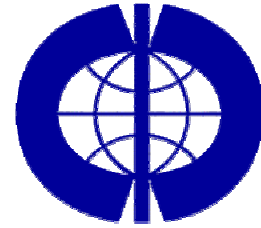


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BULLETIN

NO. 169 Nov / Dec 1999

ASSOCIATION NEWS BRIEFING

- ★ **INTERCARGO Commercial Panel and Executive Committee Meeting** ★
INTERCARGO's first commercial panel meeting took place in Macau on 4th December. The Executive Committee met the following day. *Full reports inside (1)*
- **Asian Shipping: Reality and Challenges Seatrade Conference Report**
This *INTERCARGO* sponsored conference was held in Hong Kong on 6th & 7th December. The keynote speaker was former shipowner and now Chief Executive of Hong Kong, Tung Chee Hwa. Frederick Tsao moderated an afternoon session on rational markets and quality shipping as well as addressing an evening reception. *See inside (2)*
- **CASTEC - Minutes of October meeting attached to this bulletin**
- **Full report of IMO Assembly** - There was widespread support for the convening of a diplomatic conference during the next biennium to enact a bunker spill convention. (7)

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INTERCARGO's Vision and Mission



INTERCARGO is the sole international shipowners' association wholly dedicated to the needs of the dry cargo industry. Providing leadership and authority, it is a forum for the shipping community to discuss issues of mutual interest acting as a platform for the proper development of the dry cargo sector.

INTERCARGO's vision is for a safe, efficient and environmentally friendly dry cargo maritime transport industry where its members' ships serve world trade operating competitively, safely and profitably. **INTERCARGO** will work jointly with other bodies to ensure a healthy industry.

INTERCARGO is committed to strengthening the position of dry cargo owners and managers world-wide both in the market place and regulatory fora. The industry should also provide a healthy and rewarding environment for the human resources engaged in its activities.

(As agreed by the Executive Committee in Macau, December 1999 and for adoption at AGM in 2000)

1. **INTERCARGO Meetings in Macau – 4/5 December 1999**

Commercial Panel

The first meeting of the **INTERCARGO** Commercial Panel took place in Macau on 4th December. The meeting was a significant first step towards ensuring that dry cargo owners have a meaningful forum where they are able to discuss market issues. With a broad agenda, the discussions encompassed demand/supply issues, changing trade patterns, changing ownership profiles, mergers and pooling in the industry and the commercial issues on which **INTERCARGO** should be focusing. It was agreed that a working group would be established to take a critical look at charter party terms with the intention of creating streamlined, standardised agreements between charterers and owners.

It is likely that future meetings of the commercial panel will be split into market sectors. A full report will be made available to members shortly.

Executive Committee

On 5th December the **INTERCARGO** Executive Committee met. Reports were made by Country Managers and the Technical Committee (CASTEC) Chairman, Mike Shuker, made his report to the Executive. There was a review of the overall work programme, agreement on a new Vision and Mission Statement*, discussion on the Association's overall direction and the need to review the fee structure. There was agreement that non-paying members would be given 7 days to pay or they would be required to resign. Other matters dealt with were: relations with other bodies (shipowners' associations, IMO, EC, PSC and USCG); structure and authority of the secretariat; Excom meetings in 2000 (Athens - 1 June & China - November).

* see front page

2. **Seatrade Conference, Hong Kong 6th & 7th December**

This 2 day conference was sponsored by **INTERCARGO**, The Hong Kong Port and Maritime Board and the Hong Kong Shipowners' Association. The conference was opened by former shipowner, and now Chief Executive of Hong Kong SAR, Tung Chee Hwa. Speakers in the opening session included Rolf Westfal-Larsen (Chairman ICS), Helmut Sohmen

(World-Wide Shipping) and a representative of the Chinese Minister of Communications (The Minister was unable to attend due to the Nantai ferry casualty). Mr. Sohmen has since been widely reported as having criticised Asian interest in establishing separate shipowner representation in Asia as a counter to a perceived Eurocentric bias in the regulatory and representative arenas.

The afternoon session on the first day saw **INTERCARGO** Chairman Frederick Tsao moderate two discussion sessions. The first addressed 'rational markets' and the discussion group comprised Gian Savasta (United Bulk Carriers), Pierre Gehanne (Louis Dreyfus) and Martin Stopford (Clarkson Research).

The second session involved Giuliano Pattofatto (RINA & IMO), Hans Payer (GL and Chairman of IACS), Capt. Mike Shuker (Ceres Hellenic) and Peter Morris (Chairman of the Australian Ships of Shame enquiry).

