



Annual Review 2008



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.

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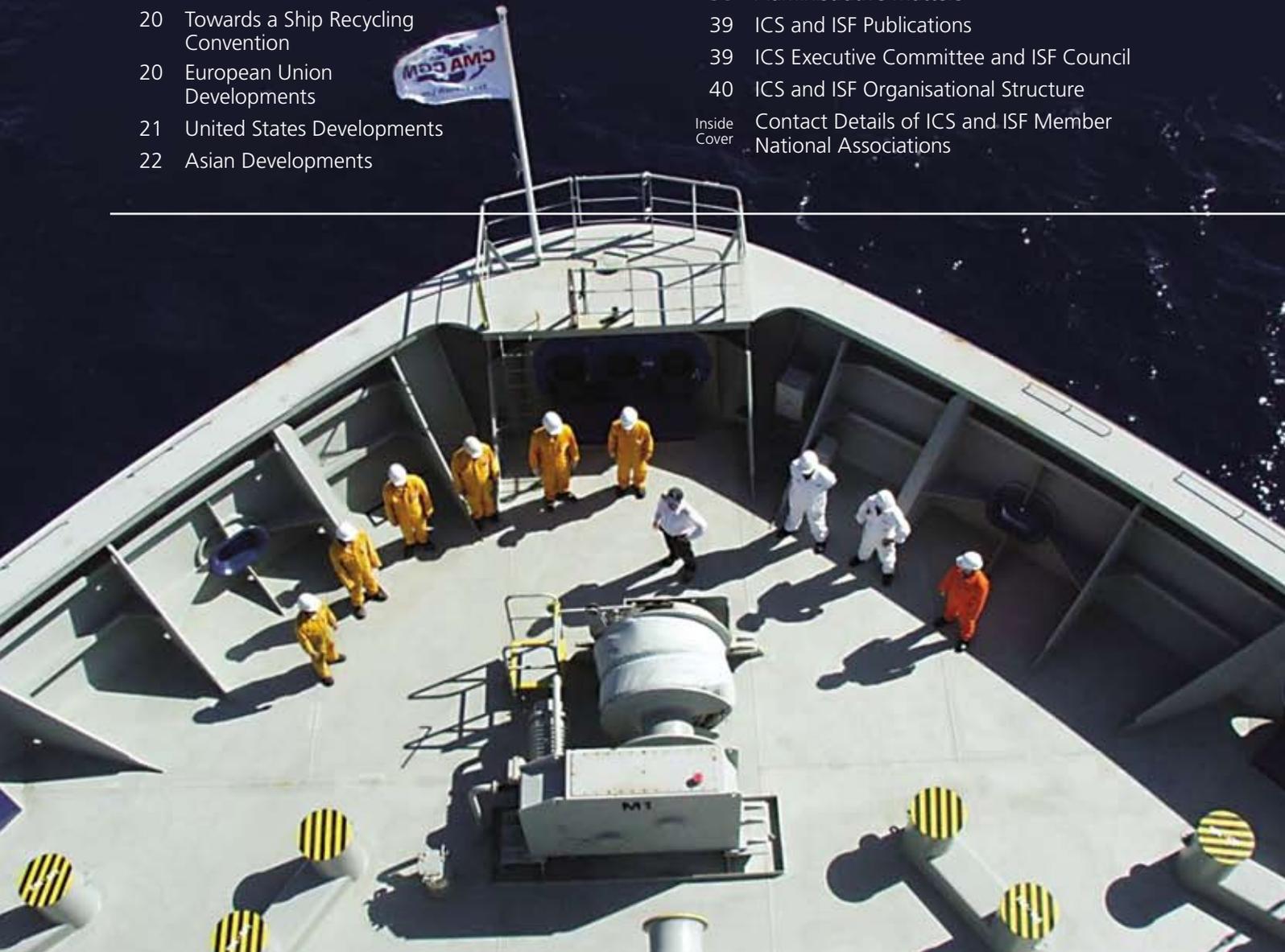
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**ICS Chairman and ISF President
Mr Spyros M Polemis
Greece**



