

## **LOCAL CONTENT COMPLIANCE DRAFT REPORT**

### **VERSION 2 – SEPTEMBER 2014**

#### **Objective**

This report is prepared for the Petroleum Commission, detailing Siem Offshore Ghana's Plan on how to comply with below - referenced Regulations. Siem Offshore Ghana humbly requests for approval for year 2014 and the subsequent renewal of the Petroleum Commission Permit. Alternatively, Siem Offshore stands at your availability for clarifications and queries.

#### **Local Content Components**

The Petroleum (Local Content and Local Participation) Regulations 2013, enacted 5 July 2013, specifically ask for the following components from offshore supply vessel providers :

1. *Local Shareholdership (10-51%) (Clauses 4 and 49)*
2. *Establishment of Local Office (Clause 6)*
3. *Provision of Annual Employment and Training Sub-Plan, Research and Development Sub Plan, Technology Transfer Sub-Plan (Clauses 17-26)*
4. *Provision of Annual Procurement Plan for Local Goods and Services (Clause 9)*
5. *Provision of Insurance, Legal and Financial Services Sub Plan (Clauses 17-33)*
6. *Assurance of Minimum Local Content in Goods and Services (First Schedule)*

#### **Siem Local Content Compliance Draft Report, Version 2, September 2014**

A meeting with Mr Kwaku Boateng, Director Special Services, was held 09 September, 0830 hrs, where below draft report was discussed and exemplified.

##### **1. Local Shareholdership (10-51%) (Clauses 4 and 49) and Establishment of Local Office (Clause 6)**

Parent Company Siem Offshore Rederi AS was established in 2005, in Norway, Kristiansand, and has since increased its fleet to over 50 assets, with a newbuilding programme of another 15 assets.

Siem Offshore operates Offshore Supply Vessels, in the high end segment of the market, with 280t BP AHTS, medium-to-larger sized PSVs and Subsea Construction Vessels.

The Company commenced its business in Norway, migrated then to Brasil and is now endeavouring a strong Pan-African Presence, with currently 6 assets operating in the Region. **Please see Group Presentation attached.**

29 February 2012 Siem Offshore Rederi AS, Ghana External Branch was set up. The purpose was to serve as a contracting entity for a 2012 ENI Ghana contract, and to serve as a marketing base for Siem Offshore Africa. Its physical location is in Accra, Plot B/179, H NO F 152/6, Area, Labone. The shares are held by Parent Company Siem Offshore Rederi AS, Norway. The local manager is Miss Ellen Berchermann.

30 May 2013 Siem Offshore Ghana Limited was set up, for the purpose of being compliant with the then expected Local Content Act. The physical location is the same as for the Branch and its shares are currently held by a Dutch Siem Subsidiary, named Overseas Drilling Contractors (ODL). 10-51% ownership will be transferred before Christmas 2014, upon successful completion of a Due Diligence Survey of 4 shareholders, by Ernst and Young. The 4 local partners are for shareholdership are: RDFC; Mecowa; Baj Freight and Adonai Shipping.

Board of Directors includes Mr Bernt Omdal, Mr Svein Erik Mykland, and Miss Ellen Berchermann. Soon Ghanaian Board Members will be phased in. Mr Joseph Quartson will become Head of Siem Offshore Ghana Limited in order to come closer to the legal definition of *Indigenous Company* in Clause 49, if Siem is awarded a multiple year contract.

The shareholders agreement will be drafted by EY and provided to PC upon completion, expected November 2014 latest.

The actual asset remains owned by Siem Offshore Rederi AS, but Siem is presently assessing Ghanaian Equity Partners to invest in Offshore Supply Vessels. The asset will be held by an offshore entity as many African countries fiscal regimes make asset ownership uncommercial by high importation and VAT charges.

Two entities exist in Ghana :

Siem Offshore Rederi AS, Ghana External Branch	Siem Offshore Ghana Limited
	

#### Company Registrations

Siem Offshore Rederi AS and Ghana Ltd are registered with the following Authorities:

- Registrar General
- International Revenue Services
- Ghana Revenue Authority
- Ghana Investment Promotion Centre
- Petroleum Commission
- Accra Metropolitan Authority

Please see Office and House Management Sheet and Legal Tax Compliance Calender Attached.

## **2. Provision of Annual Employment and Training Sub-Plan, Research and Development Sub Plan, Technology Transfer Sub-Plan (Clauses 17-26)**

Management of Offshore Supply Vessels is inherently more capital, than human resources intensive. Some onshore positions can be created, however are difficult to retain, when the assets 'floats' into a different jurisdiction. More offshore positions can be created, subject to the provision of properly educated and certified seafarers, but again positions are difficult to retain, when vessels enter a different jurisdiction, also requesting local content compliance and asking for employment of its nationals.

