

ADVANCING VESSEL QUALITY IN HARD TIMES;

A BROADER VISION

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When some of us met here last March, we discussed some of the issues involved in improving the safety and environmental performance of the commercial shipping industry. Today, I am joined by Michael Grey and Hans Payer, to go into the subject in more detail. We also will talk about how to help effect some of the improvements that we think will be necessary.

Some weeks ago, senior officials of the International Maritime Organization travelled to the United States to meet with leadership of the United States Coast Guard and other nations in observance of World Maritime Day—what has become known as a “parallel event”. These occasions serve the useful purpose of taking the regulatory pulse; we are able to compare notes, and the Secretary-General of the IMO delivers an overview of the general condition of shipping as seen from the standpoint of our regulatory guardians. Admiral Mitropoulos was joined by Admiral Allen, the Commandant of the U. S. Coast Guard, and while there was considerable discussion of emissions control, piracy and other matters of current urgency, the common concern of the private and public sectors – the challenge of quality maintenance in the face of the grave economic crisis facing the industry – was a major focus of attention.

I was one of the organizers of what proved to be a three-day programme, wearing one of my other “hats” -- chairman of the North American Marine Environment Protection Association (NAMEPA), a group that now has about 80 members in the United States and Canada.

Today, as you have heard me say before, I am commenting, along with Michael and Hans, as an independent spokesperson and advocate for what I see as important quality objectives.

I am not here today as a representative of the Marshall Islands Ship Registry, because I feel that if the industry – so often characterized as fragmented – is to achieve important quality objectives, a consensus among stakeholders throughout the industry, and leading environmental advocates, must be built. This will be all the more difficult if each of us comes with a ready – made identifying label. Therefore, please feel free to identify me by the various hats that I wear, but bear in mind that none of these organisations or companies has taken a position on what we are going discussing today. The views that I express are strictly my own.

That said, today's briefing has a purpose, not entirely different from the World Maritime Day briefing in New York last October. It is this: to promote an awareness of what we have achieved, as governments and the private sector, working together, to bring about "safer ships and cleaner seas", in the words of the late Lord Donaldson's famous report , and to highlight what remains to be done.

Much of what we in the industry hope to accomplish has to do with public opinion, and the interplay of ideas. The internet, twitter, blogs, and journalism in its digital forms have placed environmental policy closer to the heart of world trade, and therefore the maritime supply chain, as never before. This transformation, together with the global economic crisis that we are now experiencing, globalization, ecological destruction, energy insecurity and a digitally and politically interconnected world society, require collective leadership. Shipping has an important part to play in building the foundation for an environmentally sustainable recovery. We have recently seen what happens to a business that loses its grasp of this basic context. As Sir David Hare recently pointed out, banking and finance are under regulatory siege precisely because the interests of that industry became disconnected with those of the rest of society. Shipping is not much different.

In speaking of quality maintenance and improvement, my colleagues and I are aware that there are many aspects to the subject.

We must not forget the improvement in the industry's record over the last two decades.

That said, we must also take account of what still needs to be done.

The growing shortage of qualified and competent seafarers remains of great concern. We still have not developed a coherent approach to the complex management of recruitment, retention and training.

We have not created a satisfactory structure for the verification of the qualifications, licensing and certification of seafarers.

The voluntary IMO member state audit scheme provides that "with regard to the STCW Convention, the audit should not seek to duplicate existing mandatory audit requirements contained in that Convention". In other words, any sovereign State can certify the validity of its own licensing procedures.

What we therefore have, as in so many cases is "paper", rather than substantive, vetting of whether international standards are being observed. In one recent test, Cyprus found that out of 24 masters, chief engineers and other officers serving aboard six ships, only four held valid certificates. In another incident, the COSCO BUSAN struck the San Francisco Bay Bridge in heavy fog on November 7, 2007, spilling more than 53,000 gallons of heavy bunker fuel into the Bay. It has been determined that this modern container vessel was crewed by a Chinese bridge team who were not familiar with the ship's navigation equipment; who did not understand the proper use of its radar and electronic charts; who had only just joined COSCO BUSAN; who were not familiar with the English language, and were therefore unable to communicate with the local pilot, or with shore navigation stations; and who later participated with the vessel's managers in the fabrication of the ship's official navigational chart to show fixes that were not actually recorded during the voyage.

To me, the relevance of qualified and trained crew, as revealed in the COSCO BUSAN story, was made very clear in the recent “Viewpoint “ article written by Michael Gray, in the November 2 Lloyd’s List. As he points out, “it is all very well to criticise regulations and the regulators, but so often the real blame for crew incompetence must surely lie with whoever employed the crew.”

We must as regulators, and as an industry, demand that we go beyond verifying that a flag state administration, say Mongolia, has legislation on its books in compliance with the 1995 STCW Convention.

This reflects a larger problem: the existence of uneven standards, If there are truly standards at all. Substandard administrations and recognized organizations do exist.

