

Shipping Risk Management Forum 2000

Athens, Greece

“OUR ROLE IN QUALITY SHIPPING”

RADM R. C. North

September 25, 2000

GOOD AFTERNOON MR. CHAIRMAN, LADIES AND GENTLEMEN,
IT IS A PLEASURE FOR ME TO BE HERE AT THE SHIPPING
RISK MANAGEMENT FORUM AS A SPEAKER. BUILDING
BRIDGES BETWEEN SHIP OPERATORS AND THE
INSURANCE SECTOR IS AN EXCELLENT FOLLOW-ON TO
LAST YEAR’S CONFERENCE IN AMSTERDAM REGARDING
ECONOMIC INCENTIVES FOR QUALITY SHIPPING AND THE
SYNERGY BETWEEN MARKET FORCES AND
ADMINISTRATIVE MEASURES.

I AM ALSO DELIGHTED AT THE OPPORTUNITY TO DESCRIBE
OUR ROLE IN QUALITY SHIPPING BY EXAMINING
CURRENT PORT STATE CONTROL RESULTS,
INTERNATIONAL SAFETY MANAGEMENT CODE
IMPLEMENTATION, AND FUTURE MODIFICATIONS TO OUR
PORT STATE CONTROL PROGRAM TO REWARD QUALITY
SHIPS AS WE MOVE FORWARD INTO THE 21ST CENTURY.

MY COMMENTS TODAY WILL DEVIATE SOMEWHAT FROM THE PRE-CONFERENCE DRAFT IN YOUR CONFERENCE NOTEBOOKS BECAUSE I WILL FORMALLY ANNOUNCE THE DETAILS OF A NEW PSC INITIATIVE BY THE UNITED STATES COAST GUARD TO RECOGNIZE AND REWARD QUALITY VESSELS. WE CALL IT QUALSHIP 21, AND MORE DETAILS WILL FOLLOW LATER IN MY COMMENTS.

IF YOU ATTENDED THE LAST MARE FORUM IN AMSTERDAM, YOU MAY RECALL THAT THE CONCEPT OF QUALITY AND REWARDS OR INCENTIVES FOR QUALITY WERE DISCUSSED AT LENGTH. WE HAVE CONCENTRATED ON IDENTIFYING AND TARGETING SUBSTANDARD VESSELS. IT IS SURELY NOW TIME TO PLACE EMPHASIS UPON REWARDING QUALITY SHIPS. I'M NOT SUGGESTING THAT WE IGNORE THE SUBSTANDARD; BUT WE MUST ALL COME TO REALIZE THAT FURTHER GAINS IN IMPROVING THE QUALITY OF SHIPPING MAY BE MADE BY RECOGNIZING AND REWARDING QUALITY.

AN ELEMENT OF QUALITY RECOGNITION IS TRANSPARENCY.

TRANSPARENCY IS AN ESSENTIAL INGREDIENT IN EFFECTIVE PORT STATE CONTROL. OUR EFFECTIVENESS DEPENDS UPON ACCURATE RISK ASSESSMENT AND TRANSPARENCY ENABLES THE PORT STATE TO DETERMINE INHERENT RISK MORE READILY. THE TRUE RISK, AS WELL AS THE QUALITY, OF AN ARRIVING VESSEL CAN ONLY BE PROPERLY DETERMINED THROUGH TRANSPARENCY.

CONSIDERING THE INSURANCE SECTOR AND FOCUS OF THIS CONFERENCE, I MUST BELIEVE THAT TRANSPARENCY IS ALSO ESSENTIAL TO UNDERWRITERS IN DETERMINING LEVELS OF RISK.

FOLLOWING UP ON THE LAST MARE FORUM, IN AN EFFORT TO FURTHER IMPROVE PORT STATE CONTROL INFORMATION ABOUT FLAGS, CLASS AND OWNERS, -TRANSPARENCY- THE COAST GUARD IS PARTICIPATING IN THE EUROPEAN QUALITY SHIPPING INFORMATION SYSTEM (EQUASIS) EFFORT.