Introduction

2 **I**N MY SECOND YEAR as Chairman of the International Chamber of Shipping and President of the International Shipping Federation, our industry is more under the spotlight than for several years, as politicians and the public increasingly consider the environmental performance of shipping, given the widespread concern about global warming. It is therefore a challenging time to be leading ICS and ISF, whose responsibility is to communicate the industry's already good record, and at the same time demonstrate that shipowners are continuing to find ways to improve their performance.

For the past 12 months, most shipping markets have continued to remain strong, though often extremely volatile. The global demand for shipping services, boosted by seemingly relentless growth in Asia, generally appears to be holding up, with a longer term expectation of continuing the dramatic expansion of shipping activity worldwide.

However, the serious uncertainties surrounding the health of the US economy, questions about the availability and cost of shipping finance, and the huge amount of shipping tonnage due for delivery in the next few years suggest that the extension of the bonanza recently enjoyed by so many shipowners cannot be taken for granted.

The current economic climate may be expected to give renewed emphasis to keeping operating costs in check, not least the significantly increased price of bunker supplies and the high wages paid for quality crew, for whom the market is extremely tight. As explained within this Annual Review, these are important topical issues with which ICS and ISF are deeply concerned.

However, our primary focus with the

regulators, and in communication with a broader audience, has been the need to address environmental issues, and in particular how best to make significant reductions in atmospheric pollution, and the related but separate challenge of reducing maritime carbon dioxide emissions.

At the time of writing, I am very pleased to report that the International Maritime Organization (IMO) has impressively and decisively come to a global agreement on a progressive but nevertheless dramatic switch to low sulphur fuels for all ships. Assuming the radical amendments to MARPOL Annex VI are duly confirmed by governments in October 2008, the sulphur content of fuel will be progressively reduced globally to 0.5% by 2020, and in sensitive coastal areas to 0.1% by 2015.

This agreement represents one of IMO's greatest achievements, delivering a practical solution which enjoys broad international support, amongst governments and industry alike. I am also very pleased that ICS and its member national shipowners' associations have played such important roles in helping governments to achieve a solution.

The major task during the rest of 2008, however, will be to help ensure IMO makes progress towards developing a global package to address maritime CO₂ emissions. Although the industry, led by ICS, is undertaking much fast paced work to develop global industry positions on potential solutions, it will be a tremendous challenge for IMO to develop meaningful proposals before the next major UN Climate Change summit, in Copenhagen in December 2009. However, the recent agreement on sulphur demonstrates that IMO is indeed able to produce results to confound the sceptics.

In June 2008, during the first meeting of the IMO Council at its smartly renovated Albert Embankment HQ in London, ICS/ISF and its industry partners will participate in a dedicated industry seminar to mark IMO's 60th anniversary. Discussions at IMO, at which ICS and ISF lead shipowner representation, take place in a special atmosphere of international co-operation. IMO remains a model of efficiency amongst United Nations' regulatory agencies, with both government and industry participants being committed to the safety and well being of the industry they serve and the people who are employed by it. As it happens, the year when IMO was founded, 1948, was also when ICS adopted its current name, having previously operated as the 'International Shipping Conference', and in 1961 ICS and ISF became the very first shipowner representative organisations to enjoy consultative status with IMO.

ICS was originally established in 1921, but its sister organisation, ISF, will actually be celebrating its centenary in 2009. Pleasingly, ISF still has an active agenda today and, as explained in this report, whilst employers and unions may not always see eye to eye on every issue, there has been a great deal of co-operation on critical matters such as the promotion of the International Labour Organization (ILO) Maritime Labour Convention, and on concerns about fair legal treatment for seafarers following accidents at sea, on which we have launched a joint campaign.

