

Annual Review

International Chamber of Shipping International Shipping Federation



2007





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Contents

page 2	Introduction	19	Safe manning and work hours
3	ICS/ISF Office Bearers	21	Industrial relations and wages
3	Secretariat	21	Fair treatment of seafarers following maritime accidents
4	Promoting IMO Treaty Ratification	22	Liability developments
6	Tackling Air Emissions	24	UNCITRAL negotiations on cargo liability
6	Review of MARPOL Annex VI	24	Preserving the UN Law of the Sea
7	Reducing carbon emissions	26	Security at sea
8	Limitation of Liability	28	Maintaining free trade
10	The Year in Review	29	Competition rules
10	Solving the ballast water dilemma	31	Promoting the industry's profile
10	Flag and port state responsibilities	32	Facilitation and documentary procedures
11	IMO technical issues	32	Panama Canal toll increases
13	Shipbuilding and recycling	33	Internal affairs
14	European Union developments	34	Publications
16	ILO Maritime Labour Convention	35	Committees and Membership
18	Seafarers' training standards		

ICS is the principal international trade association for shipowners, concerned with all regulatory, operational and legal issues.

ISF is the international employers' organisation for shipowners, concerned with labour affairs and training issues.

The membership of ICS and ISF comprises national shipowners' associations representing all sectors and trades from 40 countries.

Introduction

2 THIS HAS BEEN A FASCINATING and challenging year in which to assume the role of Chairman of the International Chamber of Shipping (ICS) and President of the International Shipping Federation (ISF).

For the last 12 months, most shipping markets have remained extremely buoyant, with apparently no immediate end in sight to the current strong run of freight rates which so many sectors and trades have been enjoying. Of course all prudent shipowners will recall that shipping markets are notoriously volatile and cyclical. Yet when the good times are so prolonged, this can divert attention from those critical international regulatory developments that may affect the long term prosperity of shipowners and the health of the industry as a whole.

One of the key strengths of ICS and ISF is that, with their membership comprising national shipowners' associations, they are detached from the short term commercial considerations that preoccupy most individual shipping companies, allowing them to develop - through their comprehensive structure of expert committees - fully considered industry positions that take account of the wider picture and longer term circumstances.

As outlined in more detail in this Annual Review - which aims to provide a concise but comprehensive summary of those issues on which ICS and ISF are actively engaged on behalf of the global shipping industry - there are a number of serious matters confronting ship operators.

Perhaps the most pressing is the need to improve further the industry's



Mr Spyros M Polemis Greece
ICS Chairman and ISF President

environmental performance, which has implications both for shipping's image and its economic well being. Although shipping is by far the most environmentally friendly form of commercial transport, there is an expectation, from society and politicians, for the industry always to do more, and we must be ready to meet that challenge.

At present, we are engaged in an intensive debate at IMO about the development of more stringent controls on ships' air emissions. The issues surrounding the review of MARPOL Annex VI are extremely complex, and whilst ICS has fully accepted the need for stricter controls, it has been promoting the development of solutions which

establish goals, and then provide flexibility as to how different types of ship operating in different circumstances may reach these goals. It is also important that any solution stimulates technical innovation and recognises the link with the equally pressing need to reduce Green House Gas emissions. ICS has therefore greatly welcomed the proposal by the IMO Secretary General to establish a 'Cross-government industry-scientific working group' to evaluate the strategy to be adopted by IMO.

One cloud on the horizon is the plan of the European Commission to dilute the right of shipowners to limit their liability, in conflict with the principles established by IMO. It is very much hoped that EU Member States will continue their opposition to the ill-considered draft Directive on civil liability, which adopts the mistaken premise that unlimited liabilities will somehow make the industry safer and more responsible.

It has also been a busy year for ISF, the global employers' organisation. In addition to promoting the implementation of the new ILO Maritime Labour Convention governing seafarers' conditions of employment, ISF has been engaged in the important reviews at IMO of international seafarer training standards and minimum safe manning on ships.

The booming demand for shipping services has led to shortages of qualified seafarers in many sectors. This is an issue which I am glad to see is at last beginning to receive the attention it surely deserves, given that all shipowners require properly trained seafarers to operate their increasingly sophisticated vessels.

ICS/ISF Office Bearers 2006/7

ICS Vice Chairmen



Mr Michael
Everard
United Kingdom



Mr Charles
Kurz II
United States



Mr Patrick
Decavèle
France



Mr Luis
Ocejo
Mexico

ICS and ISF have embarked on several new initiatives in the last year. A review of their strategy has taken place to ensure they are ready to face the challenges ahead. An Air Emissions Strategy Group has been established to determine long term mechanisms for reductions in emissions. Additionally, we have been seeking to adopt a higher profile in promoting our industry and the work of ICS/ISF.

At the end of my first year in office, I would like to thank the other Officers of ICS and ISF for their support. I also commend the efforts of the Chairmen and members of the various committees, sub-committees and panels who provide so much time and expertise to direct the work of our associations, as well as the Secretariat staff who work diligently on behalf of the industry.

The last 12 months have seen the retirement of Chris Horrocks, the previous Secretary General. For over 35 years, Chris made an enormous contribution to ICS/ISF and the industry, and we wish him well. He has been succeeded by Tony Mason who brings new perspectives to our work after a career in liner shipping.

I am confident that ICS and ISF will continue to work effectively to meet the challenges ahead.

Spyros M Polemis

ISF Vice Presidents

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Secretary, ICS

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Mrs Helen May
Administrator

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*Administrator &
Publications Officer*

**position held jointly*



Promoting

4



IMO in session

IN JANUARY 2007, ICS launched a global campaign to stress the vital necessity for governments to ratify and implement Conventions adopted by the International Maritime Organization (IMO), with ICS national shipowners' associations emphasising to their governments that shipping is an inherently international industry which depends upon a global regulatory framework to operate efficiently.

It is crucial that the same regulations governing matters such as safety, environmental protection and liability apply to all ships in international trade and that the same laws apply to all parts of the voyage. The alternative would be a web of conflicting national regulations, resulting in market distortions and administrative confusion that would compromise the efficiency of world trade.

It is therefore very important that

governments appreciate that the smooth operation of a global maritime regulatory regime is impeded by any failure or delay on their part in the ratification and implementation of international instruments to which they have agreed at IMO Diplomatic Conferences.

The failure of new Conventions to enter into force or become widely ratified also gives encouragement to the promotion of unilateral or regional regulation. As identified elsewhere in this Review, the industry is increasingly confronted by local regulations at variance with IMO rules; apart from the continuing appetite in Europe for regional standards, individual US States are developing regulation which takes little, if any, account of what has already been agreed internationally. The situation in the US is not helped by the long time it can take for Congress to ratify IMO treaties. While this is partly a reflection of the complex

democratic processes that are followed in the US, there is sometimes a need for Congress to afford greater urgency to the ratification of IMO Conventions.

ICS has identified the following IMO Conventions which it believes it is important for all governments to ratify as a matter of urgent priority: Ballast Water Management, Anti Fouling Systems, Limitation of Liability for Maritime Claims, Hazardous and Noxious Substances (HNS) Liability, Bunker Oil Spill Liability, and MARPOL Annex VI (air emissions). However, there are many other IMO Conventions that require wider ratification and the reasons for highlighting these particular instruments are complex (see opposite). Indeed, as can be seen from the Round Table's Flag State Performance Table (see www.marisec.org/flag-performance) there are several core Conventions that have been in force for many years but which have still not been ratified by a number of countries.

In January 2007, the high profile grounding of the UK flag containership 'MSC Napoli', off the southwest coast of England, provided an opportunity to underline the potential impact of failing to bring Conventions into force. Thankfully, the environmental consequences of the incident were small, but if there had been a major bunker spill, or if the ship had been a chemical carrier transporting hazardous cargo, no internationally agreed compensation mechanism for the clean up costs would have existed. This was a point which ICS and others were able to emphasise at a special 'emergency hearing' on the incident held by the European Parliament in February 2007.

IMO Treaty Ratification

ICS Ratification Campaign 2007

ICS has identified the following IMO Conventions which it believes it is important for governments to ratify as a matter of urgent priority:



International Convention on Control and Management of Ships' Ballast Water (BWM), 2004

ICS is concerned that, in the absence of entry into force of a global regime, there is the reality of proliferating national and local regulations at variance with the IMO Convention, and resultant difficulties as shipowners struggle to comply with conflicting requirements at different parts of a voyage.



International Convention on Control of Harmful Anti Fouling Systems on Ships (AFS), 2001

Because of the fixed implementation date (2003) included in the Convention, the majority of shipowners have ceased to apply TBT paints which damage the marine environment, and the manufacture of non-compliant paint has been greatly reduced. However, so long as the Convention is not in force, a small minority of shipowners may continue, quite legally, to use or else defer the removal of paints that are prohibited by the Convention.



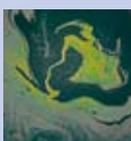
Protocol of 1996 to the Convention on Limitation of Liability for Maritime Claims (LLMC), 1976

The LLMC Protocol entered into force in 2004 and increases significantly the liability limits for a number of maritime claims. The increased levels of compensation for claimants and the international community's continued endorsement of the concept of limitation of liability are supported by ICS, which is promoting the widespread ratification of this important instrument. ICS is therefore particularly keen to promote ratification of the LLMC Protocol as an alternative to a proposed EU Directive (the draft Directive on Civil Liability and Financial Securities of Shipowners) which would depart from principles agreed at the international level.



International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by Sea (HNS), 1996

The HNS Convention is modelled on the highly successful international oil pollution liability and compensation regime and would establish an international regime for HNS damage, the cost of which would be shared between shipowners and HNS cargo receivers. The failure to enter into force is giving encouragement to regional action and has been cited in a number of European Commission proposals post 'Erika' and 'Prestige', affecting both non-EU and EU ship operators, including most recently the proposed Directive on Civil Liability and Financial Securities of Shipowners to which ICS is opposed. Until the HNS Convention enters into force, an existing EU Directive on Environmental Liability for Preventing and Remedying Environmental Damage will apply to HNS incidents in the waters of EU Member States.



International Convention on Civil Liability for Bunker Oil Pollution Damage, 2001

The Bunkers Convention will establish an international liability regime for damage caused by spills of oil carried as fuel, and provide for the prompt and adequate compensation of claimants. ICS is supportive of the uniformity and certainty which the widespread ratification of the Convention would ensure. As with the HNS Convention, the failure of this Convention to enter into force is giving encouragement to regional action, in Europe in particular.



MARPOL Protocol of 1997 (MARPOL Annex VI - Prevention of Atmospheric Pollution by Ships)

Although MARPOL Annex VI entered into force in 2005, the relatively low number of ratifications could lead to problems when the current review of MARPOL Annex VI is finalised, and governments will be required to adopt amendments to the Protocol concerning more stringent standards. In the meantime, non-parties to Annex VI are less likely to comply with existing requirements such as the need to ensure the provision of bunker delivery notes confirming that fuel quality meets IMO requirements.

Tackling Air Emissions

6

THE REDUCTION OF AIR EMISSIONS from ships has entered centre stage of regulatory debate, with potentially major implications for both shipping economics and the image of the industry. While the need for stricter regulations is currently being discussed at IMO, public concern over air quality and the impact of carbon emissions on climate change means this is also becoming a mainstream political issue.

Review of MARPOL Annex VI

The immediate challenge for the industry is the IMO review of MARPOL Annex VI and the probable introduction of more stringent controls on atmospheric emissions, especially with regard to sulphur and its content in ships' fuel. But whilst ICS has fully appreciated the political impetus to the debate, it has been important to remind governments that the agreed terms of reference for the current round of IMO discussions have been to focus on the technical and objective scientific arguments relevant to a variety of solutions.