BEFORE I PURSUE THE ISSUE OF QUALITY FURTHER AND HOW WE INTEND TO PROVIDE QUALITY REWARDS AND INCENTIVES, I WOULD LIKE TO PROVIDE SOME OBSERVATIONS ON THE EFFECTIVENESS OF THE PORT STATE CONTROL PROGRAM.

DETENTION DATA COLLECTED OVER THE PAST FEW YEARS HAS RESULTED IN SOME INTERESTING FINDINGS. OVERALL, OUR EFFORTS IN PORT STATE CONTROL HAVE SHOWN SHORT TERM SUCCESSES WHICH WE HOPE WILL BECOME LONG TERM TRENDS.

IN 1998, WE EXPERIENCED A 32% DECLINE IN OVERALL DETENTIONS FROM 1997. RECENT NUMBERS INDICATE THAT THIS DOWNWARD TREND IS CONTINUING. THE NUMBER OF DETENTIONS FOR 1999 IS DOWN 31% FROM THE NUMBER OF DETENTIONS FOR 1998. PRINCIPLE CAUSES FOR DETENTIONS CONTINUED TO BE FAILED FIRE AND ABANDON SHIP DRILLS AND LIFESAVING AND FIREFIGHTING EQUIPMENT DEFICIENCIES. DETENTIONS RELATED TO CLASS SOCIETY PERFORMANCE HAVE DECREASED FROM 37% IN 1996 TO 15% IN THE PRESENT. ALSO A POSITIVE TREND.

THIS DOWNWARD TREND IN OVERALL PSC DETENTIONS HAS ALSO BEEN OBSERVED IN THE PARIS AND TOKYO MOU REGIONS AS WELL.

I BELIEVE THAT THE ISM CODE HAS HAD AN INFLUENCE ON THIS DOWNWARD TREND THROUGH THE PREPARATION TO IMPLEMENT THE CODE.

THE OVERALL PSC DETENTION RATE DOWNWARD TRENDS THAT I MENTIONED EARLIER WERE IN THE FACE OF ISM AND STCW IMPLEMENTATION AND WERE MOST PRONOUNCED IN ISM PHASE I VESSEL CLASSES BY 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 WILL BECOME EFFECTIVE JANUARY 1, 2001.

(QUALSHIP 21 SLIDE)

FIRST, WE WILL IMPLEMENT WHAT WE'RE CALLING QUALSHIP 21, AN INCENTIVE PROGRAM TO IDENTIFY AND REWARD HIGH QUALITY, NON U.S. FLAGGED VESSELS THAT VISIT U.S. PORTS, BY BOARDING THEM LESS FREQUENTLY. A CONCERN EXPRESSED AT THE LAST MARE FORUM WAS THE CONTINUED INCREASE IN VETTING AND PSC BOARDINGS AND INSPECTIONS. OUR EFFORT WILL BEGIN SOME REVERSE OF THAT TREND.

THIS INITIATIVE WILL FREE UP RESOURCES FOR THE COAST GUARD CAPTAINS OF PORT, PERMITTING RESOURCES TO BE USED ON OTHER HIGHER RISK ACTIVITIES. WE WILL ALSO SEEK RECOGNITION OF A COAST GUARD QUALITY SHIP DESIGNATION BY UNDERWRITERS, PORTS, AND FINANCIAL INSTITUTIONS FOR SHIPOWNER BENEFIT AS FURTHER INCENTIVES. AND I BELIEVE YOU'LL SEE THAT OUR PROGRAM WILL TOUCH ON MANY OF THE LINKS IN THE CHAIN OF RESPONSIBILITY.

I WANT TO EMPHASIZE THAT THIS EFFORT FOCUSED ON THE INDIVIDUAL VESSEL AS BEING DESIGNATED A QUALITY VESSEL - NOT THE OWNER AND NOT THE REGISTRY.