While seafarers work hard and with a sense of dedication to their industry, maritime careers are well rewarded financially and with opportunities for advancement in what is an exciting and diverse international occupation. It is therefore important that companies continue expanding their recruitment

ICS/ISF Office Bearers 2007/8

ICS Vice Chairmen



Mr Michael
Everard
United Kingdom



Mr Robert
Ho
Hong Kong

ISF Vice Presidents



Mr Patrick
Decavèle
France



Mr Luis
Ocejo
Mexico

and training programmes, in view of the rapid growth in the size of the world fleet of merchant ships and the additional numbers of qualified and competent crew members needed to operate them.

In leading the work which ICS and ISF carry out on all the issues covered in this Review, I have been ably assisted by the other elected Officers of the associations, together with the Chairmen and members of our Committees, Sub-Committees and Panels, who contribute so much to directing the activities which we undertake. I am most grateful to them all, together with the Secretariat staff who continue to carry out their roles thoroughly and professionally, notwithstanding the seemingly ever increasing workload.

Our industry has been much criticised over the years, but I believe our record, in every aspect of shipping, speaks for itself. We are the most environmentally friendly mode of transport. We are amongst the most safety conscious industries in the world and, without question, we are incredibly efficient. We are the engine of wealth, growth and prosperity of the world's citizens. We are the most international of industries across different time zones, different cultures, different languages and different political realities, and yet we do provide by any standard an excellent service. Last but not least, we have never stopped the continuous improvement effort that characterises all sectors of our industry.

Thus ICS and ISF carry out a vital role in representing shipowners on the international stage, and I am confident that they will continue to perform to the expectations of our members, and indeed of the industry as a whole.

Spyros M Polemis

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*Administrator
(Shipping Policy
& Internet)*

Mrs Shantel Ryan
Publications Officer

**position held jointly*

Reducing Shipping's CO₂ Emissions

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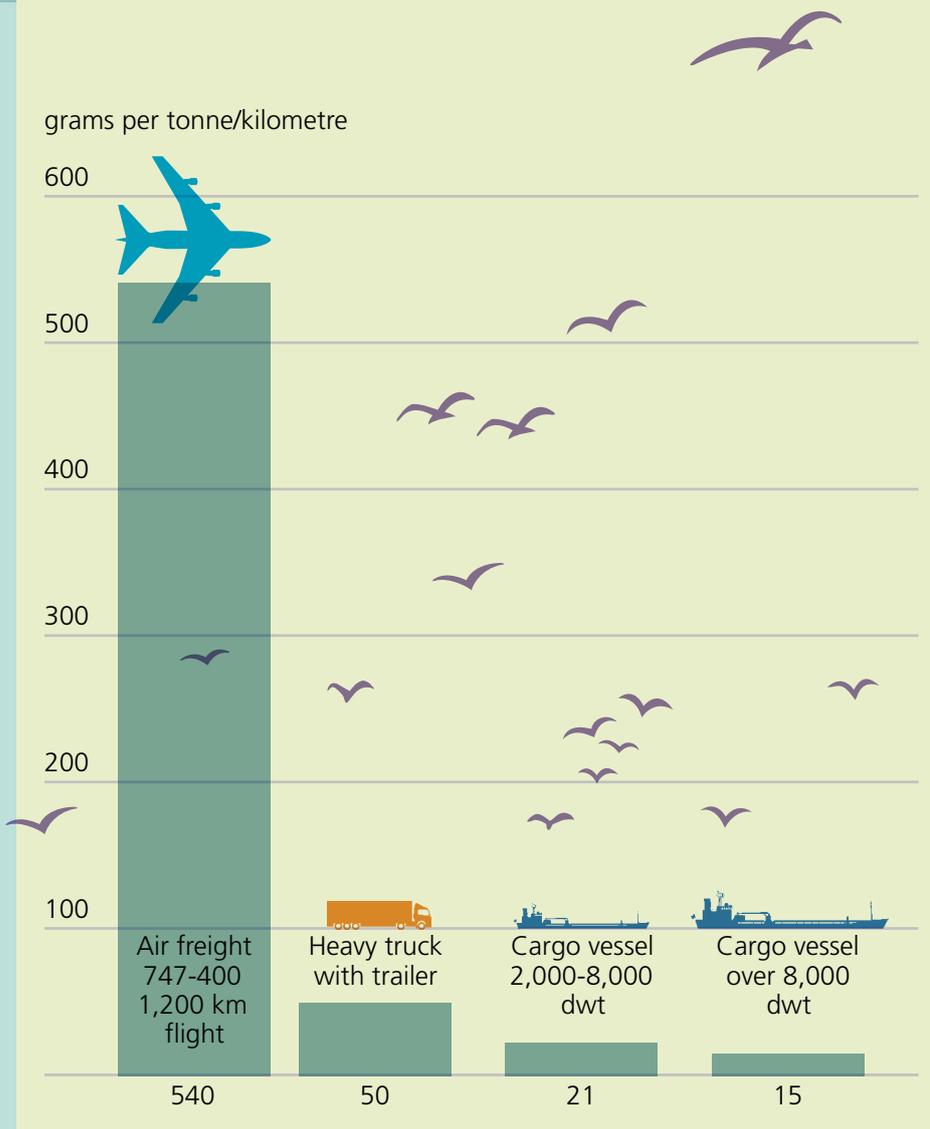
THE CHALLENGE OF REDUCING carbon emissions is undoubtedly a critical issue for the shipping industry, not only with regard to agreeing what level of reduction might be practical and feasible, but also in respect of the implications of possible solutions for shipping's economic well being and its environmental image. The performance of ships - impressive as it is - has literally become a front page story in many national newspapers. ICS is at the centre of the global discussions on ships' CO₂ emissions now being firmly led by IMO, which aims to develop proposals for maritime transport by early 2009.

