

INTERCARGO

INTERNATIONAL ASSOCIATION OF DRY CARGO SHIPOWNERS

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BULLETIN

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DRY BULK NEWS BRIEFING

INSIDE ...

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INTERCARGO Seminar

Oslo, 7th June



'Dry Bulk Shipping & The Environment'

A seminar for **INTERCARGO** members and invited guests

Full details - inside

DRY BULK MARKET DATA

Baltic Freight Index

One Year Ago 30 April 1998	One Month Ago 31 March 1999	Spot 30 April 1999	BFI Futures May 1999	BFI Futures Oct 1999
1004	935	1057	1085	1060

US Gulf - Japan US\$/pmt (52,000 HSS / combo)

One Year Ago 30 April 1999	One Month Ago 31 March 1999	Spot 30 April 1999	Forward bid/offer May 1999	Forward bid/offer July 1999
23.65	15.657	18.567	18.80	15.25

* Forward prices basis Forward Freight Agreements - supplied by Clarkson's Securities

Seabourne Dry Bulk Trade - million tonnes (% change)

1994	1995	1996	1997	1998	1999 (est)
1,672	1,793 (7%)	1,804 (1%)	1,882 (4%)	1,852 (-2%)	1,840 (%)

*estimate for whole year 1,851 (-2%)

Bunker Prices (Rotterdam) Supplied by Cockett Marine Oil, London (\$)

	One Year Ago 30 April 1999	One Month Ago 31 March 1999	Spot 30 April 1999
180 cst	83.00	75.00	115-116
380 cst	80.00	73.00	79-80
MDO	122.00	119.00	76-78

Dry Bulk Fleet Trading Size (m.dwt) 10,000 dwt+

1994	1995	1996	1997	1998	1999 (est)
238.7	252.2	260.1	269.6	264.6	263.5

Dry Bulk Newbuildings (as dwt % of fleet)

Capesize	12%
Panamax	14%
Handymax	8%
Handy	4%
Total	10%

Demolition - bulk & combo

dwt scrapped 96, 97, 98 & 99

1996 total	7.1
1997 total	7.8
1998 total	11.8
1999 to date	4.4

Average fleet size / age

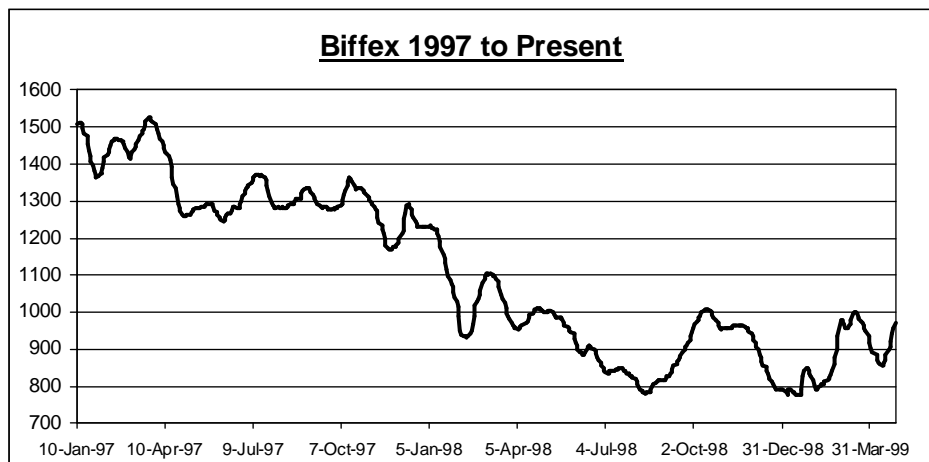
49,527 dwt	14.3 years
48,995 (one year ago)	14.7 years

Demolition Price (Dry Cargo - April)