The following individuals are currently employed on a split basis by the Siem Offshore External Branch and Ghana Limited Entity :

### **Company Employees (Onshore)**

#### **Miss Ellen Berchermann, Africa Chartering Manager, Head of External Branch**



The function of the Branch is to hold all the marketing activity for all African countries, except Ghana. Thus it is headed by Miss Ellen Berchermann who travels extensively in African countries, and uses the Accra Office as a base to finalise tenders for Africa.

Miss Ellen Berchermann has lived in West Africa for 7 years, always active in the offshore market, working as an agent, broker and now as ship owners representative. Both in Nigeria, Angola and Ghana she has been actively involved in Local Content Enhancement and she daily monitors the increased involvement of her Ghana staff in the day to day commercial activities.

[Please see attached CV.](#)

#### **Mr Joseph Quartson, Future Head of Siem Offshore Ghana Limited**



Mr Quartson has been employed on a retainer basis with Siem Offshore Ghana since July 2012. His loyal and precise work as Siem's Head Accountant, have induced Siem Offshore to nominate Joseph as the MD of Siem Offshore Ghana Limited, upon the next contract award.

Thereby, Joseph will become responsible for the fiscal and regulatory compliance of both Siem Ghana entities. He reports to Miss Ellen Berchermann.

[Please see attached CV.](#)

#### **Mr Douglas Enim, Office Assistant**



Mr Enim has been employed with Siem Offshore Ghana since July 2012.


He commenced his position as a driver, and since he undertook his duties with utmost skill and was eager to learn more, he is slowly being phased into office administration, reporting to Miss Ellen Berchermann and Joseph Quartson.

In order for Mr Enim to increase his capacities Siem Offshore sponsored a Diploma in Software Engineering, with IPMC, IT Learning Centre. His course is to finalise by 2015.

[Please see attached CV.](#)

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**Mr Roby Quaye, IT Assistant, Retainer**

	<p>Mr Quaye has been employed with Siem Offshore Ghana since October 2013. Mr Quaye assures Siem Ghana that all telecommunications devices needed daily function, and repairs and upgrades where necessary.</p> <p>Please see attached CV.</p>
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**Future Company Employees (Onshore)****TBA, Future Ghanaian Port Captain**

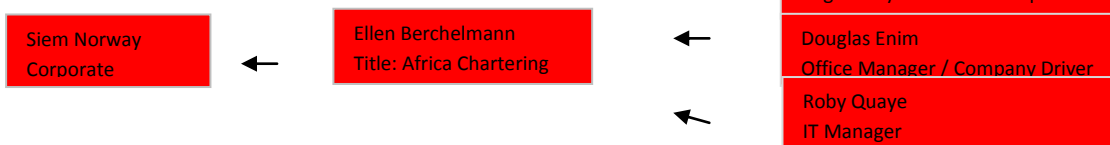
TBA	<p>Upon multiple years contract award, a Ghanaian Port Captain will be sourced. This person will be phased into the operational management system of Siem vessels, and will be responsible for vessel importation, local certification, crew changes, husbandry, importations and the day to day running of the Takoradi Office.</p> <p>Siem has some candidates already shortlisted for this position.</p>
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**Other Africa Siem Employees****Steven Fowler, West Africa Port Captain**

	<p>Mr Fowler was employed April 2014, as Siem's West Africa Port Captain, based in Malabo, Equatorial Guinea.</p> <p>He has waste Africa Experience from Smit and Maersk and will assist Siem to set up a Siem Takoradi Base with Local Port Captain, upon a long –term contract award.</p>
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**Manuel Njue Nguema , West Africa Port Captain Assistant**

	<p>Mr Manuel Njue Nguema was employed as the b2b and assistant of Steven Fowler in Equatorial Guinea. He is being phased into Siem operations, and receives English courses to enhance his communication with clients.</p>
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**The decision making authority flows as follows:****Commercial :****Technical :**

**Company Employees (Offshore)**

Siem endeavours the employment and training of African, and particularly Ghanaian seafarers. Unfortunately, the present vessel flag, Norwegian International Flag, does not allow recruitment from crewing agents which

are not at least ISO certified and employment of seafarers without a Norwegian seafarers book and STCW certifications. Thus, Siem is currently evaluating a strategy how to implement African seafarers on-board.

The future plan is first of all to change flag to one which is a bit more lenient of crewing agency and seafarer certifications. Thereafter, we believe PSVs can be manned on a 50/50% split basis, increasing the Ghanaian seafarers to 70% onboard, after performance ratings, experience, loyalty to company and training courses abroad are assessed.

