

INTERCARGO

INTERNATIONAL ASSOCIATION OF DRY CARGO SHIPOWNERS

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BULLETIN

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DRY BULK NEWS IN BRIEF

'The timing is right to mobilise our industry for change' - INTERCARGO Chairman Frederick Tsao at CMA 99. see inside for more details (p3/4)

Yugoslavia, Bosnia-Herzegovina and Croatia declared war risk zones The Joint War Committee representing the London market made the decision on 30 March. Additional premiums will now have to be negotiated with brokers and underwriters by those wishing to trade to these areas.

New Carissa bow section finally sunk After an epic effort by the salvage team the forward section of the stranded woodchip carrier New Carissa was eventually hauled off the beach near Coos Bay, Oregon where she had lain since early February. The bow was then sunk some 200 miles offshore by the US Navy. Concentrated shell fire failed to do the job initially and the forward section was finally despatched with two torpedoes. The engine room and accommodation block still lies on the beach and it is likely that this will be cut up over the summer.

Bulk sector consolidation continues

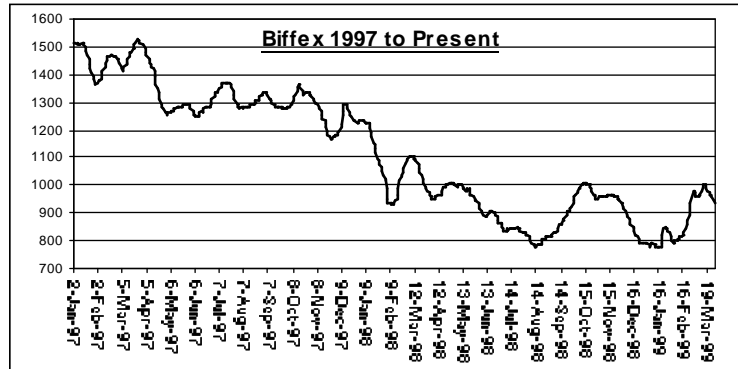
Torm pools vessels with Lasco Danish bulk carrier owner/operator has established a handy size logger pool with Portland, Ore. Based Lasco. Contributing 5 ships to Lasco's 12, Torm will also send a chartering person to Portland where the pool, known as the Lasco Torm Handy Logger Pool, is to be operated. Meanwhile Lasco has also contributed 5 bulk carriers to the newly renamed Torm-Nord-Lasco Panamax Pool (TNL). Formed 3 months ago by Torm and Rederei Klaus E. Oldendorff the pool has not ruled out the potential of further members joining.

Danish Shipowners talking about consolidation reports Lloyd's List Steen Krabbe, Chairman of the Danish Shipowners' Association and Chief Executive of dry bulk shipowner Nordern was reported as saying, 'I believe there will be a consolidation so that those that are weak will go together and find a form of co-operation that will carry them through in the longer term'. He declined to give specific details but did say that there had been some general discussions. (see inside for Peter Livanos talking about consolidation at CMA)

Other Consolidation news (tankers and car carriers)

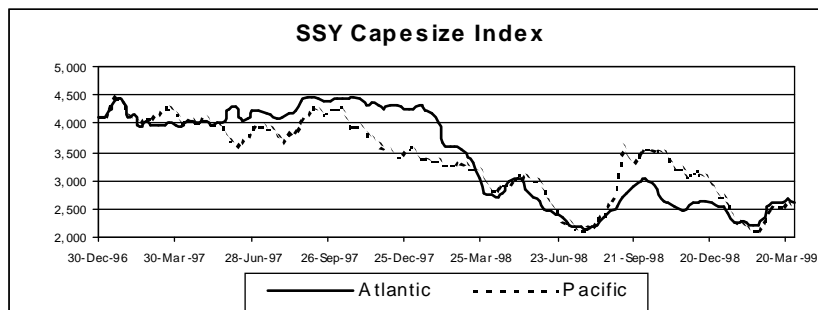
1. Teekay takes over Bona in a deal worth US\$450m
2. Wallenius Lines and Wilhelmsen Lines merge

MARKET TRENDS



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GENERAL

Excom Meeting: 15 March 1999

The Association's Executive met at the Baltic Exchange in London on the above date. The Agenda was long covering amongst other things housekeeping issues, finance and preparations for the AGM and other events in Oslo on the 7 June and the programme for the rest of the year.