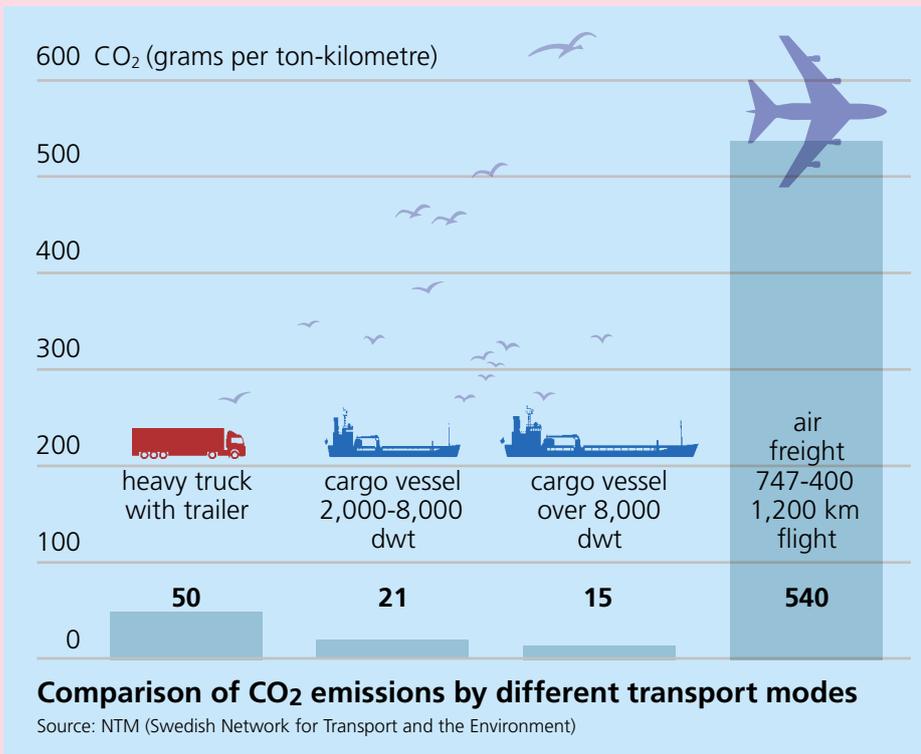
At the time of writing, and building on IMO technical discussions in Oslo in November 2006, IMO is about to consider the latest proposals on the approach that might be taken. Possible options include reducing the current sulphur cap in Sulphur Emission Control Areas (SECAs) from 1.5% to a figure such as 1.0%, although it has been suggested by some that such a cap should apply everywhere, and be achieved by a mandatory switch to the use of distillate fuels by a date as unrealistically early as 2010.

ICS has proposed a new goal-based approach to emissions reduction and has called for a holistic consideration

of emission reduction measures. It has drawn attention to the need to take account of the environmental justification for improvements proposed, and to consider fully the relationship between measures to reduce local air pollution, such as sulphur, and the subsequent implications for CO₂/Green House Gas emissions. In particular, ICS has argued that there should be choice with regard to compliance measures. In addition, ICS has made a number of detailed suggestions about other aspects of the review, including the reduction of emissions of nitrous oxides, particulate matter and volatile organic compounds.

The prevailing view, following extensive debate within various ICS Committees, is that IMO should focus on the environmental outcome required, but should encourage different ways of achieving the agreed emission reduction goals. Technical innovation certainly needs to be stimulated but, where regulation requires technical solutions, it should be established that proven and robust technology does in fact already exist. Above all, any new regulations should be aimed at delivering an overall net environmental benefit. ICS does not wish to solve one problem by creating another. Methods for reducing sulphur emissions should not inadvertently lead to an increase in Green House Gas emissions, for example by generating additional CO₂ from oil refineries.

It might be the case that CO₂ emissions from shipping, as opposed to shore based refineries, would not be increased by switching to distillate, but the responsible approach is to suggest to the regulators that they consider the wider implications of their



decisions and that the issues of sulphur and CO₂ are linked.

In principle, despite the considerable economic costs, ICS has no objection to a switch to distillate fuel for those shipowners who see this as the most practical solution. But, depending on who pays the bills, it is far less attractive to some shipping sectors than others, and there are also big questions about the ability of the oil industry to deliver the quantities needed if the whole world fleet was required to burn distillate everywhere. The environmental benefit of using low sulphur fuels far from land in the middle of the ocean also needs careful examination.

The majority view amongst ICS members is that other compliance options, such as abatement and exhaust scrubbing technology, and the extension of Sulphur Emission Control Areas (in addition to those already agreed under the existing MARPOL regime for the Baltic and the North Sea) should also be fully explored before the industry settles for one single solution, the implications of which have not been properly evaluated.

At the operational level, shipping is also confronted with the immediate challenge of complying with regional fuel quality requirements in California and in European ports at variance with those currently agreed by IMO and thus pre-empting the debate about Annex VI revision. The State

of California requirements for 0.5% sulphur fuels to be used in auxiliary engines up to 24 nautical miles off the coast were due to be implemented in January 2007, but have been subject to a legal challenge by the Federal government, supported by an industry coalition. However, California has indicated that its intention is to extend the requirements to main engines in the near future.

Reducing carbon emissions

The other pressing challenge for the industry is to meet demands to reduce carbon emissions due to concerns about global warming, although at a time when bunker prices are expected to remain high, cutting CO₂ emissions should be a matter of enlightened self-interest.

A number of recent media reports have rather misleadingly suggested that shipping's total carbon emissions are greater than those of the airline industry. There is actually a lack of definitive data, but some expert sources estimate that shipping's total carbon emissions are less than those of aviation. But in any case, such reports are not comparing like with like. Maritime transport is responsible for the carriage of 90% of all world trade, including almost everything that we buy in the shops. More to the point, in terms of carbon produced by every tonne of cargo transported one kilometre, shipping is at least two or three times cleaner than road or rail transport and around 20 times more environmentally efficient than air transport. With regard to concern about reducing carbon emissions, transport by sea should be seen as part of the solution rather than the problem.



However, this is not to say that shipping does not have a major part to play in reducing carbon emissions, and ICS is taking an active role in discussions at IMO to achieve this, not least by stressing the need for IMO to address CO₂ in parallel with the review of MARPOL Annex VI.

Addressing carbon emissions is indeed a major challenge, especially as maritime trade is expected to continue expanding. Future rates of growth are, of course, uncertain, but the volume of world trade has increased by 50% in the last 15 years.

IMO authority for discussions about reducing CO₂ emitted by ships is derived from the 1990s Kyoto Treaty (although shipping is not explicitly addressed by Kyoto itself). Progress at IMO has therefore been complicated by maritime administrations in some emerging economies, which have argued that under the current Kyoto framework they should be excluded from any new global rules on maritime CO₂ emissions.

Work is continuing at IMO on the measurement of Green House Gas emissions from ships, the establishment of a carbon indexing system, and the development of more fuel efficient engine technologies. However, the growing political pressure for action on climate change means that the shipping industry will need to address demands for specific CO₂ reduction targets. An important issue will be how shipping can respond to the European Union's recent political declaration, in March 2007, that it intends to cut - across the board - its total carbon emissions by between 20% and 30% by 2030 and persuade the rest of the world to do likewise.

Discussions about reducing carbon emissions in shipping have probably not yet really begun in earnest but, as the political demand for action increases and the Kyoto Treaty comes up for review before expiry in 2012, the shipping industry is preparing to respond.

ICS AND ITS MARITIME LAW Committee are closely engaged in a number of issues concerning the growing financial and, especially in pollution cases, criminal liabilities to which even the safest and most responsible shipowner can now find himself exposed. Whilst maintaining representation at the IMO Legal Committee and the International Oil Pollution Compensation (IOPC) Fund, much of ICS's recent attention has had to be focused upon unwelcome developments in Europe.

Specifically, ICS (working with ECSA and the International Group of P&I Clubs) continues to oppose the EU draft Directive on Civil Liability and Financial Securities of Shipowners. It contains a number of unwelcome proposals: the application of more stringent rules to ships flagged in States not parties to the 1996 Protocol to the IMO Limitation of Liability for Maritime Claims (LLMC) Convention, including 'gross negligence' as conduct barring limitation; and a requirement for shipowners to furnish certificates of financial security issued by EU Member States instead of P&I Clubs' certificates of entry as recommended by IMO Guidelines. The Commission is also seeking a mandate to propose changes to the limitation of liability regime contained in the 1996 LLMC Protocol by incorporating it into EC law.

Instead, ICS believes that the best means of ensuring that the LLMC Protocol is implemented, in the uniform fashion that IMO requires, is to ensure that EU Member States ratify the Convention, which many of them have failed to do. Moreover, bureaucratic requirements for States to issue certificates of insurance are simply unnecessary when, as agreed by IMO and reflected in its Guidelines, a certificate of entry in a P&I Club

Limitation of Liability

should be perfectly adequate evidence of financial security.

While many EU Member States are understood to be opposed to the Commission's proposals, which were not taken forward by either the Finnish or the German EU Presidencies in 2006/2007, the European Parliament has regrettably endorsed most of the Commission's ideas despite intensive efforts by industry to temper the Parliament's conclusions.

More disturbing, however, is the concern that the EU draft Directive represents the continuation of a long term campaign by the European Commission to reduce the right of shipowners to limit their liability. This is notwithstanding the consensus amongst governments internationally, including EU Member States, in support of the principle of limitation, most recently reaffirmed by the decision of the IOPC Fund in 2005 not to revise the Civil Liability Convention. Moreover, while levels of liability for death and injury to passengers were increased significantly by the 2002 Protocol to the IMO Athens Convention, the compromise which ICS helped to broker at the IMO Legal Committee meeting in October 2006, on the provision of compensation for terrorist incidents, recognised explicitly that liability must be insurable.

The Commission however (and the key players in the Parliament) appears to believe that imposing potentially uninsurable liabilities on the industry will somehow make it operate ships more responsibly. In short, it seems to be confusing the concept of liability with deterrence. In taking this line, it would appear that the Commission has misunderstood, or is wilfully ignoring, the philosophy underpinning

the IMO liability regimes - specifically, that it is desirable for liabilities such as environmental damage to be subject to a system of compensation that is clear and simple, and which results in prompt payments without drawn-out legal arguments. This is achieved by imposing strict liability on the shipowner but which is of necessity linked to a right to limit such liability.

Ironically, the effect of imposing unlimited liability whereby a single incident could potentially bankrupt all but the very largest multi-national corporations, could have a negative effect on the industry's commitment to safety and the provision, without legal wrangling, of adequate compensation for maritime claimants.

The European Commission's aim of creating a system of unlimited liability regardless of fault cannot be supported by shipping companies. Unlimited liabilities may actually have the effect of discouraging some responsible shipping companies from continuing to operate, with only the less responsible wanting to take their place.

It must be hoped that EU Member States, and their transport ministries, continue their informed resistance to the Commission's proposals, notwithstanding the rather unfair accusation by the EU Transport Commissioner to the effect that those governments leading opposition to the Commission's proposals are doing so to harbour sub-standard ships.



The Year in Review

10

Solving the ballast water dilemma

ICS has been seeking to develop a solution to an impossible situation confronting shipowners currently placing orders for new tonnage. Under the terms of the IMO Ballast Water Management (BWM) Convention, adopted in 2004, new ships built after 1 January 2009 will be required to be fitted with special treatment equipment to eliminate unwanted marine micro-organisms. This will replace a requirement to undertake deep water ballast exchange at sea, which is currently the only option available to most existing ships. The problem, however, is that there is still no technology that is officially proven to comply with the required IMO standards for treatment systems.