3. **Clarkson Research Studies (CRS) – Economic Incentives for Quality Shipping.**

Fred Doll, then of CRS, gave a presentation at the MareForum conference in Amsterdam in June. A report based on this presentation has now been sent to **INTERCARGO** by the Dutch Directorate for Freight Transport. The intention of the report was to analyse frequency and causes of vessel casualties; estimate the overall costs of vessel casualties; identify the economic consequences of sub-standard shipping; examine forces affecting quality in shipping; recommend improvements to the regulation of the industry that account for economic cost, incentives and rationality.

The key conclusions of the report are as follows:

- ❑ The overall annual financial cost of vessel casualties is estimated at \$7.3 billion. This excludes certain 'cost areas' such as loss of life.
- ❑ The economic drives in the industry ("the economic rationality") encourage the sub-standard owner. A substandard operator enjoys a significant operating cost advantage, typically about 14% versus a compliant operator who meets minimum international standards.
- ❑ Substandard operations represent higher casualty risks but are not balanced by higher insurance costs. Similarly there are few effective positive economic incentives in favour of quality operators.
- ❑ Targeting substandard shipping is the highest priority for regulatory authorities. However recommendations for reducing substandard shipping also promote the transition to a safety culture approach.

- ❑ Policy initiatives which favour quality shipping work most effectively if they are introduced as part of a coherent package, making best use of potential synergies. It is unlikely that any single measure could significantly alter economic rationality within the industry, but a 'multiplier' effect of several mechanisms working in concert have a marked effect.
- ❑ Policies which make use of market forces to penalise sub-standard shipping and promote quality are typically most effective during an appropriate phase of the market cycle. For example, insurers can act as a force for quality during a 'hard' insurance market.
- ❑ In order to maximise the benefits of market cycles it is essential to have policy initiatives in place beforehand, so that they can be swiftly implemented at the appropriate time.

4. IACS Industry Partners Forum

INTERCARGO and other industry representative organisations and associations met with IACS on Wednesday 1st December in London. A wide agenda, mostly concerned with the quality of ships and inspections, was covered in a frank exchange of views.

Concern was expressed on a number of issues, particularly:

- the lack of uniformity in the application of standards between societies
- the varied quality and standards of surveyors
- the use of non-exclusive surveyors for Class inspections
- the need for greater transparency and communication by Class
- the role of Class in Port State Control
- the role of Class with Flag States
- the use of the Transfer of Class Agreement
- the commercial nature of Class and the supply of services for the future

These and other issues will continue to be discussed during the next year and a similar meeting will be held in about one year. The opportunity for **INTERCARGO** to join the Advisory Committee which monitors the IACS Quality Committee was welcomed. This was regarded as a positive step in promoting trust and confidence in the classification system however the role of the Advisory Committee needs to be reaffirmed.

5. Andrew Chen - New Chairman of Hong Kong Shipowners' Association

Andrew Chen, Managing Director of Grand Seatrade Shipping Agencies - a shipowner member of **INTERCARGO** - is the new Chairman of the

HKSOA. He takes over from James Hughes-Hallett of The Swire Group. Addressing the HKSOA at a lunch in Hong Kong on 10th December he outlined his priorities for the coming year. First of these was the need to foster relations and understanding amongst HKSOA members.

6. California authorities still waiting to confirm compliance date for non-tank contingency plans

California's Office of Spill Response (OSPR) has yet again had to extend the deadline for Non-Tank Vessel Contingency Plans. The Office of Administrative Law in California is now expected to give the go ahead to OSPR shortly before Christmas. The earliest compliance date is therefore likely to be some time early in the New Year.

A modified text of the proposed regulations are available from Christelli Spinelli at OSPR Tel. + 916 324 7889 Fax. + 916 324 5662.

7. IMO News

21st SESSION OF THE IMO ASSEMBLY

The 21st session of the Assembly was held between 15th and 26th November 1999. It is the highest governing body of the International Maritime Organisation and consists of all member States. It is responsible for approving the work programme and the budget, and for determining the financial arrangements of the Organisation. The Assembly also elects the Council. The Assembly meets once every two years in regular session.

Principal among the strands of policy agreed for the next biennium is a shift of attention from hardware to people. For instance, although there is to be effective and uniform implementation of all the existing standards special emphasis is to be paid to the revised STCW Convention and the ISM Code. The Assembly also confirmed the current trend of addressing safety and environmental protection issues by ship type and, in this respect, passenger ship and bulk carriers were singled out for particular attention. A safety culture and a concern for the environment are to guide all the activities undertaken by the Organisation.

In providing an overview of the work programme for the years 2000-2001 the Secretary-General argued that deficiencies in the present legislative framework remain. They include the safety of bulk carriers and of passenger ships. He was also concerned that many environmental risks have yet to be fully dealt with. In particular, in the continued use of certain anti-fouling paints, in ballast water management and in the

coverage of the OPRC Convention which does not at present include provision for chemicals spills.