QUALSHIP 21 WILL MODIFY COAST GUARD POLICY THAT REQUIRES ALL FOREIGN FREIGHT SHIPS TO BE EXAMINED AT LEAST ANNUALLY, AND WILL PROVIDE A MECHANISM TO SPEND LESS TIME ON TANK VESSEL EXAMINATIONS OF HIGH QUALITY SHIPS. PASSENGER VESSELS WILL BE ELIGIBLE FOR QUALSHIP 21 DESIGNATION, BUT THE FREQUENCY OR THOROUGHNESS OF EXAMS WILL NOT BE CHANGED. WHILE PASSENGER VESSELS HAVE AN EXCELLENT SAFETY RECORD IN THE UNITED STATES, THERE IS TOO MUCH AT RISK TO CONSIDER ANY CHANGES TO OUR PASSENGER VESSEL EXAMINATION POLICY.

HOW WILL QUALSHIP 21 BE IMPLEMENTED?

U.S. COAST GUARD HEADQUARTERS PERSONNEL WILL PERFORM THE INITIAL SCREENING OF VESSELS WITH CRITERIA THAT I'LL DESCRIBE SHORTLY TO DEVELOP A LIST OF QUALSHIP 21 SHIPS THAT APPEAR TO MEET THE QUALIFICATION CRITERIA. LETTERS WILL THEN BE SENT TO THESE VESSEL OWNERS TO NOTIFY THEM OF THE INITIATIVE, AND THEIR OPPORTUNITY TO PARTICIPATE VOLUNTARILY.

AFTER RECEIVING RESPONSES FROM THE VESSEL OWNERS, THE LIST OF QUALSHIP 21 VESSELS WILL BE PUBLISHED ON THE INTERNET WEB PAGE. A NOTATION WILL ALSO BE MADE IN EACH VESSEL'S MARINE SAFETY INFORMATION SYSTEM FILE (IN THE COAST GUARD'S PORT STATE CONTROL DATABASE) TO GIVE FIELD UNITS GUIDANCE ON THE EXAMINATION POLICY FOR THAT VESSEL, AND A SPECIAL QUALSHIP 21 CERTIFICATE WILL BE MAILED TO EACH VESSEL OWNER.

THE QUALSHIP 21 VESSEL LIST WILL BE PUBLISHED ANNUALLY (WITH THE FIRST LIST PUBLISHED MARCH 1, 2001) ON THE QUALSHIP 21 PAGE ON THE U.S. COAST GUARD HEADQUARTERS PSC WEB PAGE. AMENDMENTS WILL BE MADE IN THE 2ND QUARTER OF EACH CALENDAR YEAR, ADDING THOSE VESSELS THAT WERE MISSED THROUGH THE INITIAL SCREENING PROCESS. INPUT FOR THE 2ND QUARTER AMENDMENT WILL COME FROM VESSEL OWNERS THAT BELIEVE THAT THEY HAVE VESSELS ELIGIBLE FOR DESIGNATION, BUT THEIR VESSELS WERE NOT PUBLISHED ON THE LIST.

ADDITIONALLY, THE ANNUAL VESSEL LIST WILL BE UPDATED MONTHLY WHEN ELIGIBLE VESSELS COMPLETE REQUIRED PSC EXAMS, AND WHEN DELETIONS FROM THE LIST ARE MADE AS VESSELS NO LONGER QUALIFY FOR THE PROGRAM.

WELL, WHAT SHIPS WOULD QUALIFY FOR THESE INCENTIVES?
HOW DO YOU DEFINE A QUALSHIP 21 VESSEL?

FIRST, WE WILL CONSIDER THE PERFORMANCE – BASICALLY A LACK OF DETENTIONS FOR THE OWNER, FLAG, AND CLASS. THE VESSEL MAY NOT HAVE BEEN DETAINED IN U.S. WATERS WITHIN THE PREVIOUS 36 MONTHS. THE INITIAL SCREENING WILL CONSIDER SUBSTANDARD VESSEL DETENTIONS BETWEEN JANUARY 1, 1998 AND DECEMBER 31, 2000.

