



Presentation to the International General Committee of Bureau Veritas

Paris - June 28th 2001

R.L. Paniquian Chairman

Ladies and Gentlemen,

Good afternoon,

It has been my privilege to serve as the Chairman of the Oil Companies International Marine Forum for the last three years, during which time there has been a great deal of discussion about the safety chain and about the roles and responsibilities of the various stakeholders. I am sure that the Erika and a number of other recent high profile incidents have prompted this. It has certainly made for an interesting time during my tenure as Chairman.

Over the past 18 months or so we have engaged in detailed and very positive dialogue with a number of Classification Societies, the discussions have ranged through the wide spectrum of class matters as they affect our business as mainly charterers and operators of oil tankers. I, and my colleagues in OCIMF, believe our industry is benefiting enormously from these open discussions which I know will continue long after my watch as OCIMF's Chairman has ended.

Certainly all the members of OCIMF understand, and value, the enormous contribution to maritime safety that Classification Societies make.

So I am delighted to have been asked by Bernard Anne to speak today at this International General Meeting of Bureau Veritas. I feel that we are amongst friends.

You have asked us to talk about the role of the charterer in the safety chain, and this we will do. Before that I would like to give you all a little of the history and background of OCIMF.

We were established more than 30 years ago and our brief then, as it is today, was to be the World's foremost authority on the safe and environmentally responsible operation of oil tankers and oil terminals. The

marine world was a lot less complex then, but now, to competently fulfil our mission requires our involvement in a wide variety of challenging new areas.

That said, we remain an organisation committed and dedicated to the continuous improvement of the worlds tanker fleet, the oil terminals that are used and related matters that affect the shipowner, the charterer and the oil terminal operator.

OCIMF first opened its doors for business in 1970, following in the wake of the Torrey Canyon disaster; our beginnings were modest, with just 5 oil company members. OCIMF currently has 42 Members including virtually every major oil company in the world.

The principal thrust of our activities is the same now as it was in 1970, and that is the provision to our members, and all those involved in the business of oil transportation by sea, of high quality technical advice on all aspects of the operation of oil tankers and terminals. As part of that remit we currently publish more than 50 titles, all related to the safe operations of tankers and oil terminal. We also publish short Information papers covering issues of topical concern. These are freely available on our web site.

OCIMF's success depends entirely upon the active participation of our members working in the various committees and forums; these groups meet regularly and on a global basis. They identify technical concerns of the day and establish smaller ad hoc work groups to work the issues. We are currently working on barging safety standards, marine terminal inspection, jetty operator training, tugs and towage, navigational issues in the Bosphorus and elsewhere, new technology mooring ropes, new guidance on ship to ship transfer and many others.

We also manage the SIRE database.

One of the significant changes that has taken place since OCIMF was formed is that the number of oil tankers actually owned and controlled by the oil companies has decreased to the point where our members now directly control only about 20 percent of the world tanker fleet by dead-weight. The oil companies have therefore, to a large extent, become charterers rather than owners of tankers.

Although the OCIMF member companies no longer have a legal or contractual responsibility for the operation or management of many of the ships that carry their cargoes, they are of course still very concerned to ensure that those ships will complete their voyages safely. No OCIMF Member will knowingly charter a vessel that is in any way sub-standard nor will they allow one to visit their terminals. So how do they ensure that they don't ? What are the risks and how do they manage the risks ?

First it is necessary to set some parameters.

1. The Forum provides its Members, and others, with factual non-judgmental technical ship inspection data to assist them in carrying out their risk assessments. The manner in which they interpret that information is a matter for the individual company concerned. We can therefore talk about general OCIMF positions and principles but cannot comment on the policies and procedures of individual Members;
2. In talking about the Charterer's role in the safety chain we have to comment on Substandard Tankers and Ageing Vessels. I should perhaps make it clear that OCIMF does not believe that "old" and "substandard" are necessarily synonymous in this context. The reliability of a ship and its equipment is less a function of age and more a function of how well it has been operated and maintained through its life. Nevertheless it may be that some ships will pose a higher risk because of their age and this needs to be recognised in any risk assessment;
3. The oil companies (our members) are responsible for shipping about 30% of the estimated annual total of 2 billion tonnes of oil transported by sea. Suffice it to say that some of those responsible for transporting the remaining 70% may be less risk averse than the oil companies we represent and may accept the risk of putting their cargo in ships which are at best of uncertain condition and, at worst, sub-standard. As long as owners of sub-standard ships are allowed to trade without certainty of detection or sanction there will be cargo interests who will use them, if only through ignorance. We cannot of course speak for such shipowners or cargo interests but can say that any solution to the sub-standard ship problem will need to take them into account. The oil companies cannot solve the problems of the world's tanker fleet on their own.
4. Europe, or more specifically Brussels has featured large in the last year or so. OCIMF is an international organisation with a global constituency but we have been concerned about the developing regional legislation in Europe. Our view is that all maritime legislation, whether it's to do with double hulls, safety of navigation or liability in the event of pollution, must be handled through the appropriate international organisation. Our European members have directed significant energy in a focused advocacy campaign with all the institutions in Brussels to ensure that the international importance of our business is properly understood and that legislation is re focused on the IMO.