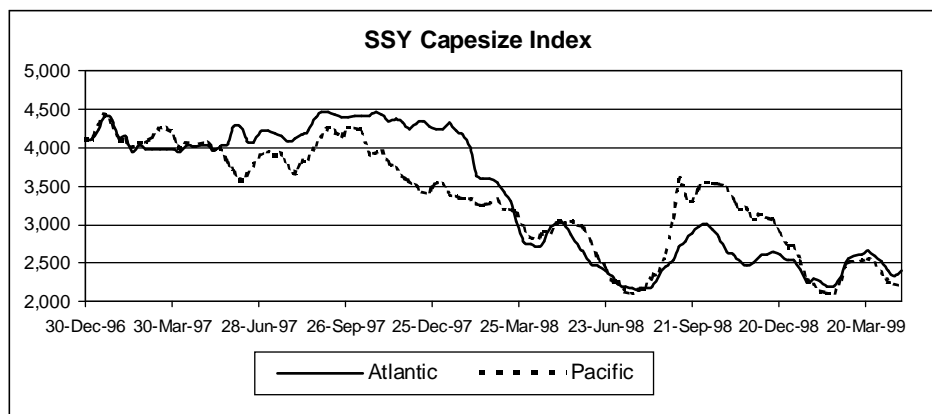
1998	\$124.00
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1999	No. ships delivered	No. ships scrapped
Capesize	6 (+ 2 combos)	8 (+4 combos)
Panamax	13	16 (+ 1 combo)
Handymax	11	11
Handysize	12	31
Total	42 (+ 2 combos)	66 (+ 5 combos)

MARKET TRENDS



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General, Safety Forum p.5. Diary.p.9

GENERAL

INTERCARGO AGM: Oslo 7 June, 1999.

The AGM will be held on 7 June in Oslo, a formal notification will follow shortly.

Dry Bulk Shipping & the Environment Seminar - Oslo

On 7th June **INTERCARGO** will be holding a short seminar in Oslo. This will immediately precede the Annual General Meeting. The seminar's subject will be Dry Bulk Shipping and The Environment. Although orientated towards owners and all involved in the operation of dry bulk and other non-tank vessels this seminar will also interest tanker owners and operators.

The seminar will address the following issues:

- The current position, especially in the United States, regarding measures shipowners must take if they are to reduce their exposure to costs, liabilities and penalties that may arise from an accident with environmental implications.
- Scrapping and the environment – the issues.
- Increasing environmental awareness in a world economy that continues to grow rapidly and the consequences for the bulk trades.

All members are welcome; participation of non-members will be by invitation only. A preliminary programme is attached with this bulletin. Final programmes will be sent within a week or two.

AGM International Chamber of Shipping

The undersigned attended the ICS Annual General meeting held in Rotterdam on the 29th April. This has been normal practice in recent years but has been given added point by the work initiated by **INTERCARGO** last October to see in what ways the main International Shipowners Associations could work more closely together, avoid so far as possible duplication and provide shipowners with value for money.

The next ICS AGM is to be held in Manila on the 10/11th April 2000.

Inter-Industry Co-operation: Association Chairmen to meet in London

On 6th May the Chairmen/Presidents of **INTERCARGO**, ICS/ISF, Bimco and Intertanko will meet in London. This will be the second such meeting, following their initial meeting in London last October. Since that first meeting the Chief Executives of the four associations under the leadership of the undersigned have met twice to discuss the activities of the respective organisations and how best to co-operate in future.

These meetings are as already explained the result of an initiative taken by **INTERCARGO's** past Chairman Sverre Tidemand to encourage the various associations to co-operate and work more effectively on behalf of shipowners' interests avoiding duplication of work and ensuring that a clear unified position, wherever possible, may be established in areas of common concern. This will be carried forward by Chairman Frederick Tsao.

The Quality Shipping Trail

The Quality Shipping Campaign, a European dominated debate on standards within the industry, continues with the MareForum Conference in Amsterdam on 21/22 June organised by the Erasmus Forum. In recent months both the European Commission and the OECD have concentrated their efforts on broadening the campaign to embrace other parties in the chain of maritime responsibility

- shippers, brokers, insurers, Classification societies, and banks. A welcome aspect of the campaign is the switch in emphasis towards increasing self-regulation of the industry and that greater attention should be paid to ensuring that existing rules are uniformly implemented and enforced rather than more and more rules.

However, as part of the process of promoting self-regulation the European Commission has drafted 'A Maritime Industry Charter on Quality' for which the Commission hopes to secure adoption by the organisations within the industry. Many organisations, **INTERCARGO** included, would have trouble signing up to the charter in its present form. For, whilst the contents are in line with the concept of self regulation, the charter also seeks to impose policing requirements that many organisations could not accept. The Commission is hoping that a revised version can be launched at the MareForum event in June. It remains to be seen whether or not this will be possible.

The fact that the debate is currently dominated by European governments and organisations influenced the Asian Shipowners Forum to express the view that the quality shipping campaign was an attempt to promote the European fleet and freeze out shipping from other regions. This is not the case. Indeed there are plans for a further meeting grouping on Far Eastern interests to be held next year, possibly in Singapore, in order to bring in Far Eastern interests.