The most important discussion, however, was on the Chairman's future strategy for the organisation based on extensive consultations he has undertaken with members and others in the Far East, in Greece, in Scandinavia, in Continental Europe and the UK. As he explained "**INTERCARGO** is at crossroads. We need to think beyond our daily struggle in the market and consider how a better future can be made and how we can create a more rational market which rewards quality. Those who cut corners and compromise standards have to be eliminated." The strategy is based on the following principles

- greater commitment and enthusiasm by members themselves, particularly Excom members
- a slim administration
- dialogue at various levels focussed particularly on countries/regions with leadership provided by nominated members, many being Excom members
- membership panels on various categories of vessels - Capesize, Handysize and so on - with technical input and a Technical Committee to meet regularly.
- Interface panels with cargo interests and regulatory bodies
- A London based 'opinion' panel drawn from leading industry figures involved in different sectors - broking, finance, charterers, technical and so on - who from a wealth of experience will express views on the issues of the day not just for **INTERCARGO** but more widely as may be appropriate. In due course a similar Far Eastern panel is proposed.
- Co-operation and, so far as possible, co-ordination with other like minded bodies

The Chairman sees all this coming under the control of the Executive Committee, the Management Committee with him working closely with a slim administration. As the strategy evolves it will need to be reviewed and refined. Copies of the basic strategy paper are available on request

Maritime Transport and Arab Free Trade Zones Conference

The undersigned undertook to address a conference in Dubai on this issue on the 21/22 March organised jointly by the Arab Research Centre in London and the Dubai Chamber of Commerce. The background was the aspirations of the Arab Nations to develop an Arab Common Market based, as a first step on the establishment of Free Trade Zones. The conference was under the patronage of the Deputy Ruler of Dubai, its Minister of Finance and Industry.

Not surprisingly much of the discussion was parochial and based upon trading issues between Arab nations and within local constraints rather than those attaching to international trading. Nonetheless there was a full recognition of the importance of the sea and of maritime traffic for trade.

The undersigned accordingly gave a historical perspective on the trends which have fashioned today's shipping policy scene, in particular the conflicts between freedom and government regulation, the dangers of over regulation, the role of flag states and port states, trade barriers and today's quality initiatives.

Based upon this analysis and on the aspirations of the Arab nations the following points were put forward as suggestions for the development of a pan Arab shipping policy.

- An analysis of current measures in the Arab region which may affect the freedom to provide maritime services not just those of the region but world wide.
- Elimination of such inter Arab barriers as are found to exist through free trade zones or in other ways either totally or on a step by step basis.

- Working with IMO and others towards safer shipping and cleaner seas
- Recognition of the dangers of over-regulation and the need to provide time for full and proper implementation of such measures as are necessary
- Examination of the record of vessels from Arab States under the Port State Control regimes outside the Arab World.
- The development, so far as necessary, of harmonious Port State Control regime(s) collaborating with other regions where possible.
- Working with the private sector and others towards the elimination of substandard vessels whether under Arab flags or others
- Rewarding quality and efficiency
- Working towards open markets not only in the Arab world but more generally with the aim of a balanced and profitable shipping market

Connecticut Maritime Conference – 22,23 & 24 March

For the thirteenth time the Connecticut Maritime Association (CMA) held its annual conference and exhibition in Stamford, Connecticut. This, the most important gathering of North American shipping people, was the biggest yet staged.

INTERCARGO Chairman Frederick Tsao spoke during the opening morning of the conference alongside Hans Peters (World Bank), Peter Livanos (Ceres Hellenic) and Nelson Carlini (Docenave) in a session moderated by Martin Stopford of Clarksons.

Some parts of Mr. Tsao's speech found echoes in the presentations of both Hans Peters and Peter Livanos – notably on the importance of people to maritime safety, 'ships do not carry crude oil, people do' said Mr. Livanos whilst Hans Peters said that it is human beings who operate ships. Mr. Livanos also spoke very effectively of the political nature of 13G of the Marpol Convention that will see tankers required to trade HBL only when they reach 25 years of age - he described it as a strange and fatal virus that suddenly attacks tankers when they reach 24 years, 11 months and 30 days of

age, making acceptable ships unacceptable within a few hours.

The **INTERCARGO** Chairman, meanwhile, called for a holistic approach to the problems of the industry, 'we must not see safety issues in isolation from market relationships and economic pressures'. He considered the effects of competition, saying that whilst competition is vital, excessive competition is damaging and leads to distortions in the market and a dog eat dog mentality. The Chairman outlined how a revitalised **INTERCARGO** could help mobilise the resources of the dry cargo sector describing the series of panels that the Association would be establishing in the coming months. 'The timing is right', he said, 'to mobilise our industry for change. It is important that the market is able to differentiate between quality and substandard tonnage'

In the discussion period that followed Peter Livanos outlined how he saw consolidation becoming a significant trend in the bulk trades as bulk cargo operators moved into total cargo logistics. In his speech Mr. Livanos had said that consolidation was a positive trend leading to greater uniformity in quality, lower costs and better utilisation of assets. Hans Peters was more sceptical of the potential for dry bulk consolidation but could see Mr. Livanos' point of view.