I believe we have been successful.

So, against this background I will let the Director of OCIMF, John Hughes, give you our perspective on the safety chain. He will highlight some perceived weaknesses in the chain today and put forward some suggestions for action by those responsible for setting and monitoring standards to strengthen them. He will also describe the voluntary initiatives (including those involving

classification societies) that we in OCIMF have taken to improve safety and pollution prevention.



The Role and Responsibility of Charterers in the Safety Chain

John W Hughes Director

May I also add my thanks to Bureau Veritas for offering OCIMF this opportunity to talk to such a diverse and influential group in Paris today.

Let's first look at standards.....

So who has responsibility for setting and monitoring standards?

The tanker industry today has standards that are influenced by many parties – shipbuilders, shipowners, Classification Societies, hull and liability insurers, the International Maritime Organisation (IMO), Flag States, Port States and charterers. The industry is governed by a large number of international Conventions and Codes of Practice, by Regional and National Regulations, by Classification Society Rules, supplemented by various industry Codes of Practice, Recommendations and Guidelines.

In the final analysis the primary responsibility for safe operation rests with the shipowner. The owner has the freedom to select the Flag and Class for his ship and is responsible for taking out insurance, for hiring and training of the crew and for developing and enforcing procedures to ensure proper maintenance and safe operation. The majority of tanker owners work diligently to meet these obligations responsibly. But some don't.

Flag States are responsible for ensuring that all ships in their registers are properly manned and maintained; that they are operated safely; and that they fully comply with International Conventions. Many Flag States work diligently to properly discharge their responsibilities. But some don't.

Some Flag States, who lack the resources or expertise to fulfil their obligations, delegate inspection and survey duties to Classification Societies and other organisations. That of course is permitted under the Conventions although the responsibilities remain with the Flag State. That's fine provided that the Classification Societies or other organisations in question carry out their surveys of the ship's structure, essential shipboard machinery systems and International Safety Management System diligently and uniformly. Dare I say it, some don't and even the major Classification Societies, including those that are members of IACS appear to have varying standards of performance.

It cannot be assumed therefore that just because a ship is classed with a large reputable Society, which is a member of IACS, it is of high quality. It might not be.... but from a charterers perspective we can only accept absolute and flawless performance when Class is acting on behalf of the Flag State.

Port State Control is one of the key factors in the enforcement of international standards. It provides the Port State Inspector with the means to detain a vessel where there are reasonable grounds to suppose that it does not meet the standards. So if the condition of a ship or of its equipment does not correspond substantially with the particulars of any certificate, or if they are not in compliance with the provisions of the regulations, the ship should be detained by Port State Control. But it might not be.

So what do OCIMF members (as charterers) want?

In a word “certainty”.

Certainty that a ship, taken on charter will meet or exceed the minimum required international standards as evidenced by the certificates and documentation carried on board, whether issued by Flag or by Class, and by Port State Control’s willingness to allow the vessel to trade without detention. Unfortunately experience has shown that that certainty is lacking because of weaknesses in the safety chain which still allow sub standard ships to exist and operate within the system.

Following any major incident, the first reaction is “we need more legislation and we need it quickly”. (this was very apparent following the ERIKA incident) But knee jerk legislation is not always good legislation and does not necessarily deliver the safety imperative that we all want. Furthermore, there is often a feeling that the international regulatory process is too slow and cumbersome and that more can be achieved by regional or even national initiatives. (this was also very apparent following ERIKA) There is a risk that such initiatives will undermine rather than strengthen the important International regimes and therefore add to the uncertainty rather than decrease it. OCIMF believes that preventing accidents is more about the competent enforcement and strengthening of existing international legislation rather than the production of yet more rules.

So what can be done?

Compliance with existing Conventions. OCIMF welcomes initiatives currently in hand at IMO to ensure full, uniform and consistent implementation by Flag States of the provisions of the applicable international Conventions. In particular, the Sub-Committee on Flag State Implementation will establish basic acceptable standards for Flag State Performance as a basis for determining which Flag States meet their obligations under the Conventions and which ones would benefit from technical assistance to upgrade their practices. This process by definition is a long term one.

Similarly the recent publication of the International Convention on Standards of Training, Certification and Watchkeeping – STCW - “white list” now documents those countries that have been found to be giving the provisions of the STCW Convention full and complete effect. Areas where IMO could provide technical assistance to enable States to enhance training in certain areas of the Convention have also been identified.

On the subject of existing Conventions, I feel bound to mention proposals recently agreed at IMO to amend Marpol Annex 1 Regulation 13G to speed up the phasing out of single hull tankers. This international agreement very clearly shows the ability of IMO and its 158 Member States to reach appropriate conclusions at the right time. That clear message has I believe been received by those who might have pressed for a regional solution.

