to the cost of chartering replacement tonnage.
- (f) Allowances for other failures to meet specification without damages. Again these will be subject to negotiation but should be fairly minimal.
- (g) Rights for the Buyer to cancel the Shipbuilding Contract and receive a refund of all pre-delivery instalments paid for extended delays or excessive deficiencies in specification. For example, a Buyer might seek a right to cancel after a delay of say 210 days.
- (h) Overall limits on the aggregate liquidated damages payable. This will normally be expressed as a percentage of the purchase price. Any such limit should also not affect any right of cancellation the Buyer may have.

## 7. Title & Risk

Title to the completed ship should obviously pass to Buyer upon completion and payment of the delivery instalment (unless a form of lease finance is being used in which case the Buyer may need to have title to the ship passed direct to the leasing company and arrangements for a novation of the Shipbuilding Contract to the leasing company may be necessary).

In addition the Shipbuilding Contract should also specify who will have title to the ship during the course of its construction. There are two possibilities:

- (a) Either that title to the ship will remain vested in the Builder until delivery and payment in full of the purchase price; or
- (b) title to the ship will pass to the Buyer during the course of construction as and when the ship is constructed subject to a lien in favour of the Builder until the purchase price is paid.

A provision of the former nature should increase the Buyer's security if the Builder were to get into financial difficulties or be in default under the Shipbuilding Contract and would be of assistance in any situation where the ship needed to be removed from the Builder (or any sub-contractor's) premises for completion elsewhere. However, any attempt at repossession/relocation of the ship (whatever the circumstances) is unlikely to be straightforward and may be subject to various provisions of local law (although, in the event of any Builder's default recourse under the Refund Guarantee should still be available as an alternative remedy). In certain cases the Builder may also be prevented from passing title to the ship to the Buyer during construction as it will be required to give security over the same to its bankers to raise finance for the costs of constructing the ship.

The Shipbuilding Contract should also require the Builder to maintain insurance against any loss or damage to the ship during the course of its construction. Normally, the Buyer will also want a right to approve the insurance arrangements in order to ensure that such insurance is on the standard "Builder's Risks" terms available in the London Market and that where necessary the insurance cover extends to the negligence or wilful damage of the Builder's employees and agents and war risks. The amount of insurance cover obtained will also need to be no less than the aggregate amount of instalments paid together with the value of any Buyer's supplies (which should also be covered).

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The Shipbuilding Contract should also specify that in the event of a total loss of the ship prior to delivery the Buyer shall have the option either:

- (i) to cancel the Shipbuilding Contract and receive a refund of all pre-delivery instalments; or
- (ii) to require the Builder to recommence construction of the ship and to apply the insurance proceeds towards the cost thereof.

However, Builders will often resist this later provision and even if it is included it will normally be dependant on new delivery schedules and any variation to the price being agreed.

## 8. Security

In order to provide the Buyer with security it will also be important for it to obtain a Refund Guarantee pursuant to which a bank (acceptable to the Buyer) will guarantee the repayment by the Builder of any money that becomes due under the Shipbuilding Contract upon any premature termination thereof (e.g. any instalments that are to be repaid as a result of a termination of the Shipbuilding Contract due to the Builder's default, including if the Builder runs into financial difficulties or following a total loss, or any penalty payments due which are not deducted from the final purchase price). Accordingly, agreeing the identity of this bank and the terms of the Refund Guarantee will be an important part of the negotiation process. The Parties should note the following points when agreeing the terms of the same:

- (a) The Builder and its bank will usually insist upon a cap of liability under the Refund Guarantee. This would normally be for the amount of all paid pre-delivery instalments plus interest.
- (b) Where the Buyer obtains some security through ownership of the Vessel during the course of her construction the Builder might argue that the Refund Guarantee should only cover the earlier pre-delivery instalments and not all of them. However, since this "security" is often difficult to rely on requests of this nature should normally be resisted.
- (c) The procedure for paying claims under the Refund Guarantee should also be agreed. Ideally, the Buyer will be seeking a form of on-demand guarantee whereby the relevant bank is required to pay upon receipt of a demand (complying with the terms of the guarantee) regardless of whether or not the Buyer has established that it is entitled to the refund at law. The alternative is for the guarantee to provide that in the event of a dispute no payment will be made until the dispute has been settled or determined in accordance with the Shipbuilding Contract (e.g. by expert determination, arbitration or through the courts). In these circumstances the Buyer needs to ensure that any date of expiry referred to in the Refund Guarantee is extended to allow for the dispute resolution procedure to be completed.