In December 2007, ICS hosted what may prove to have been a milestone meeting of national associations and other shipowner bodies to explore technical, regulatory and commercial solutions for reducing ships' emissions. Various expert working groups have now been established to develop informed industry input on the net environmental benefits and - very importantly - the commercial implications of possible technical solutions. These include the possibility of reducing ship speeds (which in several trades is happening already), the use of alternative fuels, and new energy sources such as solar, wind and fuel cells. For the foreseeable future, however, fossil fuels will probably continue to be the predominant source of power for the majority of the shipping industry, although nothing has been ruled in or out.

In parallel with these discussions, ICS and other shipowner organisations have had joint meetings with representatives of classification societies and shipbuilders to develop a strategy for reducing emissions from new ships, including improvements

Figure 1 Comparison of CO₂ emissions between different transport modes

Source: Swedish Network for Transport and the Environment



to hull design and the introduction of more fuel efficient propellers and engines, as well as an index against which the carbon efficiency of new ship designs can be measured.

ICS is also analysing the net environmental benefits and commercial implications of the various regulatory possibilities that are being actively considered by governments, including 'cap and trade' Emission Trading Schemes (ETS) and carbon taxes, on the basis that it is vital to be engaged in discussions on these issues, no matter how controversial they might seem. However, whatever measures may ultimately be decided, they must be 'flag neutral' in their effect in order to avoid market distortions.

Encouragingly, the European Commission has indicated that it would definitely prefer to see a global

IMO response, rather than an outbreak of regional initiatives. However, it has also made clear that in the absence of a 'bankable' solution by 2009 it will feel compelled to develop regional controls in order to help meet the firm EU political target for reducing all EU CO₂ emissions by 20% by 2020 (from a 1990 base) or by 30% if the rest of the world agrees to follow, presumably through the post Kyoto framework for tackling climate change which is due to come into effect after 2012.