THE VESSEL ALSO MAY NOT BE OWNED OR OPERATED BY ANY COMPANY THAT HAS BEEN ASSOCIATED WITH A SUBSTANDARD VESSEL DETENTION IN U.S. WATERS WITHIN 24 MONTHS. IN ADDITION, THE VESSEL MAY NOT BE CLASSED BY, NOR HAVE THEIR STATUTORY CONVENTION CERTIFICATES ISSUED BY, A CLASS SOCIETY TARGETED UNDER OUR PSC PROGRAM.

THE VESSEL MAY NOT BE REGISTERED WITH A FLAG STATE THAT HAS A DETENTION RATIO MORE THAN 1/3 OF THE OVERALL U.S. DETENTION RATIO, DETERMINED ON A 3-YEAR ROLLING AVERAGE (CURRENTLY 1.68% - 5.05% IS THE OVERALL DETENTION RATIO). (FLAG STATES MUST ALSO HAVE AT LEAST 10 DISTINCT VESSEL ARRIVALS PER YEAR).

IN THE SPIRIT OF TRANSPARENCY, THE VESSEL'S FLAG STATE MUST HAVE SUBMITTED ITS SELF-ASSESSMENT OF FLAG STATE PERFORMANCE TO THE IMO, AND ALSO PROVIDED A COPY TO THE UNITED STATES. WE BELIEVE THAT TRANSPARENCY IS AN IMPORTANT PILLAR OF QUALITY SHIPPING, AND WE INTEND TO REWARD THOSE FLAG STATES THAT COMPLETE SELF-ASSESSMENTS OPENLY WITH THIS INCENTIVE.

NEXT, THE VESSEL MAY NOT HAVE HAD ANY MARINE VIOLATIONS*, ANY REPORTABLE MARINE CASUALTIES THAT MEET THE DEFINITION OF A SERIOUS MARINE INCIDENT (46 CFR 4.03-2), OR ANY MAJOR MARINE CASUALTIES (46 CFR 4.40) IN U.S. WATERS WITH THE PREVIOUS 36 MONTHS.

THE VESSEL MUST HAVE COMPLETED A SUCCESSFUL U.S. COAST GUARD PORT STATE CONTROL EXAMINATION WITHIN THE PREVIOUS 12 MONTHS OF ELIGIBILITY DETERMINATION.

WHAT ARE THE INCENTIVES FOR A QUALSHIP 21 VESSEL?

* A marine violation is any violation that results in a monetary civil penalty that is assessed by a hearing officer. This includes violations of the Federal Water Pollution and Control Act and pollution incidents. However, if a pollution incident is settled through the NOV program (ticket), one will be allowed during the evaluation period.

AS I MENTIONED EARLIER, PRINCIPALLY, SIGNIFICANTLY LESS COAST GUARD ACTIVITY ON THE VESSEL WHEN IT IS IN A U.S. PORT.

QUALSHIP 21 VESSELS WILL ALSO RECEIVE A 90-DAY PERIOD OF GRACE AFTER THEIR BIENNIAL EXAM CERTIFICATE HAS EXPIRED, WHICH WILL ALLOW THE VESSEL TO BEGIN CARGO OPERATIONS PRIOR TO THE COMMENCEMENT OF A PSC EXAM.

QUALSHIP 21 PASSENGER VESSELS WILL NOT BE ELIGIBLE FOR A REDUCTION IN ANY PORT STATE CONTROL EXAMS. HOWEVER, A QUALSHIP 21 PASSENGER VESSEL WILL ALSO RECEIVE A CERTIFICATE AS RECOGNITION FOR MEETING THIS STRINGENT CRITERIA.

WHAT IS THE EXIT CRITERIA FOR THE QUALSHIP 21 PROGRAM?