- (d) A Buyer would normally wish to have a right of approval over the identity of the bank giving the Refund Guarantee and where a series of newbuildings is being ordered may wish to specify that more than one bank is involved. In these circumstances the Buyer should also require some provision that would allow it to withdraw its approval of any bank where there has been a material deterioration in the bank's financial condition before the Refund Guarantee is issued. Normally, this would be done by reference to a change to the bank's credit rating.
- (e) The Buyer, in turn, may be required to provide a Performance Guarantee from a bank acceptable to the Builder guaranteeing the performance by the Buyer of its various payment obligations under the Shipbuilding Contract. Such a guarantee would normally depend upon the Builder's claim to such instalments being established rather than being of an on demand nature. The requirement for such a guarantee will obviously also depend on the financial standing of the Buyer. For larger corporations a guarantee may not be required or a parent company guarantee of the obligations of a subsidiary may be accepted. Where there are concerns over the financial standing of a Buyer, a Builder may also agree to forego a guarantee if the instalments are weighted so that more is paid in advance of delivery to reduce the Builder's exposure to unrecoverable costs.

## **9. Ship's Classification**

A Classification Society acceptable to the Buyer should be utilised and the exact class notation required should be clearly set out as part of the specification. The Builder normally covers the costs of the Classification Society during construction and, accordingly, the Shipbuilding Contract should not normally provide for the Buyer to pay for the same. Any other specific rules or regulations which the Buyer requires the Ship to comply with should also be identified and referred to. The place of registration also has to be identified and the ship built in accordance with the laws, rules and regulations applicable thereto. As referred to above a Classification Society surveyor will also be involved in confirming the completion of the various stages of construction for the purposes of stage payments and in the trials procedure referred to below. Reference to the Classification Society surveyor may also be made to resolve disputes regarding class or which are of a technical nature.

## 10. Trials

The specification also normally sets out the trials to be carried out following construction and the conditions in which such trials are effected in order to ascertain whether or not the ship as constructed complies with the specification. It should also contain the methods of measurement to be utilised in such trials and in particular the programme of sea trials which will be carried out to determine whether the ship complies with the various aspects of specification in respect of which liquidated damages will be payable.

It will normally be in the Buyer's interests to ensure that any Shipbuilding Contract provides for the following in relation to such trials:

- (a) A procedure for the Buyer to receive reasonable notice of such trials since provided due notice is given the Builder will normally be entitled to proceed with the trials and the trials shall be conclusive even if the representatives of the Buyer are not in attendance to witness the same.
- (b) A requirement for a representative of the Classification Society to attend and certify the results of the trials with such certification normally being binding on the parties in the event of any dispute
- (c) Allowance in the trial results to be made for any unduly favourable conditions as well as unfavourable conditions.
- (d) No provision for there to be a "permitted delay" or an extension to the delivery date if the trials need to be repeated (with the result that the Builder will normally have an unrestricted right to repeat trials).
- (e) Appropriate provision for the Buyer to invite guests to the trials (e.g. such as potential charterers) in addition to its own representatives.

## 11. Documentation and Delivery

The Shipbuilding Contract will need to specify both the procedure for delivery of the ship and the documentation that will be provided by the Builder upon delivery in exchange for the final instalment of the purchase price.

The Builder will normally be anxious to effect delivery as soon as possible after the trials have been

satisfactorily completed and the Buyer will normally only have a limited time (probably up to 5 days) to pay the delivery instalment once the ship has been tendered for delivery. Accordingly, there is nothing to prevent the Builder delivering the ship early should it be able and wish to do so. For this reason the contract should also require the Builder to give the Buyer regular notice of the anticipated delivery date. The Buyer may also wish to resist any provision which provides for the purchase price to be increased as a result of an early delivery, unless this has been achieved at its specific request.