Many governments are sympathetic to the recommendation of ICS, which is that the date of introduction of the new treatment methods should be suspended until the technology has been approved. However, because of legal complexities, a firm decision is not expected until July 2007. ICS has therefore been trying to find a practical solution and has submitted text for a possible IMO resolution which would allow Parties to the Convention to defer enforcement of the new equipment requirements until the technology is available.

It must be stressed that ICS wishes to see the IMO ballast regime implemented as soon as possible and is encouraging governments to ratify the new Convention, which has still not entered into force. In November 2006, the IMO Marine Environment Protection Committee adopted most of the relevant Guidelines concerning

the implementation of the Convention, so there is no longer any reason for ratification to be delayed.

However, the issue of available technology also highlights the problems caused by IMO agreeing to fixed implementation dates for new regulations without any certainty as to when they will enter into force (similar problems arose with the Anti Fouling Systems Convention which required ships to cease using TBT paints - as most now have - from 2003, but which has also not yet entered into force).

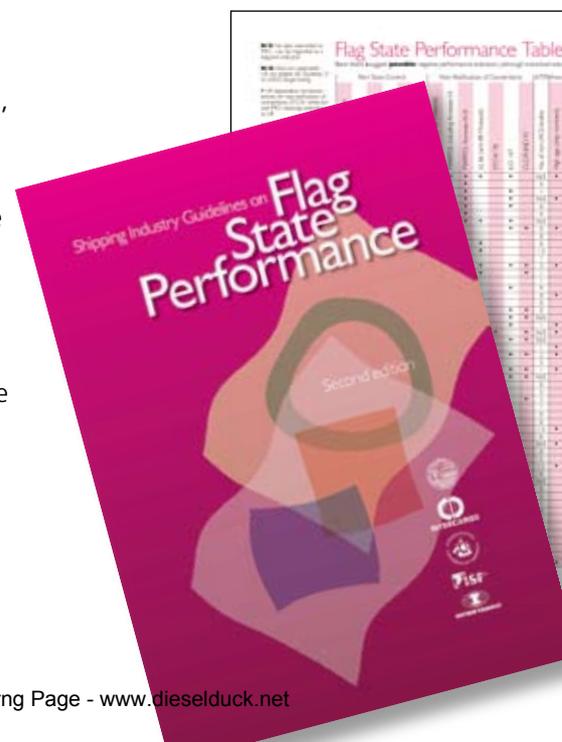
In the United States, meanwhile, the situation with ballast water requirements is further complicated because the Bill which Congress is considering during 2007 in order to implement the IMO standards contains reference to a 'kill standard' 100 times more stringent than that required by IMO. Individual US States (including those in the Great Lakes) and other governments around the world also continue to introduce local ballast water rules at variance with the IMO regime and on which ICS has sought to provide advice to industry. It is hoped that common sense will prevail, since the alternative could be chaos as ships struggle to comply with differing standards in different parts of the world. ICS is also watching the current legal case concerning the US Environmental Protection Agency's enforcement of the US Clean Water Act very closely. It is important that the EPA is only required to regulate ships' discharges along the lines of the IMO BWM Convention.

Now that IMO has more or less completed its guidelines on implementation of the BWM Convention, ICS is in a position to update its own comprehensive

guidelines on ballast water management, which were originally produced with Intertanko in the 1990s to help shipowners comply with voluntary requests to follow coastal state environmental protection programmes.

Flag and port state responsibilities

Shipping companies have primary responsibility for safe and clean operations, but they are dependent on governments to enforce the rules, especially in their capacity as flag states. In co-operation with the other members of the Round Table of international shipping associations (BIMCO, Intercargo and Intertanko) ICS and ISF have updated the Shipping Industry Guidelines on Flag State Performance, which set out criteria by which a responsible ship operator might assess the quality of a ship register whose flag he chooses to fly.





The Guidelines are accompanied by a Flag State Performance Table which lists 'potential negative performance indicators' against each flag, based on such data as port state control statistics, ratification of maritime conventions and the types of classification societies to which different flags delegate their survey and ship inspection work. The Guidelines and Table have been amended to reflect developments such as the adoption of the ILO Maritime Labour Convention and the entry into force of all MARPOL Annexes, the most recent being Annex VI on air emissions which a surprisingly large number of 'quality' flag states have still not ratified.

The Round Table Guidelines are intended to complement the new IMO Voluntary Member State Audit Scheme. In early 2007, the IMO Scheme became fully operational with the completion of the first external

audits, under the auspices of IMO, of the implementation of IMO rules by national maritime administrations.

In March 2007, Liberia was amongst the first to complete its audit and, though not required to do so, in a victory for transparency publicised its results. It will take some time for all IMO Member States to be audited, and there is a need for IMO governments to provide more auditors and the funding required for training, although some 25 audits are expected to be completed by the end of 2007.

Both the IMO Scheme and the Round Table Guidelines provide means to distinguish between those ship registers which take their responsibilities seriously and those whose primary purpose is to collect registration fees. They will also hopefully provide an incentive to the vast majority of maritime administrations that are committed to continuous improvement, helping them to gain the support they need from their political and maritime communities.

Flag state responsibility is the first line of enforcement of IMO safety and pollution prevention rules. However, port state control inspection remains a vital adjunct that has developed into a global network of regional PSC authorities. Although there is still a need for more harmonisation in procedures, most of the regional PSC regimes are based on the Paris MOU (Memorandum of Understanding) on PSC, which embraces EU nations as well as Russia and Canada. The ICS/ISF Secretary General was pleased to attend the Paris MOU's 25th anniversary celebration held in Bonn in May 2007, in conjunction with the annual meeting of its Port

State Control Committee at which ISF participates as part of the ILO delegation.

Following years of lobbying by ICS/ISF, an important development within the Paris MOU is the creation of a new targeting system whereby ships with a good PSC inspection record will be subject to less frequent inspections, allowing resources to be targeted at that small minority of ships more likely to have serious deficiencies. In the context of the parallel development of a new EU Directive on Port State Control, ICS/ISF (with ECSA) have supported these proposals, while offering a number of technical suggestions and emphasising the importance of the EU working through the Paris MOU.

IMO technical issues

A major proportion of ICS resources remains dedicated to representing the industry at IMO, at all of the meetings of its expert technical sub-committees, and in most of its correspondence group work. The aim is to influence the outcome of proposals for new regulations so that they take full account of the practicalities of ship operations and contribute to the further improvement of safety and environmental protection. Although governments at IMO may not always agree with the industry's opinions, it is vital that they are heard and understood so that IMO is aware of the consequences of its decisions.

In addition to the important matters discussed elsewhere, such as air pollution, ballast water management and ship construction rules, ICS is immersed in a huge number of technical issues impacting on ship operators. These are too numerous to



mention fully in a report such as this, but the following is a sample of the more important ones.

In December 2006, at the IMO Maritime Safety Committee (MSC) meeting held in Istanbul (due to the refurbishment of the IMO headquarters in London), ICS made a presentation (on behalf of the Inter-Industry Working Group) on tanker explosions, focusing on the human element aspects and the work of the Inter-Industry Human Factors Task Force, which is being led by ICS and is developing ideas for improved training and for making the application of the IMO International Safety Management (ISM) Code more effective. ICS and the industry have been invited to make a progress report at the meeting of the Marine Environment Protection Committee (MEPC) in 2007. It is very encouraging that IMO has elected to await the results of the industry work before developing its own proposals, in order to prevent a repeat of recent incidents.

The IMO MSC also considered the report of the IMO Group of Independent Experts on the implementation of the ISM Code, which has been chaired by ICS. This work will continue in 2007, but in a welcome development, contrary to what had been anticipated, it is likely that IMO will not suggest major amendments to the ISM Code in the immediate future. Instead, it is hoped, the focus will be on more effective implementation.

In December 2006, IMO also adopted standards for the protective coatings of ballast tanks. Despite ICS efforts, there remains some potential ambiguity about the interpretation of the standards, although in practice it is expected these will be resolved

by IACS when it applies the adopted standard through its Common Structural Rules. ICS is also heavily involved in IMO discussions on hydrocarbon gas detectors and coating and corrosion standards for double hull tankers.

Another subject on which ICS is currently focused is IMO's recommendations on the servicing of lifeboats. ICS has supported the objectives of recently introduced procedures concerning the inspection and maintenance of lifeboats to be undertaken by qualified personnel. However, compliance with requirements for servicing to be undertaken by personnel certified by the manufacturer is proving very difficult for some ship operators. Local manufacturers are often difficult to identify, and in some cases may no longer trade, while organisations with an exemplary history of inspecting lifeboats are now ineligible to attend many ships. Encouragingly, IMO has acknowledged ICS's concerns which will hopefully be addressed in 2007.

Shipbuilding and recycling

ICS has continued to co-ordinate shipowner representation in the work at the IMO Maritime Safety Committee on the development of Goal Based Standards (GBS), initially for ship construction but eventually for all equipment on board.

The completion of this complex work, not least requirements for the verification of compliance, will not now be finalised until the completion of a pilot project for bulk carrier and oil tanker construction. The pilot project will be supervised by a panel of experts to which the Round Table of international shipping

associations (including ICS) has nominated an industry representative. ICS is also now party to two IMO Correspondence Groups established to supervise the GBS pilot project and to develop the 'safety level' required of ships which the standards are meant to deliver.

ICS has also remained in close dialogue with the International Association of Classification Societies (IACS) about the refinement of its new Common Structural Rules (CSRs) which were implemented with some controversy in 2006. A major question is how the new IACS rules for tanker and bulk carrier construction might be harmonised. ICS met with IACS in October 2006 and considered various issues raised by ICS members including corrosion margins and welding requirements. The meeting also discussed the system put in place by IACS, which seems to be robust, to respond to feedback from shipowners and others about the CSRs.

In December 2006, ICS and the other Round Table organisations met with the IACS Council in London and confirmed the continuing need for dialogue on issues such as CSRs and Goal Based Standards. The ICS Chairman also led the ICS delegation to Japan in September 2006, and the United States in March 2007, for the latest rounds of tripartite discussions between shipowners' representatives, shipyards and classification societies. These meetings have advanced discussion about improving the use of technical feedback from owners beyond the relatively short warranty period, as well as concepts such as providing ships with a 'green passport' to help facilitate safe ship recycling. The meeting also continued the dialogue about the implications of



European Union developments

The role of the European Union in international maritime affairs is becoming increasingly significant, both in terms of regional legislation affecting ships trading to Europe and the influence that the EU, with its membership of 27 states, enjoys at bodies such as IMO and ILO.

Representation of the global industry's views by ICS/ISF in Europe is complicated given the need to address the Member States that comprise the EU Council of Ministers, the European Parliament - which has little detailed knowledge of shipping but enjoys co-decision powers with the Council on most maritime issues, and the European Commission which is responsible for initiating the majority of new legislation. While the Commission's proposals may be motivated by a desire to improve maritime safety, there is sometimes an underlying tendency to increase the political competence of the EU, when the opportunity arises, for its own sake.

In general, ICS and ISF work particularly closely with the European Community Shipowners' Associations (ECSA), most of whose member national shipowners' associations also belong to ICS/ISF. However, it is also necessary for ICS/ISF to give particular emphasis to those aspects of EU proposals which have implications for the global industry, and in the last 12 months the ICS Chairman/ISF President has had meetings with both the EU Transport Commissioner, Jacques Barrot, and the EU Commissioner for Maritime Affairs and Fisheries, Joe Borg.

Of immediate interest to the global industry is the progress of the so called European Maritime Safety Package

Class principally acting on behalf of the shipyard rather than the owner during construction.

ICS is also heavily involved in discussions in the IMO Marine Environment Protection Committee, which is progressing work on a new IMO Convention on ship recycling standards intended inter alia to address concerns about working conditions in the recycling yards (mostly located in Asia) that should be ready for adoption in 2009.