Significantly, the latest climate change package proposed by the European Commission in January 2008 did not include shipping in the revamped EU Emission Trading Scheme, on the understanding that IMO will deliver an acceptable solution for maritime CO₂. The United States, both at Federal and State level, is also expected to develop a more focused

response on maritime CO₂ after the presidential elections.

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While it may be possible to reduce CO₂ emitted per tonne/kilometre in a moderately significant way (perhaps by around 15% in the next 5-15 years, with new and bigger ships eventually bringing additional improvements), it appears impossible to guarantee any absolute reduction by shipping as a whole, due to the projected growth in demand for shipping worldwide arising from the growing world population and global economy.

Shipping companies, however, have a very strong incentive to reduce their fuel consumption and thus reduce their Green House Gas emissions: bunker costs represent an increasingly significant proportion of ships' operational expenses, having increased by about 300% in the last 5 years. Fuel costs are already having an impact on the competitiveness of certain maritime trades. For example, short sea and coastal shipping are often in direct competition with land transport modes, and regulators need to ensure that, as a result of efforts to reduce CO₂ emissions, there is not in fact a modal shift to other less carbon efficient forms of transport which would increase global CO₂.

In terms of CO₂ emissions per tonne of cargo transported one kilometre, shipping is recognised as the most efficient form of commercial transport (see figure 1). Yet the enormous scale of the global shipping industry, which is responsible for the transportation of about 90% of world trade, means that it produces around 3% to 4% of global emissions. However, regardless of the actual figure, ICS fully acknowledges that the industry must play its part in helping to reduce the

6 world's total CO₂ output.

The CO₂ debate is being addressed at various other levels, and a plan for the development of a post Kyoto regime was agreed at the United Nations summit in Bali, in December 2007, at which IMO was represented. The post Kyoto regime will be developed further at a major UN Conference on climate change in Copenhagen in December 2009.

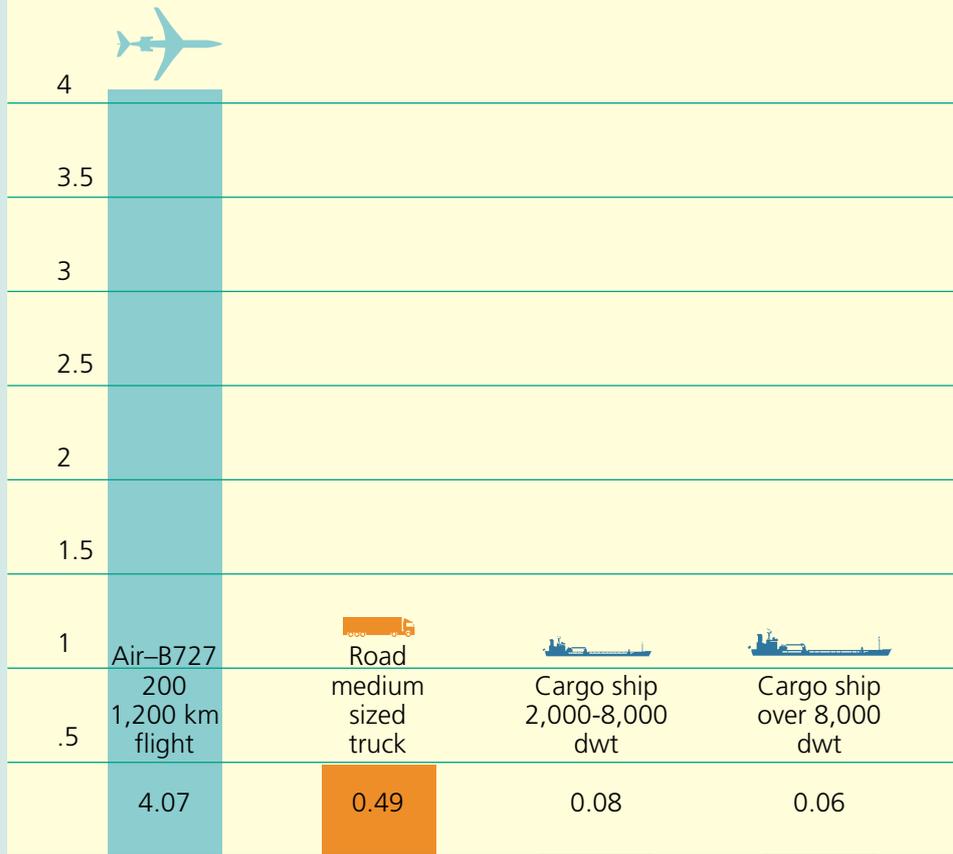
In the meantime, IMO remains the focal point for maritime discussions. It will be vital for the industry and its regulators to ensure that IMO delivers, in 2009, an acceptable international framework for regulating maritime CO₂ emissions, so that the shipping industry can continue to remain ahead of the game with regard to addressing Green House Gases and providing the most carbon efficient form of transport.