A VESSEL WILL NO LONGER BE ELIGIBLE FOR INCENTIVES DURING THE PERIOD OF THE QUALSHIP 21 CERTIFICATE UNDER THE FOLLOWING CONDITIONS:

THE VESSEL IS DETAINED, AND DETERMINED TO BE SUBSTANDARD, IN U.S. WATERS;

THE VESSEL HAS A MARINE VIOLATION, MORE THAN ONE PAID NOTICE OF VIOLATION CASE, A REPORTABLE MARINE CASUALTY THAT MEETS THE DEFINITION OF A SERIOUS MARINE INCIDENT, OR A MAJOR MARINE CASUALTY;

THE VESSEL IS FOUND WITH SERIOUS DEFICIENCIES THAT ARE NOT BEING MONITORED BY THE VESSEL'S FLAG STATE OR CLASS SOCIETY, ACTING ON BEHALF OF THE FLAG STATE, OR THE VESSEL FAILS TO REPORT A HAZARDOUS CONDITION PRIOR TO ARRIVAL. IF THE VESSEL IS WITHIN THE TIME LIMITS IMPOSED BY THE FLAG STATE OR CLASS SOCIETY TO CORRECT DEFICIENCIES, THE VESSEL WILL NOT LOSE ELIGIBILITY FOR INCENTIVES;

THE VESSEL TRANSFERS CLASS TO A TARGETED CLASS SOCIETY; OR

THE VESSEL CHANGES ITS FLAG STATE TO A FLAG STATE THAT HAS A DETENTION RATIO MORE THAN 1/3 OF THE OVERALL U.S. DETENTION RATIO.

WE INTEND TO INITIATE QUALSHIP 21 ON JANUARY 1, 2001, RUN IT FOR A YEAR, AND THEN RE-EVALUATE IT.

BROCHURES WILL BE AVAILABLE TO YOU TODAY TO PROVIDE INFORMATION REGARDING THE NEW QUALSHIP 21 PROGRAM TO REWARD QUALITY SHIPS.

CHARTERERS

AS OUR SECOND IMPROVEMENT TO OUR PORT STATE CONTROL PROGRAM, WE MAY ADD CHARTERERS TO OUR PORT STATE CONTROL TARGETING MATRIX.

PRESENTLY, WE CONSIDER A VESSEL'S OWNER, FLAG, CLASS, SHIP TYPE, AND INDIVIDUAL RECORD IN PSC TARGETING.

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. WE PUBLISHED A FEDERAL REGISTER NOTICE ON AUGUST 18, 2000 AND COPIES OF THIS NOTICE ARE AVAILABLE HERE FOR YOUR REVIEW. THE NOTICE ASKS A SERIES OF QUESTIONS TO HELP US UNDERSTAND CHARTERING PRACTICES TO CONSTRUCT A USEFUL PROGRAM.

IN CONCLUSION, THE PSC PROGRAM THROUGHOUT THE WORLD REMAINS VERY DYNAMIC AND WE STRIVE TO KEEP OUR PSC PROGRAM IN STEP WITH THESE CHANGES. THE QUALSHIP 21 INITIATIVE AND FOCUSING ON CHARTERERS ARE JUST TWO EXAMPLES OF OUR EFFORTS TO KEEP OUR PSC PROGRAM FLEXIBLE AND RESPONSIVE TO THE MODERN CLIMATE OF INTERNATIONAL SHIPPING.

SO, IN SUMMARY, 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 WITH INTERNATIONAL CONVENTIONS. ALL LINKS IN THE CHAIN OF RESPONSIBILITY MUST DO MORE TO AID IN FURTHER IMPROVEMENTS.

FROM THE PERSPECTIVE OF A PORT STATE WE SEE NUMEROUS OPPORTUNITIES TO IMPROVE COMPLIANCE AND QUALITY SHIPPING.

- INCREASE TRANSPARENCY FOR ALL INTERESTED PARTIES, INCLUDING INSURERS;
- CREATE INCENTIVES FOR FLAG STATES TO COMPLETE AND SUBMIT SELF ASSESSMENTS TO THE IMO;
- CONTINUE THE STRONG EMPHASIS ON ISM IMPLEMENTATION AND COMPLIANCE AND I WOULD ADD STCW;

- INCREASE ACCOUNTABILITY OF CHARTERERS;
- ESTABLISH INCENTIVES FOR QUALITY SUCH AS LESS PORT STATE EXAMINATIONS FOR VESSELS DEMONSTRATING QUALITY ALONG THE LINES OF PERFORMANCE AND TRANSPARENCY.

I'D BE PLEASED TO TAKE YOUR QUESTIONS. THANK YOU.