We also fail when we ignore the fact that, as Andreas Constantinou of the Cyprus Department of Merchant Shipping has pointed out, some administrations issue documents to seafarers that do not meet the requirements of Article 94 of the United Nations Convention on the Law of the Sea, and revised 1995 Standards of Training, Certification and Watchkeeping Convention.

Ships must be built and maintained in a safe and responsible manner, in compliance with accepted international rules and standards, i.e., SOLAS and MARPOL, as well as other conventions. So-called “certification bodies”, that are presently recognized as qualified ROs, often by shadowy flag state administrations, must be brought within a structured regulatory framework, not a “paper” exercise.

This is must be implemented through the IMO.

The audit of flag state administrations must “drill down” to their actual competence and effectiveness, and, again, is not based on the mere ratification of international conventions.

The placement of a flag state on a “white list” should not be an entitlement, and should not be deemed to be permanent.

Legitimate classification societies should not act as umbrellas or cloaks of respectability for phantom “administrations”, by acting as their ROs.

We as an industry must work with IMO, and with local governments, to eliminate the “no law east of Suez” syndrome. Examples this past year of the syndrome are the cases of the ASIAN FOREST, BLACK ROSE and SELI 1. These incidents have revealed invalid or nonexistent insurance, forged insurance and other documents, and a host of other improprieties. These deficiencies typify a problem that goes beyond industry to the lack of adequate port state control systems and freedom from corruption in many parts of the developing world.

We must recognize, in my opinion, that the marine environment, and the safety and well-being of “the ship and her people”, in the traditional phrase, are the business of all stakeholders. Charters, lenders, brokers, underwriters, cargo interests, and of course regulators, have a duty not to look the other way; not to take the least expensive solution; and not to take refuge in, as they do so often, a supposed lack of transparency.

We often speak of “international rules and standards”. In fact, we have worked very hard in recent decades to upgrade these standards. The IMO, the ILO, the European Commission, and other governments and international bodies are busy, and have never been busier. But, we have still not held the other decision-makers, or stakeholders, to a standard of responsibility in keeping with the modern information age. It is difficult to understand in the age of such extensive vetting how any charterer or cargo owner can be ignorant of the condition or record of a ship that it has a role in choosing. Accountability should not be an empty word. “We didn’t know” may often be a valid defense, but (see Trafigura), it may not always be.

We must recognize that the critical oversupply of tonnage constitutes a threat to existing standards. The current fleet of capesize bulk carriers currently amounts to nearly 600 ships. The orderbook of new capesizes that will be delivered during the next three years is said to be nearly 600 ships. The fleet is therefore set to double in size!

There are now about 11 very large ore carriers in service. These are ships of about 300,000 dwt, with the largest at about 356,000 dwt. However, there are more than 60 such ships on order.

In China itself, there are more than 250 yards not capable of building ships of 10,000 dwt and above.

It is difficult to say that, even with a rapid recovery of the global economy, and even with the continued expansion of the Chinese “engine”, we can successfully absorb this oncoming excess tonnage.

CONCLUSIONS AND PROPOSALS

Therefore, our regulatory efforts must be refocused.

We must abandon “paper” exercises.

Industry participants and stakeholders, upstream and downstream, must be enrolled in the compliance process.

The ERIKA and PRESTIGE cases spectacularly illustrated the importance of the “chain of responsibility”, and its various links. We need to recognize that there is a new sense of accountability, particularly when environmental damage is set to occur.

Responsible charterers and shippers should be encouraged and rewarded for their support, particularly those companies with effective corporate social responsibility policies.

More work needs to be done to identify the “customers” of substandard administrations, “inspection bodies” and recognized organizations.

Port state control authorities should be encouraged to favour and reward administrations and classification societies that achieve high quality standards.

We must establish an effective system, and one that is mandatory, for the audit of flag state administrations.

This system must not be of the “paper” or “check the box” type.

We must enact and enforce adequate international standards for recognized organizations, acting on behalf of those administrations.

We must institute an effective, rigorous system of oversight of the application of the 1995 STCW Convention and its successors. There is no room for bogus or improper seafarer qualifications, that may adversely affect the quality of seafarers, as well as their training.

A more effective dialogue with seafarers is essential.

The same is true of the industry’s relationship with environmental advocates.

How we recruit and train competent seafarers in an increasingly complex technical and regulatory world raises many unanswered questions. Next year, 2010, has been officially proclaimed by IMO as “The Year of the Seafarer”. It is essential that the conditions under which seafarers learn, and under which they work, take greater account of our commitment to “safer ships, cleaner seas”.

Finally, we must recognize that ours is not a business based upon assets, upon the people who operate them. Seafarers, frequently without a voice in international councils, have not often been heard when we discuss safety. In many cases, we have been reluctant to make use of available channels to learn how they feel about these issues, perhaps because we fear what might turn up. We have also lagged in considering seafarers’ rights, including their right to repatriation. We must not fall silent!

I hope that we can discuss the issues in greater detail this afternoon, and look forward to your questions.

ENDS