On Japan Hans Peters said that 'willy-nilly' there would be a major re-structuring in that country and that there were signs that the situation is improving and that Japan will be fully on its feet again by 2003. Korea's problems were bottoming out whilst Thailand was rebounding rapidly. The situation in Indonesia meanwhile was deteriorating. He did not see China as a problem and that the country with the biggest potential to increase its trade is India, a country of nearly a billion people that contributes only 1.2% to world trade - trade to and from India would make 'quantum leaps in growth' in the coming years.

Richard du Moulin, the retiring Chairman of Intertanko and this year's recipient of the CMA Commodore award, pointed the finger at the other sectors of shipping that had not

done as good a job as the tanker owners in chasing down sub-standard ships. He accused the non-tanker part of the industry of compromising the efforts of Intertanko and worried about the effects of such incidents as the *New Carissa* on the tanker owners' image.. He described how Intertanko had been 'a very happy country club for a number of years' tolerating good and bad but that it had latterly developed an 'attitude of intolerance' and forced out the sub-standard from its ranks

United States Coastguard, Washington DC

Nicholas Brown met staff from various departments of the US Coastguard to discuss **INTERCARGO's** concerns, particularly in the context of:

- ballast water management
- oil spill response and the 'New Carissa' incident
- port state control
- bulk carrier safety

The meetings provided a good introduction to the workings of the coastguard and **INTERCARGO** looks forward to good co-operation with the USCG in future. Port state control, a major focus for **INTERCARGO's** activities was one of the main subjects discussed. Owners' desire to see harmonisation of inspection and reporting standards was expressed. USCG shared this interest and outlined their co-operation with PSC MOU's and the invitation sent to USCG's Admiral North requesting his participation in the Equasis project. The USCG operates a large website with information on all issues of relevance to bulk carrier safety and operations in US waters.

Requirements to exchange ballast water are of deep concern to many **INTERCARGO** members (see report below in Safety Forum on IMO Sub Committee on Ship design and equipment) This point was made and the USCG accepted that the safety of bulk carriers was also of deep concern to them. Research into non-exchange methods of ballast water management was being closely followed and supported by the USCG. One development of which this office was unaware is that vessels en route for a port

requiring mid-ocean ballast water exchange to be carried out may contact the US authorities requesting more protected waters to exchange ballast if weather conditions are too dangerous. Please contact this office for more information on any of the above. Useful USCG URLs as follows:

Marine Safety & Environmental Protection Home Page

<http://www.uscg.mil/hq/g-m/gmhome.htm>

USCG Marine Safety Manual

<http://www.uscg.mil/hq/g-m/nmc/pubs/msm/>

Port State Control

<http://www.uscg.mil/hq/g-m/psc/psc.htm>

Marine Safety & Environmental Protection discussion panel 0-44 home page

<http://www.uscg.mil/hq/g-m/mse2/mse2home.htm>

MOR - Office of Response (pollution, marine accidents) home page

SAFETY FORUM

US Requirement for Oil Spill Response for non-tank tonnage

INTERCARGO will, in the very near future, be organising a seminar on oil (i.e. bunker) spill response and associated environmental issues – more details will follow soon. In the meantime members who would like to get a feel for the size of the oil spill response industry might like to look at the website of an oil spill conference held in Seattle earlier this month (<http://www.iosc.org>) : Held biannually this years conference attracted over 2,000 delegates. The *New Carissa* incident on the Oregon coast was very much on delegates minds and has certainly focused attention on the potential for oil spills from non-tank tonnage. This is an area that **INTERCARGO** will be monitoring very carefully

IMO Sub-Committee on Ship design and equipment - 42nd Session

The Sub-Committee on Ship Design and Equipment met from 8th to 12th March 1999. It was a fairly routine meeting attended by 43

administrations and 26 observer delegations. There were no discussions specifically related to bulk carriers but some topics are of general interest.

The SOLAS Convention requires life-saving appliances and arrangements to be approved by the flag Administration. Before giving this approval it has to ensure that such appliances and arrangements are tested in accordance with recommendations laid down by the Organisation. In order to unify procedures internationally and to establish a more precise regime in the testing of LSA, the Sub-Committee is now in the process of preparing uniform methods for evaluating, reporting and approving this equipment. It will cover lifebuoys, lifejackets, immersion suits and their associated equipment, anti-exposure suits, thermal protective aids, visual distress signals, survival craft, rescue boats, launching and embarkation appliances, and other lifesaving appliances.