Ship Scrapping

Ship scrapping has recently emerged as an issue that has drawn the attention of environmental interests. It is an often hazardous and labour intensive industry mainly located in Pakistan, India, Bangladesh, Vietnam and China. There has been criticism that the scrapping industry is an example of the developed world exporting its problems to the developing world. The Norwegian Government has submitted a proposal to IMO to discuss the subject in the

Marine Environment Protection Committee. The International Chamber of Shipping (ICS) has established a working group to address the subject – **INTERCARGO** will be a participant. The first meeting was on 16 March. It was agreed that it was important to develop a co-ordinated and positive global industry approach to the issue. It is essential that facilities to dispose of ships at the end of their commercial life exist, particularly in view of the need to eliminate sub-standard ships. The solution almost certainly lies in improving conditions at the breaking yards. It has been agreed that initial contact with shipbuilders, unions and appropriate environmental interests should be made to encourage a practical rather than an emotional response. Please note: Scrapping will be addressed by Rolf Sæther of the Norwegian Shipping Association at the **INTERCARGO** Oslo Seminar on 7th June/

European Commission exempts IGA for ten years

The European Commission's competition Directorate (DGIV) has made a decision confirming its position outlined in two notices last year stating that the 1999 pooling agreement does not infringe the Treaty of Rome. The new amended International Group Agreement (IGA) for 1999 is granted an exemption from relevant provisions until 20th February 2009.

George Greenwood, Chairman of the International Group said: *We are very pleased that DGIV's formal decision has been published, so that the position agreed with them by Group Clubs after long and detailed discussion is now formalised*

The decision recognises both the value of the Group pooling system and the need for a rating discipline under the IGA. In future if a Group Club includes in a quotation an allowance for administrative costs, a competing Group Club may offer a lower rate to reflect its lower administrative costs. However, as DG IV are aware, as a matter of practice, most Clubs do not include a specific allowance for administrative costs in their rates."

The decision enables shipowners world-wide to continue to organise their own cover for themselves through the Group, at the highest level and lowest possible long term cost, and to the benefit of customers and third parties."

Baltic Exchange - Launch of Daily Capesize Index

With the launch of the daily Capesize Index the Baltic Exchange now publishes, together with the Baltic Freight Index, four separate daily indices: the Baltic Handy Index, the Baltic Panamax Index, the Baltic Capesize Index and the Baltic International Tanker Routes.

SAFETY FORUM

Dry Bulk Casualties

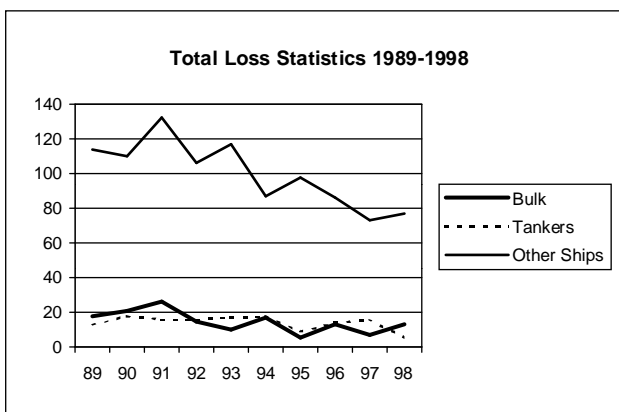
12 bulk carriers and 85 lives were lost at sea in 1998 according to **INTERCARGO** and IACS casualty data. All of these that were handysize bulk carriers confirming the emerging trend that it is the older vessels around 20,000 dwt that are the most vulnerable. The 'Flare' lost off Newfoundland in January 1998 was one of these older, smaller bulk carriers. The Canadian Transportation Safety Board is still investigating her loss with 21 crew. **INTERCARGO** has called publicly on several occasions for early and full publication of the results of enquiries.

Bulk carrier losses are higher than they were in 1997 when 7 bulkers were lost. In 1997 bulk carrier losses were lower than any other International Underwriters Association (IUA) category - including tankers.

The IUA casualty statistics released this month state that 13 bulk carriers were lost in 1998 – one more than **INTERCARGO's** figures. This discrepancy is due to a lower size threshold - IUA measure vessels over 500 grt whilst **INTERCARGO's** figures are based on 10,000 dwt+ vessels.

Despite being worse than 1997, 1998 was the second best year (measured in grt) for a decade. The 12 vessels lost represent only 0.23% of a total fleet at the end of 1998 of 5,316 bulk carriers. Bulk carriers trade night and day, throughout the year, in an all too often hostile environment – losses, unfortunately continue. We must continue to work to reduce the number.

