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**Washington, DC**

**September 25, 2000**

Introduction:

There once was a couple who had a child—a boy who seemed perfectly normal except in one regard. He didn't speak. The parents took the boy to specialist after specialist and ran him through every imaginable diagnostic procedure and test battery. But no one could find anything wrong. The boy reached his teen years without ever uttering a single word.

One evening, soon after the family sat down to one of its customary quiet dinners, the boy unexpectedly blurted out his first words. Even more surprisingly, the words came forth in a complete sentence, forcefully and perfectly pronounced: "This pot roast tastes like last week's road kill!"

The mother, too astounded by the miracle of speech to notice the insult to her cooking, exclaimed, "Junior! You can speak! How come you never said anything before?"

Junior answered, "You never ruined the pot roast before."

Too often, the relationship between the regulatory agencies and regulated industries manifests the same communication pattern. The government comes knocking on your door real soon after something goes wrong, but it doesn't seem to have the wherewithal to acknowledge the day-in and day-out prudence and responsibility that you exhibit on your way to compiling creditable safety and pollution prevention records.

My purpose in addressing the National Cargo Bureau today is to announce a new Coast Guard program that acknowledges the vessels whose careful safety management enables them to serve tender and flavorful pot roast day after day.

The program is called QUALSHIP 21, and it is our latest initiative in our quest to improve what we call transparency throughout the marine transportation system.

Whereas most of our previous Port State Control work has necessarily been directed at eliminating substandard shipping, QUALSHIP 21 aims at the other end of the spectrum. It is a designation we will start using next spring to bestow public recognition on high-quality vessels and to confer direct benefits on them.

QUALSHIP 21 Criteria:

How will a vessel qualify for a QUALSHIP 21 designation? There is no application or nomination process. We will publish criteria for the program, notify owners of eligible vessels, post the designated vessels on our web site, and give other vessel owners an opportunity to speak up if they think their vessel slipped through our screening process.

What are the criteria?

First, we consider performance of a vessel at complying with standards. The vessel may not have been detained and determined to be substandard in U.S. waters within the previous 36 months. Furthermore, the vessel may not be owned or operated by any company that has been associated with a substandard vessel detention in U.S. waters within the previous 24 months. In addition, the vessel may not be classed or have its statutory convention certificates issued by a targeted class society.

Next we consider the vessel's violation history. The vessel may not have had any marine violations, any reportable marine casualties that meet the definition of a serious marine incident, or any major marine casualties in U.S. waters within the previous 36 months. Also, the vessel may not have had more than one paid notice of violation case (ticket) during the same period.

We also look at the vessel's recent inspection history. The vessel must have completed a successful U.S. Coast Guard Port State Control examination within the previous twelve months of eligibility determination. A Port State Control examination is defined as a boarding of a non-U.S. flagged vessel for the purpose of assessing a vessel's compliance with relevant provisions of international conventions, domestic laws, and regulations with whatever scope is necessary to verify that no unsafe conditions exist. The term successful means that the vessel did not leave port with any serious outstanding deficiencies.

Finally, we look at the vessel's flag state. Although QUALSHIP 21 is a vessel-focused initiative, the flag state is a relevant factor in identifying quality ships. To qualify for a QUALSHIP 21 designation, a vessel may not be registered with a flag state that has a detention ratio that is greater than one third of the overall U.S. detention ratio, as determined on a three-year moving average.

In addition, the vessel's flag state must have submitted its self assessment of flag state performance to the IMO and have provided a copy of the self assessment to the United States. This provision is intended to encourage transparency by rewarding those flag states that complete self assessments openly. We are sending letters explaining the program to all eligible flag states to encourage them to allow the ships they register to qualify. To further publicize this initiative among flag states, we are submitting an informational paper to the flag state implementation subcommittee of the marine safety committee and the marine environmental protection committee of the IMO.

#### QUALSHIP 21 Direct Incentives:

The QUALSHIP 21 standards are tough. And they are meant to be. We expect that only about ten percent of the non-U.S. flagged ships will qualify for the QUALSHIP 21 designation.

Why so few? The program is intended to be a bookend for our efforts to identify substandard ships. ISM, STCW and other international standards define our expectations. Most ships are in a fair-to-good degree of compliance, and if there were a compliance curve, most would be in the big middle. Our Port State Control foreign vessel targeting matrix identifies ships on the far left side of the curve, and QUALSHIP 21 identifies ships at the far right side of the curve.

What are the incentives for meeting all these criteria?

The principal direct benefit is significantly less Coast Guard activity on the vessel when it is in a U.S. port. QUALSHIP 21 freight ships would receive biennial freight exams. For QUALSHIP 21 tank ships, the U.S. certificate of compliance will be valid for two years and a less detailed mid period exam will replace the annual tank ship exam.

In addition, QUALSHIP 21 vessels will receive a 90-day grace period after the expiration of their biennial exam certificates, which will allow them to begin cargo operations prior to the commencement of their port state control exam. Further, tank ships may begin cargo operations before their Port State Control mid-period exam begins.

#### QUALSHIP 21 Indirect Benefits:

In addition to the direct benefits, we want the QUALSHIP 21 designation to be sufficiently distinctive to generate other indirect benefits. If cargo owners, port authorities, and others who deal with ships know that ships bearing a QUALSHIP 21 designation are both more likely to be well managed and less likely to be impeded by compliance-related delays, the designation will accrue a definable value.