Please see below succession table for PSV and MPSV ranks :

Typical PSV Crew Composition							
No	Position	Nationality Year 1	Nationality Year 3	Nationality Year 5	Courses Needed for Succession	Expected Total Course Costs	Expected Time Needed for Course Completion
1	Captain	Foreign	Foreign	Foreign	Have all		
2	Chief Officer	Foreign	Foreign	Ghanaian	DP Cert	30 K USD	1 year
3	2 <sup>nd</sup> Officer	Foreign	Ghanaian	Ghanaian	DP Cert	30 K USD	1 year
4	3 <sup>rd</sup> officer	Foreign	Ghanaian	Ghanaian	DP Cert	30 K USD	1 year
5	Chief Engineer	Foreign	Foreign	Foreign	Have all		
6	2 <sup>nd</sup> Engineer Officer	Foreign	Foreign	Ghanaian	IAS	10 K USD	5 days
7	ETO	Foreign	Foreign	Foreign	DP	15 K USD	5 days
8	Chief Cook	Foreign	Ghanaian	Ghanaian	STCW / Food handling	5 K USD	5 days
9	Husbandry 1	Ghanaian	Ghanaian	Ghanaian	STCW / Hygiene	5 K USD	5 days
10	Husbandry 2 Needed?	Ghanaian	Ghanaian	Ghanaian	STCW / Hygiene	5 K USD	5 days
11	Able Seaman 1	Foreign / acting as Bosun	Ghanaian	Ghanaian	STCW / Banksman and Slings	10 K USD	10 days
12	Able Seaman 2	Ghanaian	Ghanaian	Ghanaian	STCW / Banksman and Slings	5 K USD	10 days
13	Able Seaman 3	Ghanaian	Ghanaian	Ghanaian	STCW / Banksman and Slings	5 K USD	10 days
14	Able Seaman 4	Ghanaian	Ghanaian	Ghanaian	STCW / Banksman and Slings	5 K USD	10 days
15	Cadet	Ghanaian	Ghanaian	Ghanaian			
		<b>40/60 split</b>	<b>25/75 split</b>	<b>20/80 split</b>		<b>165,000 USD</b>	<b>Max 1 Year</b>

Typical MPSV Crew Composition							
No	Position	Nationality Year 1	Nationality Year 3	Nationality Year 5	Courses Needed for Succession	Expected Total Course Costs	Expected Time Needed for Course Completion
1	Captain	Foreign	Foreign	Foreign	Have all		
2	Chief Officer	Foreign	Foreign	Foreign	Have all		
3	2 <sup>nd</sup> Officer	Foreign	Foreign	Ghanaian	DP Cert	30 K USD	1 year
4	2 <sup>nd</sup> Officer	Foreign	Foreign	Ghanaian	DP Cert	30 K USD	1 year
5	3 <sup>rd</sup> Officer	Foreign	Ghanaian	Ghanaian	DP Cert	30 K USD	1 year
6	Chief Engineer	Foreign	Foreign	Foreign	Have all		
7	2 <sup>nd</sup> Engineer Officer	Foreign	Foreign	Foreign	Have all		
8	3 <sup>rd</sup> engineer	Foreign	Ghanaian	Ghanaian	IAS	10 K USD	5 days
9	3 <sup>rd</sup> Engineer	Ghanaian	Ghanaian	Ghanaian			
10	ETO	Foreign	Foreign	Foreign	DP	15 K USD	5 days
11	Chief Cook	Foreign	Ghanaian	Ghanaian	STCW / Food handling	5 K USD	5 days
12	Husbandry 1	Ghanaian	Ghanaian	Ghanaian	STCW / Hygiene	5 K USD	5 days
13	Husbandry 2	Ghanaian	Ghanaian	Ghanaian	STCW / Hygiene	5 K USD	5 days
14	Able Seaman 1	Foreign / acting as Bosun	Ghanaian	Ghanaian	STCW / Banksman and Slinging	5 K USD	10 days
15	Able Seaman 2	Ghanaian	Ghanaian	Ghanaian	STCW / Banksman and Slinging	5 K USD	10 days
16	Able Seaman 3	Ghanaian	Ghanaian	Ghanaian	STCW / Banksman and Slinging	5 K USD	10 days
17	Crane Operator / Able Seaman	Foreign	Foreign	Foreign	Have all		
18	Crane Operator / Able Seaman	Foreign	Foreign	Foreign	Have all		
19	Cadet	Ghanaian	Ghanaian	Ghanaian			
		<b>68/32 split</b>	<b>47/ 43 split</b>	<b>36/64 split</b>		<b>145,000 USD</b>	

Siem Offshore, in the majority of cases, gives local suppliers same preference as international suppliers. A stumbling block in the creation of local content is that services to offshore supply vessels comprise of simple agency, husbandry, crew change support to more sophisticated spare parts importation and installations from the original manufacturers. The agency support can easily be given to local providers, whilst the latter is more difficult to enforce as it entails the establishment of local entities by our spare parts manufacturers.