INTERCARGO will be publishing full casualty figures shortly.



Safe Loading and Unloading of Bulk Carriers

Report of a meeting held in Brussels on 6th April 1999

Members will be aware that the IMO recommendations on safe loading and unloading of bulk carriers (BLU Code) set clear guidelines for dry bulk cargo operations. The European Commission has set itself the challenge of developing legislation, in the form of a directive, to enshrine the BLU Code's recommendations into European law. **INTERCARGO** was present, together with Terminal representatives, including the nascent Bulk Terminals Contact Group and LKAB (Narvik), IACS, Euracs and representatives of organised labour well as ECSA, Bimco, and UGS with other industry organisations, at an initial consultative meeting held in Brussels on 6th April to discuss the matter. Chaired by the European Commission's Head of Maritime Safety (DGVII), Willem de Ruiter, the meeting was a constructive first step.

The essential requirements that the proposed legislation will cover are:

- 1) A requirement that terminal operators comply with relevant IMO Codes and recommendations on ship/port operations.
- 2) Terminal operators be required to appoint a 'terminal representative' as stipulated in 1.6 of the Annex to IMO Resolution A.797 (19).
- 3) The master to be responsible at all times
The master is responsible at all times for the safe loading and unloading of the ship, the details of which will have been confirmed in an agreed loading/unloading plan.
- 4) The master has the right to stop loading/unloading in the case of deviation from the agreed plan.
- 5) Port authorities will have the right/obligation to stop loading / unloading when the safety of the ship may be compromised.

The proposed legislation, whilst intended to be in parallel with the BLU Code, may also include requirements that are not included in the IMO guidelines. The EC also hopes to encourage ports and terminals to develop and undertake ISO quality assurance.

Mr. de Ruiter concluded the meeting by inviting all present to reflect, discuss the subject with members and report back with comments with 5-6 weeks.

Note IMO expressly urged governments to develop legislation reflecting IMO resolution A.797(19) on the Safety of Ships carrying Solid Bulk Cargoes. The EC is the first governmental body that, so far as **INTERCARGO** is aware, has decided to make the IMO requirements a legal requirement.

Members are encouraged to contact *INTERCARGO* with their views on the subject. For further details please contact Nicholas Brown. This article was sent to members as a circular (1/99) in April.

Workshop on Safe Loading/Unloading of Bulk Carriers - Rotterdam 9th April

Ron Beelaar from **INTERCARGO** member Van Ommeren Shipping, Rotterdam represented the association at this workshop organised by Feport, The Federation of European Private Port Operators. It was attended by private port operators and bulk terminals as well as IMO, ECSA, ICS and EC DGVII.

Presentations were made by IMO and the EC on the legal framework governing ports and terminals and a number of cases of good practice in loading and unloading procedures were presented by a number of major bulk handling terminals.

A concluding panel discussion revealed that the parties present in the workshop are beginning to realise that they are in this together. Parties were unanimous in supporting the present initiatives to raise bulk terminal safety levels. It was regrettable that a very important party – cargo owners and/or charterers - were not present despite being invited.

Sub-Committee on Bulk Liquids and Gases - 4th Session

The Sub-Committee on Bulk Liquids and Gases met from 12th to 16th April 1999. There was not a great deal to interest dry carrier owners.

Survey and certification

A new survey and certification system under the 1988 SOLAS and Load Line Protocols is due to come into force on 3rd February 2000 for ships flying the flags of States that have ratified these instruments. Those that have not may, if they so wish, retain the present system. Under the MARPOL Convention, however, there is no such choice: all Convention ships will have to comply with the new arrangements. To have two parallel systems of survey and certification at the same time is bound to cause confusion particularly with Port State control and when ships change flag. The Sub-Committee therefore decided to recommend to the IMO Assembly meeting later this year that all States should be urged to

implement the new system, whatever their strict legal obligations. Clearly a lot more needs to be done to ensure a smooth transition between the coming into force of the new regime and the expiry of individual ships certificates.

Review of Annex I of MARPOL 73/78

Annex I (which deals with the prevention of oil pollution) is being revised and a new text was prepared for the consideration of the Sub-Committee. No substantive changes to existing standards are being made only the re-arrangement of regulations to provide a more logical formulation. Some simplification is also being suggested in a number of regulations. The work continues and a revised text will be the subject of discussion at the next session.