ICS also continues to lead the Inter-Industry Working Group on ship recycling which is co-ordinating the industry's position on the development of the new Convention, and the measures that may need to be taken by industry on a voluntary basis in the period before the Convention comes into force. In view of the high political profile that the issue has gained in Europe, ICS has been encouraging the EU to refrain from regional action until the IMO Convention is adopted. That said, one particular area where the EU might be of assistance is with regard to establishing a system of approval of ship

recycling yards, demonstrating which facilities meet acceptable standards, to which the industry can refer when disposing of redundant ships.

In a different context, ICS continues to represent the industry in connection with discussions at the Organization of Economic Co-operation and Development (OECD) about a new worldwide agreement on the elimination of subsidies and market distorting measures in the shipbuilding industry. The negotiations were 'paused' in 2005 due to seemingly insurmountable differences between the European Union and Asian shipbuilding nations over pricing policies. However, an OECD workshop in Paris in December 2006, in which ICS took part, possibly paved the way for dialogue to continue. This is important, as global shipyard capacity continues to expand rapidly and there is a danger that once it outstrips demand for new tonnage - perhaps after the 2010 implementation date for the introduction of double hull tankers - any subsequent price cuts and speculative ordering could result in another period of overtonnaging leading to depressed shipping markets.



which (as discussed elsewhere) is intended to address various parts of the transport chain. The 'package' comprises proposed EU Directives and Regulations on port state control (PSC), flag state compliance, vessel traffic monitoring (VTM), civil liability of shipowners, passenger liability, and classification societies. ICS and ECSA have submitted comprehensive comments on most of these proposals, some of which (PSC and VTM, the latter mandating designation of 'places of refuge' for ships in distress in line with IMO recommendations) have been generally welcomed. However, the civil liability and flag state compliance Directives are controversial. As explained elsewhere, the civil liability proposals are in conflict with the legal framework adopted by IMO, while the flag state compliance Directive appears to reduce the scope for independent action by EU Member States; one concern, in the longer term, is the implication for the quality of technical decision making at IMO.

While the Parliament has processed the Commission's proposals quickly and with few changes, the Council of Ministers, with full support from industry, has so far elected not to take forward the two most controversial proposals, with the majority of Member States preferring not to treat them as part of an indivisible package. Whether this resistance will be sustained under future EU Presidencies, however, remains to be seen.

The other major thrust of ICS/ISF activity concerns the current EU Maritime Policy Review being conducted under the auspices of the EU Directorate for Fisheries and Maritime Affairs. While the Review is meant to cover maritime policy in the broadest sense, a surprisingly large proportion of the proposals contained in the Commission's 'Green Paper', launched in June 2006, are directly relevant to international shipping.

In December 2006, ICS and ISF submitted detailed comments from the international perspective. Among other things, these comments covered: EU ambitions regarding full IMO membership and greater co-ordination of Member States' positions at IMO and ILO meetings; the Commission's desire to revise UNCLOS; and its proposal for a 'Common European Maritime Space' (both discussed elsewhere). ICS/ISF also provided detailed information on a number of specific questions raised by the Commission in its 'Green Paper' including environmental, training and labour affairs issues. ICS/ISF have also been present at many of the hearings and events that have formed the year long 'consultation process' which will conclude in June 2007, after which time the Commission is expected to publish its detailed proposals, to which the global industry will need to respond.



16 ILO Maritime Labour Convention

A major part of ISF's resources remains dedicated to encouraging the worldwide ratification of the International Labour Organization (ILO) Maritime Labour Convention (MLC), which was adopted by governments, unions and shipowners' representatives at a three week Diplomatic Conference in Geneva, in 2006.

For the first time, 67 ILO legal instruments covering such matters as conditions of employment, hours of work, medical treatment, repatriation, and accommodation at sea have been consolidated into a single 'super convention' that will be enforced internationally both by flag state inspection and port state control. The shipping industry has gained much credit from the comprehensive scope of the new Convention and its declaration of acceptable employment standards that must be applied worldwide. As an instrument governing detailed employment conditions for an entire industrial sector globally, the ILO MLC is probably unique, and represents the 'fourth pillar' of international maritime regulation along with the IMO SOLAS, MARPOL and STCW Conventions.

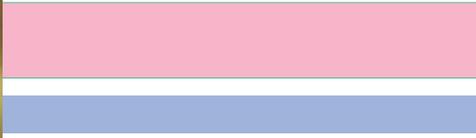
While the concept of the 'super convention' was developed by ISF members and its ILO 'social partner', the International Transport Workers' Federation (ITF), great care was taken during the 5 years of tripartite negotiations to ensure ownership of the requirements by governments, both in terms of compatibility with national employment law (addressed by the ILO concept of 'substantial equivalence') and with regard to the ease with which the new ILO

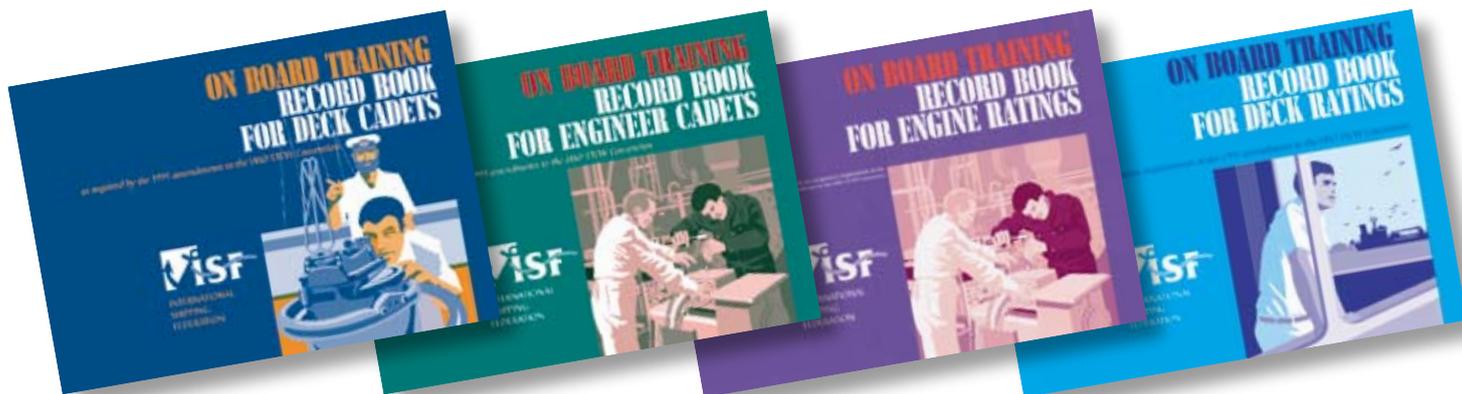
Convention can be ratified and implemented.

As a consequence, the Convention was adopted at ILO with virtually unanimous support from maritime administrations. However, it will be important to maintain the momentum so that it enters into force as soon as possible, providing the level playing field for labour standards that is required by both shipping companies and seafarers. ISF has therefore participated in a series of promotional seminars and high-level missions with governments, organised by ILO in Latin America, Asia, Russia and Europe. ISF (with ECSA) has also been engaged in detailed discussions that are already taking place within the EU institutions about the legal framework for applying the ILO Convention to ships trading in Europe.

In order to assist understanding of the new requirements amongst ship operators and employment agencies, ISF has produced a comprehensive Guide to the ILO Maritime Labour Convention, published in the Summer of 2006, of which thousands of copies have already been distributed worldwide. An important aspect for employers is the new requirement for ships to be issued with a Maritime Labour Certificate, usually following inspection by a classification society, and for ships to maintain a Declaration of Maritime Labour Compliance. The details concerning implementation of these new arrangements will be complex, and throughout 2007 will be the subject of ongoing dialogue between ISF and Class, as well as between national shipowners' associations and their governments.







18 **Seafarers' training standards**

ISF is leading employer representation in an important IMO review of the Standards of Training, Certification and Watchkeeping for Seafarers (STCW) Convention - which governs the competence standards that must be met by the world's 1.25 million seafarers serving internationally.

It is now 10 years since the radical STCW amendments entered into force, imposing additional responsibilities on employers, flag states and, most critically, those labour supply nations responsible for the quality of seafarers' training. In particular, the revised Convention introduced a new competence based approach to the delivery of training, with assessment focusing more on seafarers' ability to perform tasks actually required on board ship rather than knowledge based examinations. 'STCW 95' also brought into play a new degree of supervision, in the form of the so called IMO 'white list' of nations that have provided IMO with sufficient documentary evidence of compliance with the new requirements. These have been supplemented since 2004 by reports on the results of national quality standards audits.

In so far as any correlation is possible, statistics concerning the industry's safety and environmental performance suggest that the new regime has been a tangible success. Nevertheless, although STCW has gone a long way in restoring confidence in the validity of seafarers' certificates from emerging labour supply countries, anecdotal evidence amongst ISF members suggests that standards in some training institutes may still be deficient. In view of the acute shortages of officers that are emerging

in some sectors, this issue is all the more pressing. It is ironic that in some countries significant numbers of trainees may be undergoing expensive officer training, at colleges approved by the administration, with little prospect of being employed internationally by a reputable shipping company.

In January 2007, with the full support of ISF, IMO commenced a detailed review of the STCW Convention to identify potential areas for improvement. ISF submitted a chapter-by-chapter gap analysis of STCW, with a number of detailed suggestions for further discussion ranging from the possibility of further refinements to the 'white list' process to the need for greater emphasis to be given to training in environmental management. Encouragingly, many of these ideas have been taken forward by IMO for further discussion in early 2008, with a view to IMO adopting any required changes to STCW by 2010.

In a separate exercise, IMO is also looking to clarify the competence standards for 'Able Seamen', a responsibility transferred to IMO because the existing ILO Convention on the certification of ABs was not incorporated into the new ILO Maritime Labour Convention. This aspect has additional interest for employers because the 'AB' (senior rating) grade is used as a 'benchmark' rank in collective bargaining agreements with seafarers' unions.

Elsewhere, ISF has been involved with the final updating of the International Ships' Medical Guide, participating in a group co-ordinated by the World Health Organization, ILO and IMO. Publication of this important new edition of the Guide (which is

cross referenced with STCW medical training standards for seafarers) is expected later in 2007.

In parallel with the major STCW review exercise, ICS has chaired a human element sub-group of the Inter-Industry Working Group on Fires and Explosions in Chemical Tankers. The group made a number of recommendations regarding the need to revisit the specialist training standards for tanker personnel contained in STCW Chapter V, including the need to inculcate seafarers with the utmost importance of safety culture and the need for strict adherence to safety procedures. On behalf of the group, ICS has presented its recommendations to the relevant IMO Committees. As requested by ICS and ISF, these are now expected to be addressed by the broader review of STCW.





Safe manning and work hours

In January 2007, a major review of existing IMO requirements for flag states to establish safe manning levels began in earnest at the IMO Sub-Committee on Standards of Training and Watchkeeping. The review has been given impetus by concerns that some flag states might somehow be competing for shipowner customers with regard to the manning levels that they are willing to approve, and the extent to which fatigue might still be a contributory factor in maritime casualties. While ISF and ICS have supported the need for a review, they have cautioned IMO as to whether further amendments to its Guidelines on the Principles of Safe Manning are necessarily the best way to proceed.

The approach taken by ISF, which has made a number of detailed submissions to IMO on the issue, is that the key to ensuring that safe manning levels are maintained and, above all, that fatigue is prevented is to ensure that international regulations governing seafarers' work hours are properly enforced, along with existing prohibitions on such practices as solo watchkeeping at night.