#### 4. Provision of Insurance, Legal and Financial Services Sub Plan (Clauses 17-33)

##### Company and Asset Insurances

All office related insurances are contracted with Ghanaian entities; local health insurance via West African Rescue Services, local workmen compensation insurance via SIC, travel insurance via Allianz, and car insurance via Vanguard.

Siem Offshore is assessing the compliance of Local Content Regulations, sub-section 27(2), stating "*the insurable risks relating to petroleum activity in the country shall be insured through an indigenous brokerage firm or where applicable, a reinsurance broker*". As the asset itself has a net value of 25-85m USD, as such assets are usually insured by specialized insurance houses in the City of London. However, our current insurance broker AON is apparently partnering with a local brokerage firm, named Kek Insurance, and the below stipulated company representatives will assure compliance with clause 27, upon contract award.

##### AON Representative

Bjørn Erling Steinsland | Nordic Marine Practice Leader  
Aon Norway AS | PL&C  
Skippergata 13-17 | N-4664 Kristiansand  
t +47 38 12 48 01 | m +47 97 53 38 97  
bjorn.erling.steinsland@aon.no | aon.no

##### Kek Representative

Charles F. Oduro | Managing Director  
insurance broking house  
40/41 Senchi Street @ Aviation Rd  
Airport Residential Area  
P.O.Box AN 6681 | Accra-North | Ghana-West Africa  
Office: +233 21 764023/770607/764390  
Fax: +233 21 764138/764210  
Mobile: +233 20 2017012  
Email: charles\_oduro@kekinsurancegroup.com  
Website: www.kekinsurancegroup

##### Legal and Fiscal Services

All legal and fiscal services are currently undertaken by Globetrotters and EY Ghana.

##### Company Bank Accounts

Siem Offshore Rederi AS holds a bank account with Zenith Bank, both GHC and onshore and offshore USD accounts, for the sake of office operational expenditures. This bank account has been in operation since June 2012 till now.

Siem Offshore Ghana Limited is currently opening a bank account, with Barclays Ghana, for future revenue streams. Subject to Clients needs and Bank of Ghana Regulations payment of services can be made in GHC, however Siem is currently assessing receipt of a waiver for payment in USD from the Central Bank of Ghana.

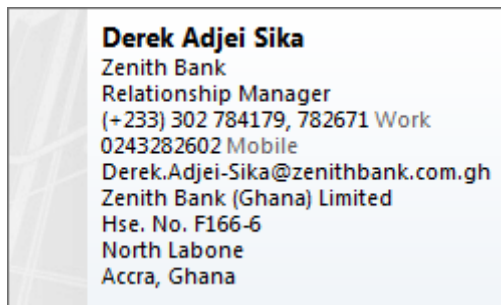
Siem Offshore notes that PC wishes to ensure withholding on all subcontractor payments and assumed payment in GHC. This needs to specified more clearly, as it is our experience with our subcontractors that they wish for USD payment and no withholding. This has led Siem Offshore Ghana to receive penalty payments from GRA.

Our bank customer relationship managers are as follows :

**Zenith Bank**

**Barclays Bank**





#### 5. Assurance of Minimum Local Content in Goods and Services (First Schedule)

The different nature of the offshore supply industry, with little fixed assets, and the assets floating in various jurisdictions, thus only creating real monetary values upon multiple year contract award in one country, has hopefully been evidenced.

Thus the onshore aspect, should be able to be compliant with Ghana's endeavours to maximize utilization of local goods, services and workforce. However, offshore compliance can only be created upon Ghanaian investment into the asset. Thereto, a vessel comprises of so many accumulated, sophisticated parts, from various manufacturers, who will only set up a local entity for repairs and spares, if economically feasible to do so.

Please refer to section 4 to assess our income vs expenditure ratio.

**Miscellaneous – Siem Offshore Ghana Corporate Social Responsibility**

Siem Offshore as a Company and Siem Offshore Employees on an individual basis have donated continuously, since 2012, to the JayNii Orphanage, based in Jamestown. The Orphanage assists the deprived children of Jamestown with shelter and school education. So far Siem has contributed as follows:

Date	Items	Monetary Value
Autumn 2012	School fees, text and note books	1750 GHC
Christmas 2012	Christmas Party, Gifts and Water Tank	6090 GHC
Summer 2014	Electricity Grid Connection, Cleaning Items and Gas Cooker	6600 GHC
Autumn 2014		11400 GHC
	<b>Total</b>	<b>25,840 GHC</b>

Please see attachment.