

NEW YORK SHIPPING CONFERENCE

NEW YORK, NY

“LEVEL PLAYING FIELDS OR LEVEL STANDARDS”

“THE BENEFITS OF INTERNATIONAL STANDARDS”

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(SLIDE 1 - TITLE)

THANK YOU MR. LORENTZEN. GOOD MORNING LADIES AND GENTLEMEN, IT IS A PLEASURE AND HONOR FOR ME TO BE HERE AT THE SEVENTH ANNUAL JOINT SHIPPING CONFERENCE AS A SPEAKER TODAY.

THIS MORNING I WILL PROVIDE A PORT STATE/FLAG STATE PERSPECTIVE ON THE BENEFITS OF INTERNATIONAL STANDARDS THROUGH SOME THOUGHTS ON THE ROLE INTERNATIONAL STANDARDS PLAY, CURRENT PORT STATE CONTROL RESULTS, INTERNATIONAL SAFETY MANAGEMENT CODE IMPLEMENTATION, AND FUTURE MODIFICATIONS TO OUR PORT STATE CONTROL PROGRAM TO REWARD QUALITY SHIPS.

THE ULTIMATE GOAL OF ALL STAKEHOLDERS IN INTERNATIONAL SHIPPING IS VERY SIMPLY, IN THE WORDS OF THE INTERNATIONAL MARITIME ORGANIZATION, “SAFER SHIPS, CLEANER OCEANS.”

THE MEANS TO ATTAIN THAT GOAL IS THE CONTINUOUS IMPROVEMENT OF THE QUALITY OF SHIPPING, INCLUDING VESSELS, THE PEOPLE WHO OPERATE WITHIN THE INDUSTRY AFLOAT AND ASHORE, AND THE MANAGEMENT SYSTEM IN WHICH THEY OPERATE.

THE INTERNATIONAL STANDARDS OF IMO AND THE ILO PROVIDE A DEFINITIVE FRAMEWORK DESIGNED TO ADDRESS AREAS OF RISK TO SAFETY, THE ENVIRONMENT, AND CREW CONDITIONS TO IMPROVE THE QUALITY OF SHIPPING.

(SLIDE 2 - FOUNDATION)

THE “STRUCTURE” THAT SUPPORTS THE ATTAINMENT OF QUALITY BEGINS WITH:

(SLIDE 3 - COLUMNS)

A FOUNDATION OF INTERNATIONAL STANDARDS, AS THE BASE, UPON WHICH THE PLAYERS IN THE PROCESS – OWNERS, FLAG STATES, PORT STATES, CLASSIFICATION SOCIETIES, CHARTERERS, UNDERWRITERS AND OTHERS-DEPEND TO ATTAIN QUALITY.

(SLIDE 4 - PARTHENON)

AS YOU KNOW, THESE PLAYERS ARE OFTEN REFERRED TO AS THE CHAIN OF RESPONSIBILITY.

AND PRIMARY RESPONSIBILITY LAYS WITH THE OWNER, FOLLOWED BY FLAG STATE, FOLLOWED BY CLASS, FOLLOWED BY CHARTERERS AND OTHERS AND FINALLY, THE PORT STATE, THE COUNTRY IN WHICH A VESSEL CALLS.

(SLIDE 5 - PARTHENON WITH WIDE PSC COLUMN)

THIS IS THE CURRENT STATE OF THE STRUCTURE OF QUALITY SHIPPING. FAILURE OF MANY OF THE PRINCIPLE PARTIES TO ASSUME THEIR APPROPRIATE SHARE OF RESPONSIBILITY HAS CREATED A VERY ROBUST PORT STATE CONTROL EFFORT AS THE LAST SAFETY NET WORLDWIDE TO ENSURE COMPLIANCE WITH THE QUALITY FRAMEWORK OF INTERNATIONAL STANDARDS.