Figure 2 Comparative fuel consumption

Source: Swedish Network for Transport and the Environment

kWh (fuel) per tonne/kilometre



Possible Methods of Reducing CO₂

Although the shipping industry is already very energy efficient (see figure 2), additional improvements to hull, engine and propeller design are expected to produce some further reduction in fuel consumption. There may also be possibilities for the better utilisation of waste heat.

While it is difficult to be precise, and work in these complex technical areas is ongoing, some of these improvements may possibly materialise on board new ships within the short to medium term (5-10 years). However, it may prove very difficult to apply these new technologies (e.g. improved hull and engine designs) to existing ships, which have a design life of over 25 years and can have an individual capital cost of over a hundred million dollars each. The solution for the existing fleet may therefore lie in improving the efficiency of the entire supply chain.

The increasing size of many ships is also expected to produce further fuel efficiency, and there may be operational measures (e.g. travelling at slower speeds) that will reduce emissions (although this may necessitate the need for more ships to transport the same quantity of cargo, and detailed studies of the net environmental benefits are still needed). However, slower speeds would also require acceptance by customers and may well have implications for 'just in time' delivery and the size of inventories of raw materials, components and products that it would become necessary for customers to stock pile. Larger ships also have implications for port capacity which would need to increase to accommodate them, and which would need to be supported by expanded networks of 'feeder services' using smaller ships where the accommodation of larger ships was not practical.

While it is very difficult to make predictions about the improved fuel efficiencies that might be achieved, and which will vary significantly between ship types and trades, it has been suggested that by 2020 a combination of regulatory, design and operational measures might possibly deliver a reduction of around 15% in the fuel consumed by ships per tonne/kilometre of cargo transported.

Nevertheless, the escalating costs of the marine bunker fuel burned by ships (which are already expected to increase further due to imminent requirements for lower sulphur fuels) means that further improvements in efficiency are a matter of enlightened self-interest for shipowners.

Shipping, however, is the servant of world trade and the demand for shipping is directly related to growth in the world economy. If, as predicted, the world's population and economy continue to expand, the demand for shipping is expected to increase commensurately. Notwithstanding the significant emission reductions per ship that the industry hopes to achieve, the growing demand for shipping services means that an absolute reduction in the total emissions of shipping may be very difficult, if not impossible, to deliver unless existing patterns of global trade were to be fundamentally transformed.



Alternative Fuel Sources

The various parts of the shipping industry - shipowners, shipbuilders and classification societies - are already involved in examining a number of ways to reduce CO₂ emissions, both for new and existing ships, which are primarily linked to reducing fuel consumption. In the longer term, however, the shipping industry is also exploring a number of alternative fuel sources to help reduce CO₂ emissions.