In particular, ISF has suggested that the minimum rest hour provisions of the STCW Convention might be aligned with the stricter requirements of the new ILO Maritime Labour Convention (a minimum of 77 hours per 7 day period as opposed to 70 hours under STCW, with a requirement for individual seafarer's work hours to be recorded on a mandatory basis). Additionally, ISF

has proposed that any ambiguity about the mandatory status of existing IMO Guidelines on safe manning could be removed by elevating their status to that of an IMO Code. The industry has also suggested taking account of new technology, such as the integration of bridge systems, and its possible effects on reducing workload.

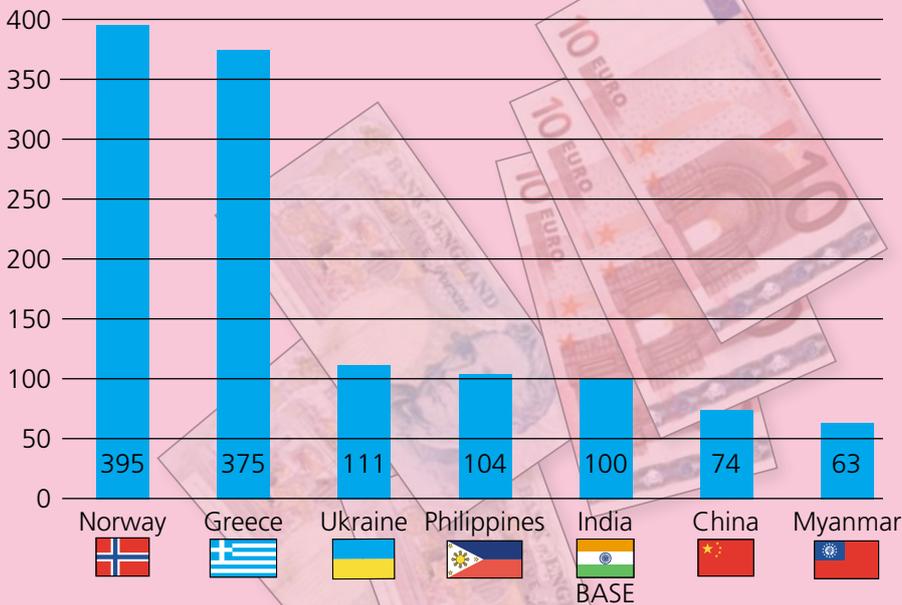
Encouragingly, the suggestions from ISF and ICS have been positively received by IMO and will be given more detailed consideration in 2008. However, the prevention and mitigation of fatigue is a complex subject which needs to be dealt with holistically. Meanwhile, to encourage strict compliance with IMO and ILO work hour requirements, ISF continues to promote the use of its Watchkeeper computer program.



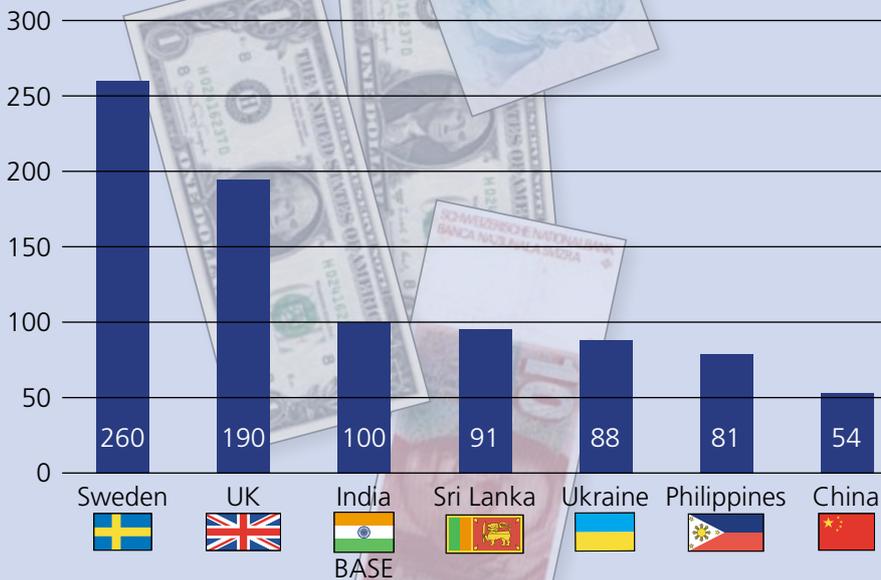


2006 Selective Comparison Wage Costs of Able Seamen

Source: ISF



2006 Selective Comparison Wage Costs of Chief Officers



Industrial relations and wages

ISF is the counterpart to the International Transport Workers' Federation (ITF), which is ISF's official 'social partner' at ILO, where the two organisations co-ordinate the positions of national shipowners' associations and seafarers' trade unions respectively.

ISF (with ITF) also co-ordinates representation on the ILO Joint Maritime Commission, which uniquely in the ILO system is a bipartite body which, amongst other tasks, has responsibility for agreeing to changes to the ILO Minimum Wage for Able Seamen. Following an agreement in 2006, the ILO minimum basic wage increased from US\$500 to US\$515 per month on 1 January 2007 (there will be increases to \$530 and \$545 per month in 2008 and 2009 respectively). However, with the addition of overtime and leave payments, the total minimum wage package is considerably higher.

Most seafarers are paid far more than the ILO minimum, but increases to the ILO minimum impact on collective bargaining agreements (CBAs). The quantum of changes to the ILO minimum is therefore important. Shipping is virtually the only industry for which a UN body sets an international wage minimum, albeit recommendatory and with caveats for developing countries' ships. The reality, however, is that the vast majority of seafarers from developing countries earn many times more than is paid for comparable shore based work in their countries of residence.

As a matter of principle, ISF does not agree with ITF's 50 year long 'Flags of Convenience' (FOC) campaign which requires many employers using open

register ships to obtain protection from secondary industrial action by ITF affiliated dockworkers by paying wage rates significantly above what would otherwise be the global market rate. ISF acknowledges the operational need for employers to enter into these agreements, but the fact remains that the 'voluntary' shipowner welfare contributions required by ITF agreements have provided ITF with significant funds to employ inspectors who in turn enforce the ITF 'FOC' campaign.

Today, it is increasingly recognised that distinctions between open registers and national flags are meaningless which is why IMO and ILO do not recognise use of the term 'FOC', which is considered to be unreasonably pejorative. Indeed, published performance statistics demonstrate that open registers, such as Liberia and Bahamas, have amongst the very best safety and port state control records. Liberia, moreover, was the first government to ratify the new ILO Maritime Labour Convention.

Even in ITF circles, many now appear to recognise the contradictions of its anti-FOC Campaign. ITF is dependent for so much of its income from ships using open registers, which it would lose if the campaign achieved its long term goal of returning these ships back to OECD flags. But the modern policies of these 'traditional' flags, in seeking to attract ships owned by foreign companies, are virtually indistinguishable from open registers. In what could turn out to be a radical move, ITF has announced a fundamental review of its FOC Campaign, a development which ISF and its members will be monitoring with much interest.

Fair treatment of seafarers following maritime accidents

The treatment by local authorities of seafarers unfortunate enough to be involved in maritime casualties or pollution incidents is an important issue for the industry. Following some recent high profile cases (such as the 'Prestige' in Spain and the 'Tasman Spirit' in Pakistan) where masters and crews were detained by investigating authorities, apparently without adherence to proper due legal process, IMO and ILO established a tripartite working group on the subject, with ISF/ICS providing the official employers' representatives. This led to the development of IMO/ILO Guidelines on the Fair Treatment of Seafarers, which address the key responsibilities of detaining states as well as those of flag states and the seafarers' country of residence. Sections on shipowner and seafarer obligations are also included.

It was thought that these voluntary Guidelines would be readily approved by the IMO Legal Committee and the ILO Governing Body. However, at the IMO Legal Committee in May 2006, the United States made a number of objections, principally due to concerns about how the Guidelines might potentially affect its treatment of seafarers suspected of involvement in terrorism. However, following intensive lobbying by ISF/ICS and seafarers' unions, the Guidelines were eventually endorsed by IMO in October 2006.

It is now important that the IMO/ILO Guidelines are promoted widely, both by governments and industry, as the internationally accepted standard for treatment of seafarers by investigating authorities. ISF/ICS and ITF are discussing how this might best be



22 done, in order to ensure that they are successful in protecting the rights of seafarers suspected of safety and pollution offences.

The separate issue of charging seafarers and shore based personnel with criminal as opposed to civil offences for unintentional pollution, making them potentially subject to large fines or imprisonment, also remains high on the ICS/ISF agenda. The industry maintains that measures such as the European Directive on Criminal Sanctions for Ship Source Pollution, which came into full force in March 2007, are in conflict with the provisions of the IMO MARPOL Convention, which distinguishes between unintentional and deliberate pollution.

Some industry interests, led by Intertanko, are challenging the legality of the EU Directive at the European Court of Justice (ECJ), having secured the agreement of the English High Court in 2006 that there is indeed a definite case for the ECJ to consider. A ruling from the ECJ is expected later in 2007. The international industry is awaiting the outcome of this challenge to unacceptable regional rules with much interest.

Liability developments

In addition to lobbying against regional proposals such as the EU draft Directive on the Civil Liability and Financial Securities of Shipowners, ICS continues to represent the industry on a range of legal issues at IMO.

With regard to the higher passenger ship compensation limits required by the 2002 Protocol to the Athens Convention, there have been widely reported difficulties concerning the insurability of terrorism risks.

Governments refused to accept responsibility for compensating passengers who are terrorism victims, rejecting the argument that a terrorist attack on a ship was an attack upon society as a whole. However, at the IMO Legal Committee in October 2006, a compromise solution, supported by ICS, was accepted. Under the compromise, shipowner liability for terrorism will be capped at about US\$500 million per ship, for which the insurance broker Marsh Ltd has advised it will be able to arrange cover assuming that the P&I Clubs cover general (non-war) risks. This will enable governments to issue the certificates of financial security that will be required for passenger ships to trade once the Convention has entered into force. The International Group of P&I Clubs (IG) has indicated that most but not all Clubs will probably be able to cover the general (non-war) risks for ships carrying fewer than 3,600 passengers.

However, there are broader issues concerning P&I cover for passenger risks, and in February 2007 the International Group decided to limit cover for passenger and crew claims to US\$3 billion with a sub-limit on passenger claims of US\$2 billion. The decision was taken in response to concerns about the general exposure of IG members to the risk of a catastrophic incident at 'overspill' level.

Elsewhere, in March 2007, ICS participated in the latest round of detailed discussions at the International Oil Pollution Compensation (IOPC) Fund to explore the possible connection between compulsory liability insurance and sub-standard shipping. ICS previously contributed to the OECD report which is being used to assist the discussions.

While the industry maintains that compensation should not be confused with punishment, there is clearly a need to ensure that compulsory insurance does not allow sub-standard ships to be protected unwittingly by the mutual insurance system. One particular matter that is being looked at is the impact of competition regulation in preventing insurers from sharing safety related information.

ICS is also engaged in the discussions at IMO on a new liability convention concerning wreck removal, and is leading shipowner representation at the IMO Diplomatic Conference in Nairobi in May 2007. Elsewhere, ICS is opposing proposals put forward by the Comité Maritime International (CMI) for a separate regime to deal with potential liabilities and compensation issues associated with coastal states granting refuge to ships.

Although not directly impacting on shipowners at this stage, ICS has also been taking a close interest in the discussions in Europe about a new Directive on classification societies, which, like the existing Directive, includes provisions whereby Class would be exposed to potentially unlimited liabilities. There have previously been discussions, under the banner of the CMI, about the possibility of developing some kind of limited liability regime that might apply to Class internationally. However, discussions foundered when it proved impossible to agree upon an appropriate level of liability. But with the liability of Class once again in the spotlight, not least following some high profile incidents, as well as the draft EU Directive, it could be timely to revive these industry discussions. If this happens, and it is helpful, ICS intends to be closely involved.