The place of delivery must also be agreed. Normally, this will be at the Builder's yard although the Buyer may be able to negotiate delivery at a location which is more convenient for the Buyer (e.g. in terms of crewing and the ships intended trading routes).

On delivery the Buyer should receive some or all of the following documents:-

- (a) a document of title to the ship. This will either be a Builder's Certificate or Bill of Sale confirming that title to the ship has passed from the Builder to the Buyer. This will need to be in a form which is acceptable to the authorities of the ship's intended flag and should refer to title to the ship being transferred free from all encumbrances;
- (b) an inventory of all equipment supplied with the ship including any spare parts (as provided for in the specification);
- (c) all relevant trading and classification certificates (which will include all tonnage, loadline and other safety certificates and the confirmation of class as provided for in the specification). Where any of these certificates are not available or are only available on a provisional basis the Buyer might agree to take delivery if the Builder agrees to provide the certificates within a particular date;
- (d) where a warranty guarantee is being provided the original of that guarantee;
- (e) an inventory of consumables stores with which the ship has been supplied. This will include any bunkers and lubricating oils remaining onboard the ship at delivery as the contract will normally specify the Buyer shall pay for these in addition to the purchase price;
- (f) commercial invoices in respect of purchase price and the cost of any additional bunkers or stores paid for;
- (g) Such additional documents as the Buyer may reasonably require in order to effect registration of the ship on the relevant flag.

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In order to ensure that these documents are in an appropriate form it is prudent for drafts of these documents to be produced by the Builder and approved by the Buyer in advance of delivery.

## 12. Warranty Period

It is normal for the Builder to guarantee the materials and workmanship used in the construction of the ship and its appurtenances, components, engines, machinery, equipment and spare parts for a period of at least 12 months from delivery. Although this period may appear relatively short in respect of an asset which should have a useful life of 20-30 years, after the warranty period the Buyer may have alternative recourse to its insurers in respect of any defects depending on its insurance coverage.

The exact terms of the warranty provision will need to be considered carefully and are likely to be the subject of extensive negotiation. The following are some issues that will, in particular, need to be covered:

- (a) The procedure for making warranty claims and how any disputes will be dealt with. A common provision is for the parties to agree that a guarantee engineer employed and paid for by the Builder will be placed on the ship for some or all of the warranty period so that (where possible) he can deal with any claims made by the Buyer or where he is unable to do so authorise further remedial works).
- (b) How and where any further remedial works that cannot be carried out by the guarantee engineer will be effected. The Buyer will need to have an ability to carry out temporary repairs in the event of any emergency. For other repairs the Buyer will also normally wish to have a right to have repairs effected at a port near to the ship when the defects are detected so that any interruption to the ship's itinerary can be minimised. In such cases the Buyer would also be seeking a right of reimbursement for all repair costs that it may incur even if these would exceed the cost of the repairs being carried out by the Builder. In contrast, the Builder, will normally be seeking to impose an obligation that all repairs covered by the warranty are effected at the Builder's yard (unless otherwise agreed) and that where it agrees to repairs being carried out elsewhere its liability to reimburse the Buyer for the cost of the same will be limited to the costs that would have been incurred by it in remedying the defects at its own premises.
- (c) The extent to which any remedial works carried out in the warranty period will be covered by a further warranty. The Buyer will be seeking to have such work and material covered for an equivalent period after the warranty period has expired. A Builder will usually be prepared to do this to a limited extent but will normally insist that no such claims can be made more than

6 or 8 months after the expiry of the warranty period in order to provide it with an absolute date of termination of its warranty liability.

(d) Although 12 months is the most common warranty period it may be possible to negotiate extended periods particularly if these are only to relate to certain specified matters. For example, for any oil or product tanker it may be possible to negotiate an extended warranty in relation to any painting or tank coatings that are used since longer warranties will normally be available from the relevant suppliers thereof. Generally speaking, the Shipbuilding Contract should also provide for the Builder to assign the benefit of any remaining warranties that it has in relation to the ship from its sub-contractors to the Buyer upon the expiry of the warranty period.