*While **renewable energy** sources such as wind and solar power may have their place in helping to meet some ancillary requirements, such as lighting on board ships, they are not practical for providing sufficient power to operate ships' main engines (the huge physical size of ships should not be underestimated). Nevertheless, the industry is actively investigating the use of such alternative sources, but they are not, on their own, expected to deliver hugely significant CO₂ reductions for shipping.*

*Nothing has yet been ruled out: for example, **fuel cells** may be a possibility for new ships in the very long term, although they are currently too limited in range to offer a viable solution. Even nuclear propulsion is technically possible, although support infrastructure costs would prove a serious drawback to its use in merchant ships.*

*The current assumption, therefore, remains that ships will continue to burn **fossil fuels** for the foreseeable future, and that the most significant means of reducing CO₂ emissions will be achieved by further improvements in efficiency across the entire transport chain.*

IMO Review of MARPOL Annex VI



8 **T**HE HIGH PROFILE IMO revision of MARPOL Annex VI (which regulates air emissions) has reached its final stage with unprecedented agreement on a package of measures at the IMO Marine Environment Protection Committee (MEPC) in April 2008. There is every reason to be confident that the agreed amendments will be adopted by IMO Member States before the end of 2008. The package of measures which achieved unanimous support should be more than adequate to satisfy those, such as the United States and the European Commission, who have threatened unilateral and/or regional rules if IMO does not agree to a regime that will adequately protect the health of their inhabitants in coastal areas.

Following the publication of the IMO Scientific Working Group's report in January 2008, the Group's analysis of the pros and cons of the various regulatory options was debated at the critical IMO MEPC meeting in April. In accordance with the measures set out in the new text, very low sulphur emissions will be required in emission control areas designated by IMO, which for many ships could therefore require a switch in designated coastal waters to fuel with a sulphur content of just 0.1%. Globally, the emission of SOx will be reduced gradually to the equivalent of 0.5% sulphur content in fuel, although compliance can be assured through the use of alternative fuels or abatement equipment. Whilst the debate included general acceptance of the measures by representatives of the refining industry, they warned that fuel supply issues could present significant problems from around 2015.

In view of the costs to industry, it will also be important for governments

to take steps to ensure that short sea shipping does not become less competitive in comparison with other transport modes which are less environmentally friendly, particularly in respect of carbon emissions.

Throughout the lengthy and intense debate about amendments to MARPOL Annex VI, ICS has advocated certain principles: the need for goal based compliance options, the requirement to take account of the inter-relationship between emission levels for different constituent gases, the importance of stimulating technical innovation, and the need for agreement on both short term and longer term goals for more stringent air emission standards. Pleasingly, the draft amendments agreed by IMO are fully consistent with these objectives.

It is also crucial not to overlook the fact that other issues have been involved in the revision of Annex VI, such as agreement on more stringent controls on NOx and an acceptance of the fact that emission of particulate matter is bound together with the reduction in SOx.

Notwithstanding the difficulties the industry has faced when trying to develop a common position on Annex VI amongst different nationalities and trades, which will each be affected very differently by the new rules, the ICS approach of promoting principles for the development of amendments, rather than making detailed proposals with specific figures, has meant that the industry as a whole has been well positioned during these complex negotiations.

Timetable

for new limits to sulphur content in ships' fuel provisionally agreed by IMO

2010

Emission Control Area (ECA) limit reduced to 1% (from current 1.5%)

2012

Global limit reduced to 3.5% (from current 4.5%)

2015

ECA limit reduced to 0.1%

2020

Global limit reduced to 0.5% but a review in 2018, with authority to delay implementation, will determine whether this is achievable.

2025

Global limit reduced to 0.5% notwithstanding the result of the 2018 review.

An 'alternative compliance' provision makes it clear that compliance can be achieved by alternative fuels or abatement equipment.

100% Container Scanning



IN THE SUMMER OF 2007, the United States Congress adopted a radical unilateral requirement for 100% security scanning, by 2012, of each and every in bound maritime container, to be conducted at the port of loading overseas. Industry and governments alike are extremely concerned about the practical implications of this draconian US measure, and its serious potential to disrupt the flow of world trade.