24 **UNCITRAL negotiations on cargo liability**

2007 sees the final stages of several years' negotiations, conducted twice a year in Vienna and New York, under the auspices of the United Nations Commission on International Trade Law (UNCITRAL) about a new global liability regime for the carriage of goods. ICS has been heavily engaged in the discussions throughout, the hope being that the new UNCITRAL instrument would address the liability aspects of modern developments such as 'door-to-door' transport involving other land based modes, electronic commerce and 'just in time' delivery, to provide a uniform and up to date global regime that could replace the Hague/Visby and Hamburg Rules.

ICS participated at a critical meeting in New York in April 2007 at which the final shape of a new legal instrument emerged prior to final adoption by UNCITRAL, probably by early 2008. Together with BIMCO and the International Group of P&I Clubs, ICS submitted detailed comments on the draft text, published in February 2007, for consideration by governments. In a curious development, at the round of discussions in Vienna in November 2006, a number of developing nations elected to vote en bloc on certain technical issues. This was especially relevant given that several traditional maritime nations have seemingly chosen not to be actively engaged in the negotiations.

The outstanding issues at UNCITRAL are esoteric, with much of the detailed drafting having been led by academics. However, there is a danger that efforts to make the new instrument compatible with these experts' views and compatible also with the United

States' extensive requirements could mean that the new instrument is so complicated that it will be difficult for governments to ratify.

It remains to be seen whether the new instrument to be adopted will serve as a replacement to the Hague/Visby and Hamburg Rules. But it would be a great pity if this 'once in a generation' opportunity to update the liability regime for the carriage of goods in line with modern multi-modal transportation practices is lost, not least as this will only give encouragement to the European Commission's ambitions to negotiate a regional cargo liability regime. It is therefore important that maritime nations are properly represented during the closing stages of these important discussions.

Preserving the UN Law of the Sea

The concept of an international law of the sea can be traced back to Grotius in the 17th century. It embraces the principle of freedom of navigation for all ships sailing beyond a coastal state's territorial waters, and maintenance of the principle was one of US President Woodrow Wilson's famous 10 points, which formed the basis of the First World War peace settlement. This principle eventually became incorporated into the United Nations Convention on the Law of the Sea (UNCLOS) which was adopted in its current form in 1982.

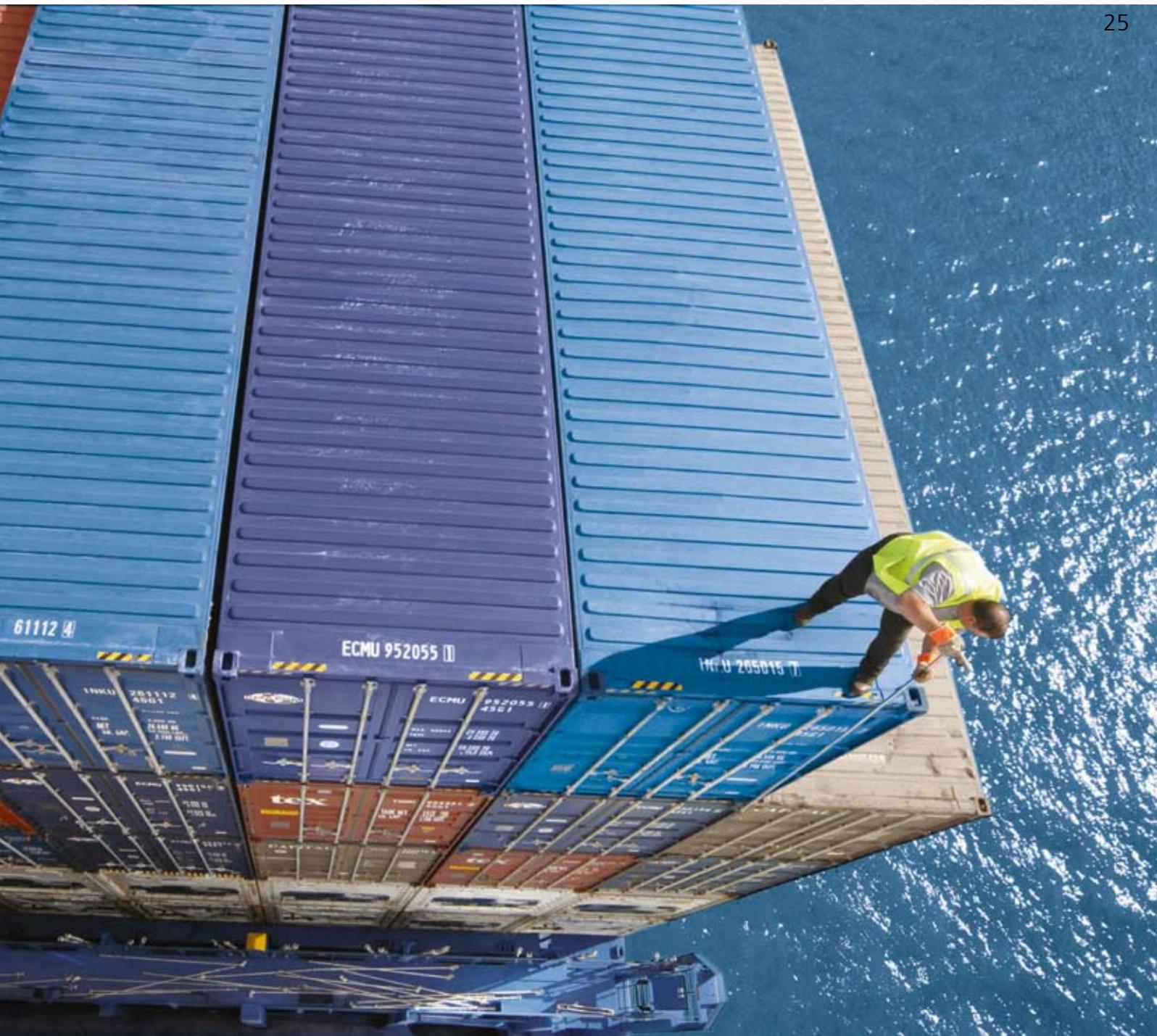
ICS is concerned that the delicate balance between the rights of flag states and coastal states may be under threat, not least by the European Commission's ambitions, reiterated in its EU Maritime Policy Review 'Green Paper' published in June 2006, to seek

radical amendments to UNCLOS. The Commission apparently wishes to strengthen its powers over non-EU ships transiting the Exclusive Economic Zones (EEZs) of EU Member States beyond territorial waters. In particular, the Commission wishes to be able to restrict the freedom of navigation of ships which it believes may be a threat to safety and the environment. However, this could mean interfering with ships that are fully compliant with international regulations, as was the case four years ago in the immediate aftermath of the 'Prestige' disaster, when the French and Spanish navies escorted foreign flag single hull tankers, that were fully compliant with MARPOL, to waters outside their EEZs.

It remains a disappointment that few governments were willing to challenge this apparently blatant violation of international law, which might have been done by using mechanisms such as the International Tribunal for the Law of the Sea. It must be hoped that governments will be more robust in their questioning of the European Commission's intentions.

The balance of rights in UNCLOS has long term implications that go far beyond shipping, affecting sensitive issues such as exploration, mining, and military rights beyond territorial waters. There may be coastal states in other parts of the world, adjacent to trade lanes of major strategic importance, that would use any new powers to interfere with ships beyond their territorial waters as a pretext for actions that have little to do with safety or environmental protection.

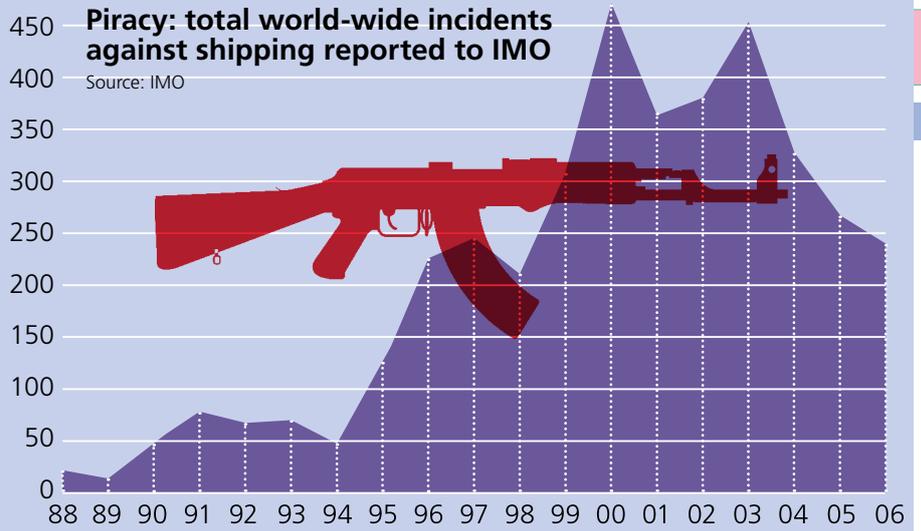
More immediately, ICS has remained unhappy about the means used by Australia and Papua New Guinea to compel shipping using the





Piracy: total world-wide incidents against shipping reported to IMO

Source: IMO



26

international Torres Strait to take pilots on a mandatory basis. ICS fully accepts - in line with recommendations by IMO - that ships transiting the Strait should indeed take a pilot. But ICS has been very concerned about the mechanism used to introduce this measure, particularly with regard to ships not calling at Australian ports, which appears to be in conflict with UNCLOS. This might appear to be a legal technicality, but it could set an unwelcome precedent for the regulation of shipping in other international waterways.

A case in point has been the unhelpful suggestion to the effect that ships using the Malacca Straits should be charged individually for the cost of services such as navigational aids. While there is a growing consensus that some mechanism might be found whereby those nations that benefit from this major international waterway could provide financial assistance to the littoral states, charging transiting ships directly would appear to contravene international law.

Security at sea

It is now almost 5 years since the adoption by IMO of the International Ship and Port Facility Security (ISPS) Code, which was a politically driven reaction to the terrorist attacks on the United States in 2001. It is impossible to answer whether or not these radical measures, which were implemented in record time by the industry and at considerable financial cost, have succeeded in making the world a materially safer place. However, the new regime has brought about some benefits, for example with regard to tackling pilferage and the incidence of stowaways.

While the shipping industry has largely done what was required by ISPS in terms of resources, training and undertaking the necessary audits for certification, anecdotal evidence provided by ICS/ISF members suggests that some ports around the world may not yet be fully compliant to the same extent.

While the day to day implementation of ISPS has become more or less routine, ICS's attention has been focused on continuing discussions at the World Customs Organization (WCO) - in which ICS has actively participated - on the implementation of its SAFE Framework for supply chain security, and discussions at IMO as to whether or not the ISPS Code needs to be amended to take account of these developments.

The situation is complicated by the fact that having persuaded WCO to adopt requirements compatible with new US rules - such as that requiring cargo information to be sent to customs in the importing country 24 hours before loading (also soon to be mirrored by a new EU regime) - US Customs is now introducing additional maritime security procedures (the so called '10 + 2' regime) which are not covered by the new WCO framework. Moreover, US Customs now wishes these rules, which have been mandated by Congress, to be adopted internationally. The need for global procedures and the political impetus behind the additional US requirements probably means it will be necessary for them to be accommodated internationally.

Notwithstanding the fact that the ISPS Code was only fully implemented by ships in 2004, there have been some rather enthusiastic suggestions

from security experts that the ISPS Code should soon be opened up for revision. This seems rather premature, and ICS and ISF will be regarding such suggestions with caution. Constant changes to the procedures simply complicate seafarers' and companies' ability to deliver the new high levels of security that politicians now require.