INTERNATIONAL SHIPPING REQUIRES INTERNATIONAL
STANDARDS – ONE STANDARD FOR WORLDWIDE USE TO:

- PROVIDE BOTH A UNIFORM WORLDWIDE FRAMEWORK TO WORK TO IMPROVE QUALITY AND A BENCHMARK FOR MEASURING PROGRESS;
- SIMPLIFY THE PROCESS OF COMPLIANCE AND ATTAINMENT OF QUALITY THAT WOULD BE MADE SIGNIFICANTLY MORE COMPLEX BUT NOT BETTER IF EVERY COUNTRY HAD DIFFERENT STANDARDS;
- EVEN THE PLAYING FIELD AMONGST COMPETING ECONOMIC INTERESTS;
- RAISE THE BAR OF QUALITY AROUND THE WORLD FOR THE MUTUAL BENEFIT OF ALL NATIONS.

(SLIDE 5A - TRIANGLE)

WE MUST CONTINUE TO STRIKE A FINE BALANCE BETWEEN SAFETY, PROTECTION OF THE ENVIRONMENT, AND FACILITATION OF COMMERCE. WHEN I SAY WE I MEAN THE CHAIN OF RESPONSIBILITY AS WELL AS THE PUBLIC AND OTHER INTEREST GROUPS – ALL PARTNERS IN IMPROVING QUALITY.

OVER THE LONG TERM, WE HAVE, AS PARTNERS, REDUCED THE LOSS OF LIFE AND POLLUTION TO THE ENVIRONMENT DUE TO MARINE ACCIDENTS AND ROUTINE OPERATIONS. BUT, CLEARLY, MORE MUST BE DONE.

(SLIDE 6 - ERIKA)

ONE ONLY HAS TO THINK OF THE ERIKA ACCIDENT OFF THE COAST OF FRANCE IN DECEMBER OF 1999 THAT COATED BEACHES WITH FUEL OIL, AND THE RECENT SINKING OF THE FERRY EXPRESS SAMINA IN GREECE WITH MORE THAN 70 LIVES LOST, AND SOME OF OUR RECENT PORT STATE CONTROL EXPERIENCES, TO KNOW THAT WE STILL HAVE PROBLEMS WITH THE SHIPS, THE PEOPLE, AND THE MANAGEMENT OF MARITIME OPERATIONS AND LAPSES IN THE CHAIN OF RESPONSIBILITY.

VIRTUALLY THE WHOLE CHAIN CAN CLAIM SOME LEVEL OF RESPONSIBILITY FOR THOSE TWO RECENT ACCIDENTS.

(SLIDE 7 - ERIKA II)

ACCIDENTS SUCH AS ERIKA RAISE THE ISSUE OF UNILATERALISM AND REGIONAL SOLUTIONS THAT WOULD UNDERMINE THE BENEFITS OF INTERNATIONAL STANDARDS AND UNDERMINE THE INTERNATIONAL REGULATORY PROCESS THAT HAS BROUGHT US SO MUCH PROGRESS THROUGH THE IMO.

(SLIDE 8 - TRIANGLE)

WE MUST RESIST THE RELATIVELY EASY SOLUTION OF NATIONAL OR REGIONAL STANDARDS FOR INTERNATIONAL SHIPPING. WE MAY RISK LOSING THE BENEFITS AND IN THE LONGER TERM CREATE A NEGATIVE IMPACT ON SAFETY, THE ENVIRONMENT AND THE IMPROVEMENTS IN THE INTERNATIONAL ECONOMY AND STANDARD OF LIVING THAT CAN BE ATTRIBUTED TO SHIPPING AND OUR CAREFUL EFFORTS TO BALANCE SAFETY, ENVIRONMENT AND FACILITATION OF COMMERCE.

THE ERIKA INCIDENT CREATED A DEFINING MOMENT AT THE IMO IN OCTOBER OF 2000, THAT WOULD DETERMINE WHETHER WE COULD CONTINUE TO SEEK INTERNATIONAL SOLUTIONS TO INTERNATIONAL PROBLEMS THROUGH INTERNATIONAL STANDARDS OR WHETHER WE WOULD LAPSE INTO REGIONAL OR UNILATERAL SOLUTIONS BEGINNING WITH THE EC APPROACH TO SINGLE HULL TANKER PHASE OUT AND THEN PROBABLY SEE SIMILAR REACTION AROUND THE WORLD.