When Annex VI of the 73/78 MARPOL Convention comes into force it will require certain information to be recorded on bunker delivery notes. In addition a delivery note will have to be accompanied by a representative sample of the fuel oil delivered. The sample is to be sealed and signed by the supplier's representative and the master, or the officer in charge of the bunkering operation, and retained under the ships control until the fuel is substantially consumed, but in any case for a period of not less than 12 months from the time of delivery. Guidelines to cover the procedures are in the process of development.

To control the spread of harmful organisms the Marine Environment Protection Committee has decided that there should be international regulations on ballast water management. It has instructed the Sub-Committee (and the Sub-Committee on Load Lines and Fishing Vessels) to look into the safety aspects of exchanging ballast water at sea. Delegations who spoke at the meeting expressed concern about the practice, particularly with the sequential method of ballast exchange. There was a recognition that some ports were justified in imposing quarantine controls on ballast water and the Organisation had to deal with this as a

reality. But concern for the environment had to be properly balanced against the safety of the ship and its crew. Despite its misgivings the Sub-Committee concluded that it could not improve on the safety-related measures now contained in the draft Regulations. However, in order to emphasise their importance, these measures should be made mandatory. Many delegations made it clear that this response should not be taken to mean that ballast exchange at sea is safe. Given the strength of feeling the Sub-Committee is inviting the MSC to consider again the safety implications of this operation and to advise the MEPC of its conclusions.

IMO Sub-Committee on Flag State Implementation: 7th Session

The Sub-Committee on Flag State Implementation met between 22nd and 26th March 1999. It was attended by representatives from 66 administrations and by observers from 17 non-governmental organisations. For the most part the discussions were confined to relationships between Administrations and did not directly affect shipowner interests.

A particularly sensitive and controversial discussion centred on the assessment of Flag State performance. It is common ground between Members that international safety and pollution prevention Conventions require effective and consistent enforcement by States parties to them. However, there is also a wide spread perception that this is not happening and that some States are simply not fulfilling their obligations and duties under these instruments.

Whatever the reality of this impression, the *raison d'être* of the FSI Sub-Committee is to seek the uniform application of IMO Conventions, paying particular attention to the difficulties faced by developing countries. It has taken some time to lay the foundations of this work but it is now at the stage when the Sub-Committee can begin the factual assessment of a flag State's performance. A self-assessment questionnaire has been drawn up listing a number of topics that together cover the minimum response expected of an administration in discharging its responsibilities as a flag State. (Legal

framework, enforcement practice, degree of supervision and control etc). There is to be no compulsion for an administration to submit a completed questionnaire to IMO but it is encouraged to do so. Those administrations that are so minded can use the form for seeking technical assistance. A great deal of the Sub-Committee's time was spent in drafting the terms of the Assembly Resolution that sets out the objectives and aims of the questionnaire.

The next step for the Sub-Committee is to draw up a list of factors that are indicative of a flag States performance in practice (ship losses, accident investigations, prosecutions etc). This is a complex test. Whatever factors are chosen as evidence of ability, responsibility, expertise or resources they will have to be placed in the particular context of a flag States operation if comparisons are to be meaningful. There was little time at the meeting for an in depth study of all the ramifications involved and the issue is to be considered again at the next session.

Under the SOLAS Convention, when a port State control inspection gives rise to an intervention of any kind the officer carrying out the control has, among other things, to notify the facts to IMO. Extracts of this information - and the response of the flag State - are available to members and observer organisations on request. However, a comparison table is produced at every session of the Sub-Committee listing the ships detained for deficiencies by name and flag. The detentions reported to this session numbered 2604, the figure for FSI 6 was 5554 and for FSI 5 it was 3116. This is an encouraging trend, but given the basis on which the data is collected and the scope for interpretation that may not necessarily be the case.

The presentation of this data in a way that would be helpful to draw lessons, or to make reasonable assumptions about the performance of flag States or classification societies was the subject of considerable but inconclusive discussion.

Under the SOLAS and MARPOL Convention each administration undertakes to conduct an investigation into any casualty occurring to a ship flying its flag, and to supply the Organisation with pertinent information arising from the investigation. For this purpose a casualty is classed as *very serious or serious*. To encourage this reporting, the Secretariat prepares a list of casualties culled from Lloyd's Register of Shipping's Casualty Returns published annually, the ILU's monthly returns as well as reports received from flag States. Administrations are then required to submit reports of their investigations on the casualties listed.