Strengthening of Port State Control:

Port State Control inspections are one of the key factors in the enforcement of international standards. The Port State Control inspection is the most powerful link in the safety chain, for it provides the Port State Inspector with the means to detain a vessel when it does not meet the standards.

If Port State Control is to be seen as a force to be reckoned with (as is the US Coastguard) then it will need to be adequately resourced in terms of trained inspectors. Those inspectors must be able to inspect with a consistent high quality and in sufficient numbers to ensure that each Port State can effectively target and remove from commercial service the sub standard ships.

In this regard OCIMF has made access to the SIRE system available to all Port State Inspectorates, free of charge. A number of the Paris MOU members and other countries are now using it, but it has had a slow beginning.

The use of SIRE information will enable Ports States to target ships that should be considered for priority inspection, because they pose a higher risk to maritime safety and the marine environment. This will make the best use of the Port State’s resources by avoiding redundant or unnecessary inspections.

We are also providing, on request, tanker inspection training for Port State inspectors.

Greater co-operation between Port States, as well as between Class and charterers, should be encouraged as a means of increasing transparency and thereby making it more difficult for substandard ships to hide.

Now turning to Classification Society Performance

It is sad to say that the image of Class has been damaged in recent years; the Erika must surely have been the low point. Whatever the cause, the fact is that a ship, which had a 'seal of approval' from an organisation which is uniquely qualified to make that judgement, failed and with disastrous consequences.

Before the Erika incident, OCIMF was endeavouring to encourage IACS members to improve their standards, and for IACS to take a strong role in that process.

Erika gave new impetus to that endeavour and we, together with INTERTANKO, have published an Aide Memoire identifying 29 separate action points that we believe all Societies need to adopt to signal a strong will to improve standards and to show a public and clear statement of this desire. Of particular interest are our comments on transparency, new building standards, the extension of the Enhanced Special Survey to include the key components of the voluntary notation CAP. In this regard we applaud BV for your initiative to promptly include structural fatigue requirements of CAP into your BV 2000 rules.

We very much share your sentiments that tanker safety should not be left to 'add on schemes' but be a clear part of the class rules.

OCIMF has to date had detailed individual discussions on our 29 points with 4 Societies, including of course BV. We strongly urge all Societies to accept our 29 points as commonly accepted standards that are beyond negotiation, and, therefore of no commercial gain.

The achievement of transparency in all class/owner relationship matters should be a primary objective.

What can Charterers do?

Now closer to home, what can the Charterers do ? What about vetting and screening...?

One of the most immediate and ill-informed comments following the Erika and other recent incidents was that the Charterers vetting systems were at best inadequate or, at worst, had totally failed.

The Ship Inspection Report Exchange (SIRE) system was criticised, and, I believe quite unfairly. It was criticised by those who are not Forum members, do not use the system and do not fully understand its purpose believing that that was the 'vetting system' itself. SIRE reports on the vessels operation as seen by the inspector on the day. It is factual, non-judgmental and does not comment on vessel structure other than to note the status of statutory surveys.

The vetting systems in all our members' companies are risk assessment tools, each uniquely different in process but each drawing on broadly the same data sources.

In the post Erika months our members took a long, hard and thorough look at their total vetting processes in order to extract the lessons learned from these incidents.

Because of all that has happened in the last couple of years more SIRE inspections are now being carried out. A lot more detailed attention is paid, amongst other things, to Special Survey data by qualified personnel. A much closer look is taken at owner/manager history, at ship history and Port State Inspection data, and all of this occurring before the chartering decision is made.

From an OCIMF perspective we have advanced the programme of inspector accreditation by examination and by the end of 2001 more than 300 inspectors will be fully accredited worldwide.

It is worth reflecting that the only reason that our member's voluntarily inspect ships is because the other inspection processes have all too frequently failed. This represents a significant commitment by our members who employ the inspectors world wide and who now collectively conduct more than 10,000 inspections a year.

So what are the Charterers conclusions?

Whilst accepting that in the aftermath of any major maritime incident there will always be pressure to legislate, but it should always be done against the backdrop that IMO is the International Organisation that establishes international Conventions and sets world wide standards that benefit everyone

Surely the real effort of all the interests represented in this room today should be to work for the proper enforcement of international standards to ensure that sub standard ships have no where to hide. Anything less will create regional imbalances with sub-standard ships still finding trading opportunities probably in areas where there is a lack of resources to police them and to deal with the consequences in the event of an incident.

We sincerely hope that Classification Societies will continue to work alongside OCIMF and other responsible industry organisations to ensure that proper rules and guidelines are developed and enforced so as to fully address the real safety imperatives.

These then are our thoughts about the chartering safety chain, we believe that we have a very important part to play in this chain of responsibility, but we are but one link and rely on all the others, including, or perhaps particularly, the Classification Societies to bear the strain with us.

Bernard, my sincere thanks to you and to Bureau Veritas for allowing us this time today

Thank you.