THE DECISION OF THE EUROPEAN UNION COUNCIL OF MINISTERS LAST OCTOBER TO PUT THEIR CONFIDENCE IN IMO, FOLLOWED BY IMO DELEGATES WORKING TOGETHER IN THE BEST SPIRIT OF INTERNATIONAL COOPERATION CREATED A RESOUNDING POSITIVE VOTE IN FAVOR OF AN INTERNATIONAL STANDARDS APPROACH TO THIS INTERNATIONAL PROBLEM THAT SHOULD FOSTER THE PREEMINENCE OF INTERNATIONAL STANDARDS LONG INTO THE FUTURE.

PROVIDED, HOWEVER, THAT, MEASURES TO BE DISCUSSED REGARDING CONDITION ASSESSMENT SURVEY REQUIREMENTS AND A FINAL DETERMINATION AT MEPC 46 IN APRIL OF THIS YEAR OF PHASE OUT END DATES ARE VIEWED AS SATISFACTORY.

IN THE US, THE RECENT DECISION IN THE SUPREME COURT IN INTERTANKO VS. LOCKE ALSO REAFFIRMED THE PREEMINENCE OF INTERNATIONAL STANDARDS FOR SHIPPING AND TURNED ASIDE THE WASHINGTON STATE TANKER REGULATORY REGIME.

THANKFULLY, TRAGEDIES SUCH AS ERIKA AND EXPRESS SAMINA, ARE BECOMING LESS COMMON AND OVERALL, OUR EFFORTS TO IMPROVE THE QUALITY OF SHIPPING THROUGH INTERNATIONAL STANDARDS ARE SHOWING POSITIVE RESULTS.

I WOULD LIKE TO PROVIDE SOME OBSERVATIONS ON THE GLOBAL EFFECTIVENESS OF THE PORT STATE CONTROL PROGRAM USING COMPLIANCE WITH INTERNATIONAL STANDARDS AS A BENCHMARK.

(SLIDE 9 - PSC STATISTICS)

IN THE US IN 1998, WE EXPERIENCED A 32% DECLINE IN OVERALL VESSEL DETENTIONS FOR FAILING TO MEET INTERNATIONAL STANDARDS FROM 1997, AND THE NUMBER OF DETENTIONS FOR 1999 IS DOWN 31% FROM THE NUMBER OF DETENTIONS FOR 1998. DETENTIONS RELATED TO CLASS SOCIETY PERFORMANCE HAVE DECREASED FROM 37% IN 1996 TO 15% IN 1999.

THIS DOWNWARD TREND, ALTHOUGH NOT AS PRONOUNCED, IN OVERALL PSC DETENTIONS HAS ALSO BEEN OBSERVED IN THE PARIS AND TOKYO MOU REGIONS AS WELL.

I BELIEVE THAT, AMONG OTHER THINGS, THE ISM CODE HAS HAD A POSITIVE INFLUENCE ON THIS DOWNWARD TREND IN THE PREPARATION TO IMPLEMENT THE CODE.

THE OVERALL PSC DETENTION RATE DOWNWARD TRENDS THAT I MENTIONED EARLIER WERE MOST PRONOUNCED IN ISM PHASE I VESSEL CLASSES WITH A DETENTION RATE REDUCTION OF MORE THAN 50%.

OUR PORT STATE CONTROL PROGRAM HAS BEEN SUCCESSFUL THUS FAR, BUT WE PLAN TO MAKE SOME CHANGES TO OUR PROGRAM TO SHARPEN IT EVEN FURTHER. WE WILL IMPLEMENT TWO ADDITIONAL MEASURES THAT BECAME EFFECTIVE JANUARY 1, 2001.

FIRST, ON SEPTEMBER 25, 2000 AT THE MARE FORUM IN ATHENS, GREECE, I ANNOUNCED THE DETAILS OF A NEW PSC INITIATIVE BY THE UNITED STATES COAST GUARD CALLED QUALSHIP 21 THAT WE HOPE WILL FURTHER IMPROVE QUALITY SHIPPING THROUGH USE OF INTERNATIONAL STANDARDS.