Within the United States, much attention has been focused on the discussions within Congress about the possible introduction of a requirement for 100% of containers to be scanned on their way to the US for potential weapons of mass destruction. The industry has pointed out that it would be near impossible to inspect every container physically without drastically interfering with the smooth flow of world trade. For the moment at least, it seems that pragmatism has prevailed, but it is likely that support for the concept will return under the next US administration, as the Democrats and Republicans compete to demonstrate their credentials on homeland security.

At a more practical level, ICS has been deeply involved in the discussions at IMO about the introduction in 2009 of mandatory Long Range Identification and Tracking of Ships for security purposes, using existing satellite communications equipment. With the concept championed by the United States, ICS has been engaged in the system's development from the outset, with most industry concerns about costs and equipment now having been met. But there are still some complex billing issues to be resolved and questions about the compatibility of older equipment to be answered by manufacturers. Of greater concern is the lack of engagement of some IMO Member States which threatens the viability of an international



system, opening the way for regional systems that may lack the safeguards embodied in the IMO proposals.

Possibly a more immediate concern for seafarers is the continuing incidence of piracy and violent armed attacks against merchant ships and their crews, usually by armed robbers but on occasion by kidnappers. Efforts by the littoral states in the Malacca Straits to enhance protection for shipping, including the use of air patrols, appear to be having significant effect, although attacks are still occurring in the remoter parts of Indonesia. In September 2006, ICS participated in a special IMO sponsored meeting in Kuala Lumpur involving key governments with an interest in the safety and security of the area. For much of living memory, piracy in the region has been a perennial problem confronting seafarers, all too frequently at the cost of their lives. At last, perhaps, some progress is being made. ICS will be participating in a follow up IMO meeting in Singapore in



28 September 2007.

Meanwhile, the waters off Somalia have also become an established danger area, with armed gangs attacking shipping with automatic weapons, including United Nations aid cargoes, as far out as 300 nautical miles from the coast. Despite some high profile interventions, it is sometimes hard to believe that the considerable 'Coalition' and NATO naval forces in the vicinity are unable to do more to prevent attacks that are occurring on the high seas.

The problem of piracy and armed attacks must remain on the agenda of the UN Security Council, and ICS/ISF will be seeking to ensure that the new UN Secretary General is fully aware of the seriousness of this issue.

Maintaining free trade

ICS continues to pursue the preservation and further development of free access to shipping markets around the globe, questioning regional and national measures that may give unfair preference to domestic interests.

While most international shipping markets are already liberalised, ICS still wishes to see current trade practices codified as part of the next World Trade Organization (WTO) agreement on trade in services. Shipping is one of the few major industries not covered by existing multilateral agreements on trade. In spite of the impasse at the WTO talks in 2006 (principally due to unrelated disputes over agriculture) the Doha Round of trade negotiations is expected to be revived, and talks on maritime services may soon regain momentum. ICS and its members have remained in contact with the 'Friends of Maritime' group - a

collection of government negotiators at WTO who recognise the importance of efficient shipping markets to the health of the world economy.

Notwithstanding the open shipping markets that prevail in much of the world, there are always potential dangers on the horizon. The United States still displays an unwillingness to become engaged in the WTO discussions on maritime services, apparently fearing, despite assurances to the contrary, that a WTO agreement might somehow have implications for cabotage and the US Jones Act.

The US Congress has also given a rather unhelpful signal in the form of a new legal requirement for the US Maritime Administration (MARAD) to promote the US flag LNG ships and crews, not least by linking their use to the current round of new LNG terminal approvals taking place around the US, which are politically controversial due to concerns about safety and security. In formal comments to MARAD, filed in February 2007, ICS and ISF have emphasised the importance of ensuring that any measures that may be developed to promote US LNG shipping and crews are compatible with established free trade principles concerning international maritime commerce. MARAD is aware of the diplomatic sensitivity surrounding this issue, underlined by the helpful démarche from the Consultative Shipping Group (CSG) of overseas governments - with which ICS maintains close relations. In practice, however, there are actually rather few US flag LNG ships for MARAD to promote in international/US trades, and the high international wage rates commanded by LNG crews means that LNG is one of the few remaining shipping sectors in which there is still a

healthy demand for American officers. Nevertheless, it will be important for the US to avoid setting an unwelcome example that could be emulated by other major nations to hinder access by international shipping to their own markets.

Elsewhere, ICS has been particularly concerned by the proposal by the European Commission to establish a 'Common European Maritime Space' (CEMS) whereby trade between two EU countries, which currently counts as an international voyage, could be regarded as a 'domestic' voyage within the EU. The Commission suggests that its only motivation for doing this is to bring about improvements in customs and trade facilitation. However, by its own admission, the concept of CEMS will have implications for cabotage in the context of international trade negotiations. While fears that the EU is intending to establish a 'European Jones Act' are probably an exaggeration, the industry is right to be concerned that at some point in the future such a development might be used to reduce access by non-European ship operators to intra-EU markets.

Any efforts by Europe to impose requirements on so called 'third country' ships at variance with international agreements (e.g. the ILO Maritime Labour Convention) will almost certainly be viewed by the industry as protectionism and potentially a major step backwards.

The concept of a Common European Maritime Space is an important theme of the current EU Maritime Policy Review, and the Commission is expected to clarify its intentions when it publishes firmer proposals in late 2007.



Competition rules

October 2006 witnessed a sea change in the regulation of competition between shipping companies, with potentially radical implications for the longer term structure of the global liner industry, but also with implications for other trades too.

In conflict with practices that are legal elsewhere in the world, the EU Council of Ministers endorsed European Commission proposals to outlaw participation in Conferences by liner operators to and from Europe - including those involving non-EU ship

operators - with effect from October 2008. This terminates a tradition of co-operation between shipping companies operating in what are highly cyclical and volatile markets involving massive capital investment, and which in the view of most expert observers has helped guarantee the quantity, quality and frequency of scheduled liner services for over 100 years.

With the encouragement of the European Shippers' Council, the Competition Directorate of the European Commission has taken a somewhat ideological approach to

the special regime that has previously existed for shipping, being determined to remove the block exemption from EU competition rules that has allowed liner conferences to exist. Disappointingly, those shipping and transport ministries in EU Member States that understood the benefits of Conferences seem to have been overruled by those departments responsible for competition.

The precise details of the new regime are still being discussed with the European Commission by the European Liner Affairs Association (ELAA), which represents container





30 lines who trade to and from Europe. It is clear that lines will no longer be permitted to set common Terminal Handling Charges (THCs) or many other joint surcharges in European trades. However, it is hoped that an understanding will be reached shortly about the scope of information exchange on market developments that will continue to be allowed after 2008.

As for the overall effect of prohibiting Conferences, this remains to be seen. However, a possible result could be greater market concentration, and the number of smaller companies serving

ports on north/south trades outside the major trade routes might decrease.

Although most attention has been given to the impact on liner trades, the EU has also adopted important new competition law enforcement powers over non-liner shipping trading to and from Europe. This has generated a degree of uncertainty amongst tanker and dry bulk operators who jointly market their operations in 'shipping pools'. Although bulk shipping in tramp trades operates in conditions of near perfect competition - most tramp ships on the market for charter

are in competition with hundreds of others - it remains unknown whether the Commission will apply the same legal understanding until it issues some Guidelines to non-liner trades, the content of which is still being discussed with the European Community Shipowners' Associations.

There has possibly been a degree of scaremongering by those promoting legal and financial restructuring services; the law itself has not changed, just the Commission's right to enforce it. But in view of the huge penalties associated with even minor





technical violations of EU competition law, and the theoretical right of the Commission to apply penalties retrospectively, it will be important to ensure that these complex issues are clarified, and that the EU Competition authorities display pragmatism and common sense.

Elsewhere in the world, ICS has continued to support the preservation of liner Conferences and has been active in making representations to the authorities in Australia, Japan and Singapore, which have also been reviewing their own maritime competition regimes. In China, the Ministry of Communications has recently issued requirements which, whilst confirming the continuing legality of Conferences, impose additional supervision and filing requirements. In the United States, meanwhile, the Antitrust Modernisation Commission (AMC) has been aggressively reviewing US maritime rules. Despite forceful lobbying by the World Shipping Council, which represents container lines trading to the US, it is possible that this may lead to calls for the Federal Maritime Commission to consider changes to the US Ocean Shipping Reform Act.

Promoting the industry's profile

ICS has produced a short DVD film - 'International Shipping: Life Blood of World Trade' - to explain the importance of shipping to the health of the world economy and to convey the message that shipping is safe, clean and comprehensively regulated. The film also stresses the vital need for global regulation for a global industry.

The film has been well received, and some 15,000 copies have been distributed throughout the industry via national shipowners' associations, on a DVD containing versions dubbed into French, Spanish, Arabic, Chinese and Japanese. An internet version has also been produced (see www.marisec.org/film). In addition to being used with captive audiences of policy makers, the film is being used as a tool at exhibitions and in careers talks to young people.

Much attention has rightly been afforded to the question of maintaining a positive image for the shipping industry with the public at large and, more particularly, those policy makers and politicians who have an impact upon shipping without having specialist knowledge of the issues. To a large extent, raising the profile of shipping is the responsibility of ICS/ISF national shipowners' associations, who have the task of promoting their national industries.

However, this can be difficult in many countries. Notwithstanding the significant contribution that shipping makes to national economies, not least to their balance of payments, the national shipping industries often lack any political constituency because they ultimately deliver few votes.

Some national shipowners' associations have sought to overcome this challenge by developing 'maritime clusters' of related industries, such as equipment manufacturers, brokers, classification societies and even the military navy. This approach is also reflected in initiatives such as the new Maritime Industry Foundation, of which ICS and ISF are supporters, which seeks to provide information about the entire maritime sector.

However, while being part of a broader constituency may bring dividends, it is important for ship operators to maintain a distinct profile in their own right, both in terms of general awareness amongst policy makers and to maintain the necessary influence on regulatory matters. The latter is important, since the international nature of shipping means that it is normally subject to entirely separate legal regimes from those developed for shore based industry.

ICS and ISF therefore continue to help national shipowner associations by developing generic tools that complement national profile-raising efforts. In co-operation with BIMCO, Intercargo and Intertanko, the shippingfacts.com website has been redesigned, while greater emphasis is being put on the co-ordination of messages about the shipping industry, not least through press releases. This is especially important at a time when shipping is increasingly coming under



32 the media spotlight with regard to issues such as carbon emissions.

ICS/ISF have also launched a new electronic newsletter - 'Mariscene Monthly' - to provide a concise snapshot of some of the more complex policy and technical issues confronting international ship operators with which ICS and ISF are involved.

ICS and ISF have also supported the IMO Secretary General's efforts to revitalise World Maritime Day (held on the last Thursday in September). In 2006, linking with the chosen theme of technical co-operation, ICS/ISF and the other Round Table organisations produced a special brochure about shipping and contributed to an industry World Maritime Day event in London. The IMO theme in 2007 is shipping and the environment, and ICS is committed to capitalising on this opportunity.

Facilitation and documentary procedures

ICS is a strong supporter of the IMO Facilitation (FAL) Committee whose terms of reference are to improve the efficiency of maritime commerce through the simplification and unification of trade and documentary procedures.

In the Autumn of 2006, ICS chaired an IMO correspondence group which looked at means of developing a system of electronic ships' certificates, perhaps held on flag state databases, in order to simplify port state control inspections. The group's recommendations were considered by the Committee in March 2007 and further work is continuing although, given the hundreds of thousands of documents involved, it is acknowledged that this project is ambitious.