The industry dynamic we want to encourage is similar to the one that I expect to observe over the next few years in the realm of professional golf now that Tiger Woods has re-written the record books.

I have been astonished recently to hear various sports commentators seriously propose that Tiger Woods' dominance over the rest of the golfing world might actually be bad for the sport. I don't know whether they are concerned by the absence of drama when Tiger begins the final round of a tournament with an obviously insurmountable lead or whether it's a simple case of sensing their own inability to chronicle the magnitude of Tiger's accomplishments. Either way, the idea is preposterous. Excellence in a worthwhile pursuit is never bad.

The inevitable consequence of Tiger Woods' excellence is that Sergio Garcia and Mark O'Meara and Ernie Els and Vijay Singh and all the other players who may have thought they were about as good as a golfer can get—all those players now know that there is a great gulf between themselves and the best.

Driven by professional pride and competitive zeal, they will now work harder. They might follow Tiger's example of taking apart his golf swing and rebuilding it—or of continuing to improve his physical conditioning—or of entering only those tournaments for which he can be truly prepared. I don't know whether they will succeed in closing the

gap because Tiger certainly isn't going to stand still to wait for them to catch up. But I do know more players will play better golf because of the standard that Tiger has raised. As a result, golf will be enriched even further than it already has been by the play of this remarkable young man.

Tiger Woods has added an element of transparency to the game. Everybody now knows the difference between good golfers and the best golfer. We're trying to do the same thing by defining the difference between meeting international standards and being one of the best ships.

I don't know how the world maritime community will use this element of transparency. It's possible that some charterers will choose to deal only with QUALSHIP 21 vessels. It's possible that some vessel owners will switch class societies or flag states in an effort to be eligible for the QUALSHIP 21 designation. Insurers may use the information to measure risk, and port authorities may use it to set port fees. It's also possible that some targeted class societies will tighten their operations and that some flag states will recognize the need to exert tighter oversight.

We don't know how the dynamics will play out, but we believe that identifying excellence in a systematic way that promotes transparency will encourage more excellence. The easier it is to distinguish between substandard, standard, and excellent ships, the better it will be for everyone involved with marine transportation.

#### QUALSHIP 21 and the Future of MTS:

QUALSHIP 21 may also turn out to be a harbinger of a fundamental shift in how we ensure safety and prevent pollution in the coming years.

The November issue of *Foreign Affairs* magazine will include an article [by Steve Flynn] that makes the argument that border security interests are better served by tighter security within international transportation and logistics systems and increasing transparency within those systems than by increasing the resources devoted to physical searches at the border. Citing the example of the Ambassador Bridge between Detroit, Michigan, and Windsor, Ontario, the author observes that many Canadian suppliers of American auto makers operate under "just in time" delivery contracts that require them to load a truck in Ontario, cross the border, and back up to a loading dock in Michigan in just a few hours of receiving an order. Delays at the border can both prevent the fulfillment of delivery contracts and imperil operations at the auto plants.

Having done the arithmetic to establish that Customs officials have to clear one truck every 12 seconds and having shown that the parking lots and highways couldn't accommodate heavier inspection programs, the author asserted that more inspectors checking more trucks is not a long-term solution to this bottleneck. The long-term solution must involve addressing security through the entire logistics and transportation process so that Customs has a meaningful assurance of the security status of particular containers long before the trucks pulling them shift gears to climb the grade on the Canadian side of the Ambassador Bridge.

The constraints that apply to border security for containerized trucking also apply to safety within the marine industry.

Every estimate I've seen calls for maritime trade to double or triple over the next twenty years. No estimates, however, have crossed my desk containing any projections for the Coast Guard's inspection force to match this doubling or tripling. Even if we could clone all our inspectors in proportion to the growing trade volume, the inescapable pressure to shorten turnaround times would prevent applying the current inspection regime across a heavier traffic flow.

Just as the border is the wrong place to inspect zillions of trucks, the sea buoy is the wrong place to check out the safety management systems of thousands of ships. We will have to find a more systematic way of ensuring safety.

QUALSHIP 21 is a step toward that future. It begins to give us the wherewithal to identify the ships that don't need even the maritime equivalent of that 12 second truck inspection. And it frees us to focus on the ships that need closer attention.

#### Conclusion:

If the Coast Guard didn't already have a motto, I would be tempted to steal the one currently employed by Scotland's Maritime and Coastguard Agency. They use a simple phrase that pretty well sums up what we are all about in the marine safety and environmental protection business: "Raise the Standard."

I told a towing industry group a couple weeks ago that I cannot imagine the day when the Coast Guard will say, "The marine transportation system is safe enough. We don't need to get any better." That's not going to happen. We will always seek to raise the standard.

However, I did promise them—and I promise you—that we will be sensible about how we go about raising the standard. Because we acknowledge that the marine industry shares our safety and pollution prevention goals, we will look first for non-regulatory ways of raising the standard. And because we acknowledge the legitimacy of your perspectives and business necessities, we will raise the standard only after taking the time to understand industry viewpoints.

QUALSHIP 21 is an example of this approach. It is non-regulatory, and it was developed in cooperation with the shipping industry. QUALSHIP 21 does not relax any regulation or alter the enforcement of any law. It simply modifies internal Coast Guard policies to use our resources more efficiently and concentrate on the ships that need more official attention, applying criteria and incentives that arose from consultations with various industry leaders like Intertanko and Intercargo.

I have some pamphlets available to provide a few more details on the QUALSHIP 21 program, and I look forward to our announcing the first batch of designations next spring.