The Assembly agreed to recommend to governments that they take action on a number of issues - notably on pilot transfer arrangements, principles of safe manning, guidelines for voyage planning and unlawful practices associated with certificates of competency. In connection with this last item administrations are reminded of their obligations to maintain registers of certificates and to make them available to administrations and companies seeking verification of the status of certificates and endorsements

The Assembly approved the convening of a diplomatic conference in the next biennium to enact a legally binding instrument on the harmful effects of anti-fouling systems. For the time being it recommends that governments voluntarily impose a ban on the use of organotin compounds by 1st January 2003 and completely prohibit its use by 1st January 2008.

There was widespread support for the convening of a diplomatic conference during the next biennium to enact a bunker spill convention. Once adopted, this instrument would fill the last remaining gap in a comprehensive international regime of liability rules and fair compensation in connection with vessel-source pollution of the seas. The Assembly also approved a framework of good practice on shipowners responsibilities in respect of maritime claims. This is intended to ensure that everyone entitled to compensation arising out of maritime claims does, in fact, receive it.

The new Council is composed of Argentina, Australia, Bahamas, Brazil, Canada, China, Cyprus, Egypt, Finland, France, Germany, Greece, India, Indonesia, Italy, Japan, Malta, Mexico, Morocco, Netherlands, Norway, Panama Philippines, Korea, Russian Federation, Singapore, South Africa, Spain, Sweden, Turkey, UK and the USA. A notable casualty was Liberia who failed to get elected.

Appropriation for the biennium 2000 – 2001 was finally agreed to be £36,612,000, which in cash terms is the same as that of the previous period. It was a difficult decision. Many delegations were concerned that a zero nominal growth policy could only deprive the Organisation of the necessary resources to match its mission. Others, however, argued that with the present emphasis on implementation and not on the creation of new legislation the workload of the Organisation should reduce appreciably.

The principal headings of expenditure are marine safety (£3,296,100); marine environment (£2,493,400); conference services (£8,718,910); administrative services (£7,939,150); technical co-operation (£3,101,000); and general operating expenses and headquarters premises (£7,067,200).

In the face of continuing financial constraints and to prepare for the future, the Council has decided on a review of the organisational structure of the Secretariat, its administrative practices, work methods and human resource management policies. An interim report to the Council is planned for June 2000.

9. New Members in 1999

United Bulk Carriers International S.A., The Salvage Association, Pacific & Atlantic Corporation, Malaysian International Shipping Corporation (MISC), Lauritzen Bulkers A/S, Hong Kong Ming Wah Shipping, COSCO Bulk Carrier (Tianjin), China Shipping Group Company, Castrol Maritime France S.A., A/S Dampskibsselskabet Torm, Sinclair Roche & Temperly, Denholm Shipmanagement and Lyras Shipping.

Roger Holt
Secretary General
INTERCARGO

Relief for Shipmasters in sight? *INTERCARGO* needs your input

We reported in our August Bulletin that William O'Neil, Secretary-General of IMO had written to **INTERCARGO** regarding the proliferation of inspections to which ships and their crews are currently subjected. This is a timely intervention into an area that has concerned our members for some time now. Mr. O'Neil has invited Hans Payer, Chairman of IACS, to study the problem and report back to IMO. **INTERCARGO** has been asked to respond with its comments and proposals as to how best to tackle the problem.

The problem of the increasing burden being placed on already over-worked crews was recently highlighted by the report of a serving ship master at the June MareForum Conference in Amsterdam (reported in Bulletin 164).

Members with particular comments or views are again asked to contact the Association. Once all comments and input have been received IMO will prepare a discussion paper for distribution to all those participating in the exercise before a meeting can take place to consider the matter.



Minutes of the October Safety, Technical and Environmental Committee (CASTEC) are attached for members' guidance

INTERCARGO 1999 / 2000 Diary	
December	
1	IACS Industry Partners Forum <i>London</i>
4-5	INTERCARGO Executive Committee and Panel Meetings <i>Hong Kong / Macao</i>
6/7	INTERCARGO Seatrade Conference <i>Hong Kong</i>
March 2000	
7	CASTEC Committee Meeting <i>Far East (to be confirmed)</i>
Week of 13 th – 17 th Provisional	INTERCARGO Chairman and Executive Committee Members to visit US shipowners, shipping organisations and regulators
20-22	Connecticut Maritime Association (CMA) – Frederick Tsao to speak Stamford, Conn., USA
29	London Committee <i>London</i>
June 2000	
1	INTERCARGO Executive Committee Meeting & Commercial Panels <i>Athens</i>
2	Seatrade / Posidonia Congress – Frederick Tsao to speak <i>Athens</i>
5-9	Posidonia <i>Athens</i>
November 2000	
	INTERCARGO Executive Committee Meeting & Commercial Panels <i>China</i>