(e) The security to be provided in respect of the Builder's obligations under the warranty provision. This may take the form of a further bank guarantee issued by the Builder's bank (a "warranty guarantee") although any claim under such a bank guarantee is likely to be limited to a percentage of the purchase price. Alternatively, the Buyer may be able to negotiate the retention of an equivalent amount of the purchase price for the duration of the warranty period although a provision of this type is usually resisted.

## 13. Default by the Buyer

The effect of any failure by either party to comply with the terms of the Shipbuilding Contract will also need to be specified.

The Buyer's principal obligation will be to pay the instalments of the purchase price as and when the same fall due and any unjustified delay in payment of these instalments will normally have the following consequences:

- (i) the Builder would become entitled to charge interest for late payment;
- (ii) the Builder would be entitled to suspend work if the delay in payment extends beyond a specified number of days; and
- (iii) the Builder would become entitled to cancel the contract for an extended delay.

The effect of any such cancellation will normally be that the Builder's obligation to deliver the ship to the Buyer will cease and the Builder will become entitled to sell the ship to another buyer either in its unfinished state or following completion of the works. In such case the Builder will normally be entitled to apply any proceeds of sale towards all of the costs incurred by it in constructing and selling the ship together with an element of reasonable profit and if (after deducting the instalments already paid) any balance of the sale proceeds remained this would be rebated to the Buyer. Conversely, if the sale proceeds were insufficient to cover these costs the Builder would have a claim against the Buyer (and under any guarantee provided) for the amount of any deficiency.

Other defaults for which a Buyer may commonly be liable are delays in approving plans and drawings and in delivering Buyer's supplies to the Builder for incorporation into the ship. In both cases the normal consequence of such a default is that there will be a permitted delay to the date of delivery for which the Builder will not be responsible.

## **14. Default by the Builder**

Default by the Builder will be dealt with to a large extent in the liquidated damages provision (referred to in Paragraph 5 above) which will specify the payments that will be due in the event of any failure by the Builder to deliver the ship when due or a failure by it to comply with the warranted specification. Such payments will normally be effected by a reduction to the instalment of the purchase price payable on delivery. However, as referred to in Paragraph 5 the Buyer should also have a right to cancel the contract in the event of a protracted delay or a major non-compliance with specifications. In these circumstances the Buyer would normally become entitled to a full refund of the pre-delivery instalments that it has made (together with interest thereon since the date of payment) and would be making an immediate claim under the Refund Guarantee in respect thereof. Given this right a Shipbuilding Contract may often contain a provision requiring the Buyer to elect whether to continue with the contract and take delivery of the ship or exercise its right of cancellation once the right of cancellation has arisen.

One further alternative remedy that the Buyer may seek is a right to take possession of the unfinished ship and to remove the same from the Builder's yard for completion elsewhere. In these circumstances the Builder will have an obligation to co-operate with the removal and any assignments of sub-contracts required by the Buyer and the Buyer will continue to have a claim against the Builder for any additional costs incurred or losses suffered as a result of any delay and increased costs caused by the requirement to finish the ship elsewhere. The Refund Guarantee should also cover these claims.

## 15. Dispute Resolution

Ideally the Shipbuilding Contract should also contain detailed provision setting out an agreed procedure for the resolution of disputes. Commonly, this involves some or all of the following:

- (a) Provision for a reference to be made to a classification society surveyor or other technical expert to determine disputes in relation to class or other technical issues. Where such a reference is made it will often be agreed that the surveyor's determination shall be binding on both parties. However, the Shipbuilding Contract may be drafted to require both parties to give their prior agreement to such a binding reference is made.
- (b) In relation to other disputes (or where a reference to a technical surveyor cannot be agreed) a requirement for mediation of the dispute could be included in keeping with the growing trend for mediation as a form of dispute resolution and recent confirmation from the courts that mediation clauses will be binding. One such organisation that may be useful in these circumstances is the Maritime Solicitors Mediation Service of which this firm is a member.
- (c) Arbitration or the issue of legal proceedings through the courts. Arbitration remains the favoured procedure in Shipbuilding Contracts and an arbitration provision will therefore be agreed in most circumstances and the agreed arbitration forum and the procedure for appointing arbitrators will need to be specified.
- (d) An appropriate choice of law and jurisdiction.



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