There were 122 very serious casualties in 1997 in which 473 lives were lost. The Sub-Committee has set in train procedures for the analysis of selected casualties but in many cases there are considerable problems in coming to a conclusion, often because of a lack of detailed information.

There are at present six regional port State control agreements in operation (Paris, Vina del Mar, Tokyo, Caribbean, Mediterranean and Indian Ocean). Two more are planned (West and Central Africa and the Persian Gulf). Reports from each were presented at the meeting.

On a matter of technical detail, broad procedures for the conduct of port State control inspections were recently revised by the Organisation. However, in the aftermath of the *Nakodha* pollution incident, the Japanese Administration is pressing for a mechanism which would give inspectors the clear grounds they require to conduct an investigation into the structural integrity of oil tankers and bulk carriers. The Sub-Committee accepted the view that if the Survey Report File compiled for the vessel under the Enhanced Survey Programme is not on board - or not in date - that could constitute prima facie evidence that the ship is substandard and grounds for intervening. However, no agreement was possible on the proposal that a flag State should be required to report on remedial action taken in the case of a ship released to a repair yard and

therefore no longer under the physical control of the port State.

The Sub-Committee considered exhaustively the implications that arise when a vessel loses the right to fly the flag of a State, from the point of view of the Flag State and the Port State. By way of background, under the 1982 United Nations Convention on the Law of the Sea, a State is to set conditions by which it can deny, suspend or withdraw the right of a ship to fly its flag. One such condition is that the ship must effectively comply with international treaties to which it is a Party. The problem with such an action is that it creates, on the ship in question, a vacuum that has to be filled if safety and the protection of the marine environment are not to be ignored. There is also the secondary problem of ensuring that proper remedial action has been taken when the ship is re-flagged.

The topic is complex and very complicated. Several options were considered on how the matter should be progressed but despite extensive discussions no conclusions were reached. It will be taken up again at the next session.

OTHER MATTERS

BIMCO/ISF Manpower update

The above two organisations are again co-operating in a major new research project - BIMCO/ISF 2000 Manpower Update. The intention is to evaluate world wide developments regarding the supply of, and demand for, seafarers recognising the many changes since the last study in 1995.

The Project Steering Committee comprises: Sudhir Mulji (Great Eastern), Captain Bent Overgaard (Danish Shipowners' Association), Rober F.Speedie (Denholm Ship Management), Captain Sir William Codrington (World-Wide) and Michael Grey (Lloyd's List).

The Project Secretariat comprises: Captain Steen Stender Petersen (BIMCO), David Precious (BIMCO), David Dearsley (ISF) and Simon Bennett (ISF).

Copies of the 1995 BIMCO/ISF Manpower Update are available upon request. For more information contact Tina Pedersen (BIMCO + 45 4444 4500) or Simon Bennett (ISF +44 0171 417 8844)

HELMEPA Annual Report 1998

This important Association's Annual Report has just been published.

During the course of last year, closer co-operation between HELMEPA and State Administrations was promoted so that the human element, both seafarers and Port State Control inspectors, were assisted in their efforts to implement the new requirements the ISM Code imposed on the shipping industry. To that end, HELMEPA training programs ashore and onboard as well as relevant publications were revised.

Copies may be obtained from the Helmepe offices in Greece, 5 Pergamou Street, N.Smyrni 171 21, Athens, Greece

Bruce Farthing
Consultant Director

INTERCARGO 1999 Diary	
March	
30	Meeting of Assessors for Seatrade Annual Awards
April	
6	Nicholas Brown to attend dialogue session in Brussels convened by European Commission DG VII on Safe Loading/Unloading of Bulk Carriers
7	Nicholas Brown to visit members in Holland
12	'Managing Risk in Shipping' at Trinity House, London - Nautical Institute and UK P&I Club
19/21	LLP Asia Briefing Conference, Singapore - Chairman to address conference
28/29	ICS/ISF AGM's in Netherlands. INTERCARGO to be represented
May	
6	Meeting of Chairmen of BIMCO, ICS/ISF, INTERTANKO and INTERCARGO
17-21	BIMCO meeting Lisbon. INTERCARGO to be represented
24	Seatrade Awards Dinner
June	
7	INTERCARGO AGM, Oslo
7-11	NorShipping 1999 Oslo
21-22	Mare Forum Quality Shipping Dialogue, Amsterdam
23	Ship Scrapping Summit - Amsterdam