(SLIDE 10 - QUALSHIP 21)

QUALSHIP 21 IS A PROGRAM TO IDENTIFY AND REWARD HIGH QUALITY, NON U.S. FLAG VESSELS THAT VISIT U.S. PORTS. THE DESIGNATION OF A VESSEL AS PART OF THE QUALSHIP 21 PROGRAM WILL BE BASED UPON ASSESSMENT OF THE PORT STATE CONTROL HISTORY OF COMPLIANCE WITH IMO STANDARDS BY THE VESSEL, OWNER, REGISTRY AND CLASS AND TRANSPARENCY OF THE REGISTRY'S SAFETY AND ENVIRONMENTAL PROGRAMS. WE ARE ALSO DEVELOPING A SIMILAR PROGRAM FOR U.S. FLAG VESSELS ENGAGED IN BOTH INTERNATIONAL AND DOMESTIC TRADE.

(SLIDE 11 - QUALSHIP CRITERIA)

THE REWARD OR INCENTIVE WILL BE A SIGNIFICANT REDUCTION OF COAST GUARD ACTIVITY ON THE VESSEL WHEN IN A U.S. PORT THAT WILL FACILITATE THE MOVEMENT OF CARGO AND MINIMIZE DELAYS.

WE WILL ALSO SEEK RECOGNITION OF A COAST GUARD QUALITY SHIP DESIGNATION BY INSURERS, PORTS, AND FINANCIAL INSTITUTIONS FOR SHIPOWNER BENEFIT AS FURTHER INCENTIVES.

FOR THE COAST GUARD, THIS INITIATIVE WILL FREE UP RESOURCES, PERMITTING THEM TO BE USED ON OTHER HIGHER RISK VESSELS AND ACTIVITIES.

AS OUR SECOND IMPROVEMENT TO OUR PORT STATE CONTROL PROGRAM, WE PLAN TO ADD CHARTERERS TO OUR PORT STATE CONTROL TARGETING MATRIX TO INCLUDE CONSIDERATION OF THE VESSEL'S CHARTERER AS AN ELEMENT OF QUALITY OR THE LACK THEREOF.

(SLIDE 12 - PSC MATRIX)

WE CONTINUE TO EXAMINE THE FEASIBILITY OF IDENTIFYING CHARTERERS THAT ARE ASSOCIATED WITH MULTIPLE DETENTIONS AND INTEND TO PUBLISH A LIST OF TARGETED CHARTERERS. THAT WILL THEN BECOME A NEW DIMENSION IN PSC TARGETING AND QUALITY AS WELL AS QUALITY RECOGNITION. AND WE MAY WELL ADD UNDERWRITERS IN A SIMILAR WAY.

COLLECTIVELY, THESE MEASURES WILL CREATE VARIOUS INTERACTIONS AMONG THE DIFFERENT PLAYERS IN THE CHAIN OF RESPONSIBILITY THAT WILL CREATE INCENTIVES TO ASSUME THEIR APPROPRIATE SHARE OF RESPONSIBILITY FOR QUALITY SHIPPING.

AT THE SAME TIME THAT WE ARE PURSUING PSC IMPROVEMENTS USING INTERNATIONAL STANDARDS AS A FRAMEWORK, WE ARE PURSUING FORMAL PARTNERSHIPS WITH A NUMBER OF INDUSTRY ASSOCIATIONS BOTH U.S. DOMESTIC AND INTERNATIONAL INCLUDING:

- AWO;
- API/CSA
- SCAA/APICOM
- INTERTANKO;
- BIMCO
- APA; AND,
- ICCL

THE PURPOSE OF THESE PARTNERSHIPS IS TO PURSUE NON-REGULATORY SOLUTIONS TO MUTUAL CONCERNS ABOUT SAFETY AND ENVIRONMENTAL PROTECTION AND RESPONSE. THE CONCEPT BEING THAT SAFETY CAN BE FURTHER IMPROVED IF MANDATORY STANDARDS ARE COMPLEMENTED BY NON-REGULATORY VOLUNTARY MEASURES.

WE HAVE EXECUTED FORMAL PARTNERSHIP AGREEMENTS WITH EACH ORGANIZATION AND ESTABLISHED PARTNERSHIP ACTION TEAMS TO PURSUE SPECIFIC PROJECTS - TOO NUMEROUS TO ADDRESS HERE TODAY.