Unfortunately, because of the relevance to customs procedures, many of the government representatives to the IMO FAL Committee are customs and immigration officials who do not necessarily view trade facilitation as their immediate priority. A recent example was the proposal from the Netherlands and other European immigration authorities to amend the IMO Facilitation Convention so that the details of crew visas would be sent ahead of a ship's arrival in port. This would have undermined the spirit of the ILO Convention on Seafarers' Identification Documents (ILO 185) which, to facilitate shore leave and crew transits, implies that seafarers holding new ILO seafarers' ID will not normally be required to obtain visas in advance of arrival. (The ILO Convention was negotiated with governments by ISF and ITF in 2003 to address post 9/11 concerns about security.) However, in March 2007, with the support of unions and ILO, ISF/ICS were able to persuade the Facilitation Committee not to pursue most of these unhelpful proposals.

ICS also played an important role in the development of the transport articles of the International Chamber of Commerce (ICC) Banking Commission's revised procedures for documentary credits (UCP 600), attending the Banking Commission's meeting in Vienna in 2006. The original drafts contained a number of significant issues which were inconsistent with actual practice in the shipping industry and which would have hindered implementation of the new procedures. However, the ICC Banking Commission was eventually persuaded to accommodate most of the ICS suggestions.

Panama Canal toll increases

ICS has remained in dialogue with the Panama Canal Authority about the quantum and timing of proposed toll increases, associated with the planned expansion of the Panama Canal. While this major project now seems certain to go ahead, the estimated US\$5.25 billion costs will be funded predominantly by industry through increased tolls, and ICS has stressed the need for transparency regarding their scale, adequate phase-in arrangements, and the importance of taking into account the needs of different ship types and trades.

Following the Panamanian referendum in October 2006, which approved the Canal's expansion to accommodate larger ships, ICS had an informal meeting with the Administrator of the Panama Canal at which the views of ICS were sought prior to the publication, in February 2007, of the formal proposals for future toll increases. ICS then spoke at a Public Hearing in Panama in March, and submitted formal comments to the Panama Canal Authority (ACP) to express the shipping industry's concerns about the huge scale and timing of the increases.

ICS members have cautiously accepted the concept of different prices for different ship types. However, repeated requests that increases in tolls should be equitable, transparent and spaced over a sufficient amount of time appear to have been largely ignored.

The official Canal Expansion Proposals referred to projected increases in tolls of 3.5% per annum over a 20 year period, but the proposed toll rises equate to 8 to 10% per annum, with



larger increases for container and some passenger ships. In any industry, changes of this magnitude over such a short period of time would be regarded as being unacceptably large.

Canal users feel that increases in Canal dues should be matched by a tangible improvement in the service

provided, and that they should not be expected to provide up-front financing for a major infrastructure project from which they may not individually derive any benefit. ICS has therefore suggested that the ACP explores further the extent to which external financing might be used to spread the costs over a longer period of time.



Internal affairs

33

In May 2006, Spyros M Polemis (Greece) was elected Chairman and President of ICS and ISF by the membership of 40 national shipowners' associations. He succeeds Rolf Westfal-Larsen (Norway), who provided calm and thoughtful leadership to ICS and ISF during the previous 8 years, and whose dedication to the principles espoused by the two sister organisations was widely respected and appreciated.

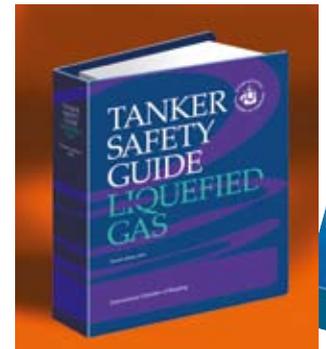
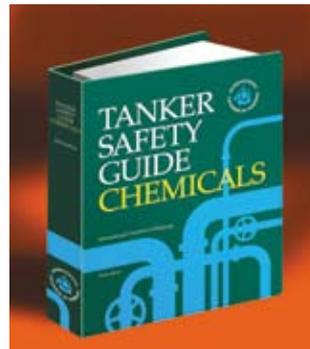
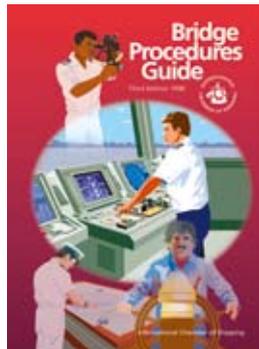


Tony Mason

Following the retirement of Chris Horrocks, Tony Mason became the new Secretary General of ICS and ISF in October 2006. Tony was formerly a senior Director at P&O Nedlloyd and, as

well as having 30 years' experience of shipping, he has specific experience of international policy issues as a board member of the US based World Shipping Council and the European Liner Affairs Association. One of his first tasks has been to oversee a review of the ICS/ISF strategy, the intention being to ensure that the organisations maintain the influence on shipping matters required by their member national associations, and can maintain control of their destiny as maritime regulatory fora evolve.

Chris Horrocks retired after a career at ICS/ISF spanning 37 years: 28 years as ICS Secretary General and ISF Secretary General since 1990 when the organisations combined under a common secretariat. The official transfer of the helm to Tony Mason



34 took place at a special reception at Trinity House, London, on Chris's final day on 29 September. For many years, Chris has been acknowledged as the unofficial ambassador of the global shipping industry. He has been an indefatigable advocate of the interests of shipping, an industry for which he holds a deep affection and fascination.

There have also been other staff changes: Peter Hinchliffe has become Marine Director; Kiran Khosla has joined as General Manager (Legal); Rebecca Chetwood as Administrative Officer; and Janet Ebert as PA to the ICS/ISF Secretary General.

The secretariat continues to be employed by Maritime International Secretariat Services (Marisec) Limited, which is jointly owned by ICS and ISF. Marisec also provides secretariat services to other maritime bodies including the International Support Vessel Owners' Association (ISOA) and the International Maritime Employers' Committee (IMEC).

The 2006 Annual General Meetings of ICS and ISF were hosted in May by the Chamber of Shipping of America, in Washington DC. In addition to electing Spyros Polemis as Chairman/President, Charles Kurz II (United States) and Michael Everard (United Kingdom) were elected as ICS Vice Chairmen for 2006/2007, with Luis Ocejo (Mexico) and Patrick Decavèle (France) elected as ISF Vice Presidents.

The 2007 Annual General Meetings will be hosted by the Hong Kong Shipowners' Association in June, in the year of its 50th anniversary.

The membership of ICS and ISF remains stable, the only changes being that the European Dredging Association (EuDA) has become an Associate Member of ICS and ISF, while the Cruise Lines International Association (CLIA) has taken over the associate membership formerly held by the Washington based ICCL before the merger of the organisations in January 2007.

Publications

The development and updating of best practice for the shipping industry, disseminated globally under the banner of Marisec Publications, remains an essential part of ICS and ISF activity. The current list comprises over 30 publications and products.

A major achievement, in conjunction with the Oil Companies International Marine Forum (OCIMF) and the International Association of Ports and Harbors (IAPH), was the publication in Summer 2006 of a fully revised 4th edition of the International Safety Guide for Oil Tankers and Terminals, or ISGOTT as it is widely known throughout the tanker industry. This was the culmination of 4 years' work, led by a special working group that drew on the advice and expertise of ICS, OCIMF and IAPH members.

The new edition takes full account of experience gained following the widespread introduction of double hull tankers, as well as the mandatory development of Safety Management Systems required by the IMO ISM Code. Encouragingly, some 15,000 copies have already been sold.

Another milestone has been the publication by ISF during 2006 of comprehensive guidance to ship operators on the new ILO Maritime Labour Convention, just weeks after the new Convention was adopted by ILO.

Major projects for 2007 include publication of a revised ICS Bridge Procedures Guide and the updating of existing ICS guidance on helicopter/ship operations and ballast water management. The successful ISF/Marlins (computer based) English

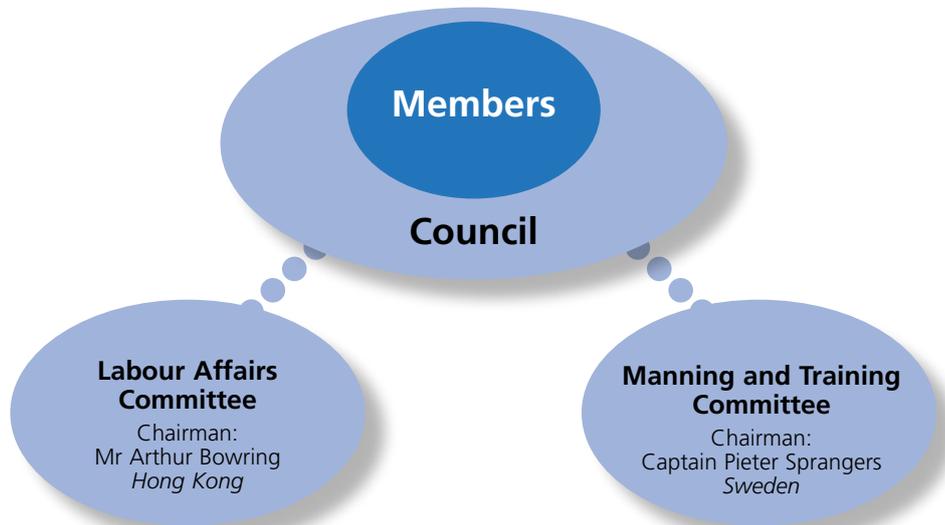




language test is also being improved and updated. English is the lingua franca of shipping, and the ISF/Marlin products have become established tools used by tens of thousands of seafarers. Marisec Publications also continues to distribute accident prevention products produced by the UK P&I Club, as well as the ISF Watchkeeper programme (in conjunction with IT Energy), which is also being reviewed to take account of the work hour rules in the new ILO Convention.

The industry best practice embodied in ICS and ISF publications is an important complement to regulatory requirements. The industry has therefore been strongly resisting a proposal led by Spain at IMO to make much of the guidance within the ICS/OCIMF Ship to Ship Transfer Guide mandatory, by incorporating large sections of it into the MARPOL Convention. The provision of information relevant to the conduct of safe maritime operations does not always lend itself to prescriptive rules. While ICS is very happy for IMO regulations to refer to ICS publications on best practice, it is vital that the industry remains able to modify its own guidance, consistent with its commitment to continuous improvement - a principle embodied in the ISM Code.

Organisational Structure



ICS Executive Committee

- Mr Spyros M Polemis *(Chairman)*
- Mr David Sterrett *Australia*
- Mr Andreas Droussiotis *Cyprus*
- Mr Lars Vang Christensen *Denmark*
- Mr Patrick Decavèle *France*
- Mr Anastasios Papagiannopoulos *Greece*
- Mr Robert Ho *Hong Kong*
- Mr Minoru Sato *Japan*
- Mr Samuel Cooperman *Liberia*
- Mr Silverio Di Costanzo *Mexico*
- Mr Ed Nobel *Netherlands*
- Mr Terje Andersen *Norway*
- Mr Håkan Larsson *Sweden*
- Mr Michael Everard *United Kingdom*
- Mr Charles Kurz II *United States*

ISF Council

- Mr Spyros M Polemis *(President)*
- Mr Lachlan Payne *Australia*
- Mr Hans-Georg Wurmböck *Austria*
- Mr Nicolas Saverys *Belgium*
- Mr P S de Mello Cotta *Brazil*
- Capt Gueno Guernov *Bulgaria*
- Mr Don Morrison *Canada*
- Mr E Strelow Castillo *Chile*
- Mr Cheng Zhongbiao *China*
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- Mr Leif Kristian Nielsen *Denmark*
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- Mr Arthur Bowring *Hong Kong*
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- Capt Eddie Keane *Ireland*
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- Mr Luis Ocejo *Mexico*
- Mr Ed Nobel *Netherlands*
- Mr Paul Nicholas *New Zealand*
- Mr Terje Andersen *Norway*
- Mr Syed Mahmood Ali *Pakistan*
- Mr Carlos Salinas *Philippines*
- Mr Manuel Carlier *Spain*
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ICS Organisational Structure

36



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