Legal Committee - 79th Session

The Legal Committee met from 19th to 23rd April 1999. It was attended by representatives from 63 administrations and 24 non-governmental organisations. There were a number of items on the agenda of interest to bulk carrier owners.

□ Provision of financial security in respect of seafarers claims for death, personal injury and abandonment.

In response to a proposal by the Legal Committee, the Governing Body of the International Labour Organisation has agreed to the establishment of a joint IMO/ILO

AD Hoc Expert Working Group to consider the subject of liability and compensation regarding claims for death, personal injury and abandonment of seafarers. The meeting is to be held in London during the next session of the Committee. The Legal committee nominated eight member States to represent the IMO.

□ **IMO Guidelines on shipowners' responsibilities in respect of maritime claims**

The Committee tentatively agreed guidelines setting out shipowners responsibilities in respect of maritime claims. They will be finalised at its next session. As it presently stands, the guidelines would require shipowners to ensure that liability for relevant claims up to the limits set by article 6 and 7 of the International Convention on Limitation of Liability for Maritime Claims 1976 is covered by insurance. This insurance could take the form of indemnity insurance of the type currently provided by the P & I Clubs or other effective forms of insurance (including self-insurance) or financial security offering similar conditions of cover.

It is hoped that the Guidelines will discourage the operation of sub-standard ships and the practice of providing inadequate or ineffective marine insurance. It is thought that it might also be used as another benchmark in the assessment of quality of shipping.

□ **Wreck Removal**

The Committee continued its work on the Convention to permit the extension of national laws on wreck removal beyond territorial seas. At the meeting the International Chamber of Shipping pointed that the vast majority of wreck removal cases occurred within territorial waters, that national laws were in force and applicable, that most shipowners had insurance cover in respect of wreck removal liabilities and that there was no record of claims not being settled. Further, because the proposed Convention would only apply to wrecks beyond the territorial seas it would not even have the underlying purpose of a Convention ie. the harmonising of national laws. The Committee, however, were not deflected.

The draft Wreck Removal Convention would require masters to report promptly a ship becoming or reasonably expected to become a wreck; the State most directly threatened to determine the hazards and to mark the wreck if it constituted a threat to navigation; and the owner to undertake its removal. It will of course make the owner financially liable for

the whole operation and he will be required to carry evidence of financial security.

The geographical scope for action is to be limited to the Exclusive Economic Zone of the State most directly threatened. The Convention is to be triggered not just by ships and wrecks that cause danger or impede navigation but also by ships causing substantial physical damage to the marine environment.

There will be a provision to prevent any overlap with the 1989 Salvage Convention regarding remuneration and compensation payable to salvors. However, the extent if any, that cargo interests should contribute towards the costs of removing the ship or wreck has yet to be resolved. So too is the problem of differentiating between drifting ships with engine problems and those which will go on to become wrecks.

Progress on this draft Convention was slow and will be taken up again at the next session.

□ **Compensation for pollution from ships bunkers**

The Committee is also considering a freestanding Convention on liability and compensation for damage caused by ships bunkers. It will make the shipowner strictly liable for pollution damage caused by bunker spills in territorial waters and the EEZs of Contracting States. Compensation will include the cost of preventative measures and further loss or damage caused by preventative measures.

The Committee decided to proceed on the basis that the shipowner would be the owner (including the registered owner), bareboat and demise charterer, manager and operator of the ship. However, the definition of 'company' in the ISM Code may be substituted. It will be the registered owner who will be required to maintain insurance or other financial security to cover liability under the Convention and a certificate to this effect will have to be carried on board. The sponsoring delegations will continue to work on this Convention.

Bruce Farthing
Consultant Director

INTERCARGO 1999 Diary	
April	
20/21	LLP Asia Briefing Conference, Singapore - Chairman addressed conference
28/29	ICS/ISF AGM's in Netherlands. INTERCARGO represented
May	
6	Meeting of Chairmen of BIMCO, ICS/ISF, INTERTANKO and INTERCARGO
14	Second Inter-Secretariat Meeting at ICS
17-21	BIMCO meeting Lisbon. INTERCARGO to be represented
24	Seatrade Awards Dinner
June	
2	Second meeting on Ship Scrapping
7	INTERCARGO AGM, Executive Committee Meeting, AGM and Seminar on 'Dry Bulk Shipping and the Environment'
21-22	Mare Forum Quality Shipping Dialogue, Amsterdam
23	Shipping Scrapping Conference, Amsterdam
November	
6/7	INTERCARGO Executive Committee Meeting and Seatrade Conference in Hong Kong