(SLIDE 13 - "IDEAL" PARTHENON)

IN CONCLUSION, INTERNATIONAL STANDARDS PROVIDE NUMEROUS BENEFITS TO FLAG STATES, PORT STATES AND THE ENTIRE CHAIN OF RESPONSIBILITY FOR QUALITY SHIPPING AS WELL AS THE PUBLIC AT LARGE.

ALTHOUGH SOMETIMES THERE ARE DRIVERS TO REACT TO ACCIDENTS WITH UNILATERAL NATIONAL OR REGIONAL SOLUTIONS AND STANDARDS, IN THE LONG RUN, THE INTERNATIONAL APPROACH IS USUALLY BEST WHERE POSSIBLE TO PROVIDE A CONSISTENT FRAMEWORK WITHIN WHICH ALL OF THE CHAIN OF RESPONSIBILITY MAY WORK TOGETHER TO IMPROVE SHIPPING QUALITY AND MEASURE PROGRESS – ALL TOWARD THE GOAL OF “SAFER SHIPS, CLEANER OCEANS.”

RECENT ACTIVITY AT IMO RESULTING FROM THE ERIKA INCIDENT REINFORCES THAT CONCEPT, ALONG WITH THE US SUPREME COURT INTERTANKO DECISION.

USING INTERNATIONAL STANDARDS AS A MEASURE, WE SEE SIGNIFICANT PROGRESS TOWARD IMPROVED QUALITY OF SHIPPING AS INDICATED BY A REDUCTION IN PSC DETENTIONS, BUT ARE STILL NOT SATISFIED WITH THE NUMBER OF VESSELS WE FIND NON-COMPLIANT.

FROM THE PERSPECTIVE OF A PORT STATE WE SEE NUMEROUS OPPORTUNITIES TO IMPROVE COMPLIANCE AND QUALITY SHIPPING AND SHIFT THE BURDEN APPROPRIATELY AMONGST THE CHAIN OF RESPONSIBILITY WITHIN THE FRAMEWORK OF INTERNATIONAL STANDARDS AS FOLLOWS:

- CREATION OF INCENTIVES FOR FLAG STATES TO IMPROVE THEIR PERFORMANCE;
- CONTINUING THE STRONG EMPHASIS ON ISM IMPLEMENTATION AND COMPLIANCE;
- INCREASING ACCOUNTABILITY OF CHARTERERS;

- ESTABLISHING INCENTIVES FOR QUALITY SHIPS SUCH AS LESS PORT STATE EXAMINATIONS FOR VESSELS DEMONSTRATING QUALITY ALONG THE LINES OF PERFORMANCE AND TRANSPARENCY THAT AT THE SAME TIME CREATES INCENTIVES FOR OWNERS AND FLAG STATES TO CONTINUE TO IMPROVE QUALITY – ALL TOWARD THE GOAL OF “SAFER SEAS, CLEANER SEAS.” WITH OWNERS AND FLAG STATES CARRYING OUT THEIR FULL RESPONSIBILITY AND PSC BEING ONLY A QUALITY CHECK, THIS IS THE DESIRED STATE OF THE STRUCTURE OF QUALITY SHIPPING.

WE BELIEVE THAT THE CONCEPT OF PARTNERSHIPS - WHETHER A CLOSER RELATIONSHIP WITH INCREASED COMMUNICATIONS BETWEEN THE LINKS IN THE CHAIN OF RESPONSIBILITY OR THROUGH FORMAL AGREEMENTS ARE A VERY EFFICIENT AND EFFECTIVE MEANS TO IMPROVE QUALITY OF SHIPPING WHILE STILL EMPLOYING MORE TRADITIONAL METHODS WITH THE CONCEPT OF PARTNERING FOR SAFETY AND ENVIRONMENTAL PROTECTION, PERHAPS DISPLACING MORE TRADITIONAL FORMAL REGULATORY PROCESSES OR AT LEAST CREATING A CULTURE WHERE FORMAL REGULATORY PROCESSES ARE MINIMIZED AND REFOCUSSED FROM A PRESCRIPTIVE TO A PERFORMANCE BASED APPROACH.

THANK YOU.