Apart from the huge costs and logistics involved in x-ray scanning every box loaded on a ship, such a measure would almost inevitably exacerbate port congestion, at a time when several of the world's major ports, particularly in Europe, are already operating at around 100% of their official capacity. It would seemingly also require ports to expand in size, since boxes would need to be stored for longer periods as they wait to be scanned.

The US law was adopted by Congress for largely political ends, and without the support of large parts of the administration, both political parties seeking to demonstrate their tough line on security. The Act is hugely short on detail about implementation, which will have to be undertaken, and presumably financed, by foreign nations if they wish to continue trading with the US.

Above all, the US law undermines the targeted or 'risk based' approach to security, which is at the heart of the World Customs Organization (WCO) SAFE Framework of international customs standards, recently agreed by governments at WCO, following extensive negotiations in the wake of the 2001 terrorist attacks. Many foreign governments are also

expressing reservations about the fact that the US scanning requirements would cover US imports but not exports.

ICS, in co-operation with the US based World Shipping Council (WSC), has been encouraging international opposition to the US requirements at the highest political level, raising concerns with the Consultative Shipping Group (CSG) of governments as well as WCO, which have both subsequently protested to the United States. The European Commission has also taken up the matter with the United States, with encouragement from the European Community Shipowners' Associations (ECSA).

Little immediate change to the United States' position is expected in the run up to the 2008 presidential elections. During 2008, however, the US Department of Homeland Security (DHS) will report on the US scanning trials that are being conducted in several ports around the world, under the auspices of the US 'Secure Freight Initiative'. However, given the relatively small container volumes involved in the ports selected, the outcome of the pilot projects is inconclusive with regard to the success of 100% scanning, and there are hopes that the DHS report may provide a basis for the US to revisit the implementation of the requirements, particularly as there are already provisions in the law that provide for possible postponement beyond the initial 2012 implementation date. This will require constant high level pressure by other governments, which ICS and national shipowners' associations will continue to encourage.

STCW Training Review



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IN MARCH 2008, IMO commenced in earnest a wide ranging review of its Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW). It seems that most parts of the Convention could potentially be subject to revision. However, although the work involved will be detailed and intensive, requiring a series of extra meetings in order to agree amendments before the 2010 target date, the scope of the revision is not expected to be as fundamental as when major amendments to STCW were last adopted in 1995.

STCW 95 appears to have succeeded in establishing the principle that all maritime administrations have responsibilities for the approval and maintenance of training standards. In addition to labour supply countries, which must approve training institutes and course syllabuses, and ensure that STCW certificates are only issued to seafarers who truly comply with IMO standards, this principle also applies to flag states with regard to foreign seafarers who are permitted to serve on their ships. This is a fundamental change from the days when flag states simply took the standards of other nations on trust. It is also very important since the majority of the world's seafarers now serve on ships of a different nationality from their own.

The fact remains that anecdotal reports continue about inadequacies in levels of crew competence on the fringes of the industry, whilst the supply of high calibre seafarers sought by the majority of companies is getting much tighter as the demand for shipping services and the size of the world fleet expand.



Key issues to be covered by the IMO STCW review

- Flag state recognition procedures for foreign seafarers
- Quality standards reporting procedures for governments approving training and issuing certificates
- Revalidation of basic training and the extent to which this can be conducted as part of seagoing experience
- Tanker training standards
- Competence standards for the ratings grade of 'Able Seafarer'
- Medical standards
- Competences for 'electro-technical' officers
- Environmental training
- Bridge (and engine room) resource management training
- Ballast water management training
- Distance learning
- The retention of 'traditional' competences such as celestial navigation

Employers have a moral, legal and commercial responsibility for ensuring that their multi-million dollar assets are operated by properly qualified seafarers. However, governments also have a responsibility for enforcing the rules. The reality is that in many training institutes, despite approval by certificate issuing administrations, seafarers are still emerging who do not meet STCW standards. It is therefore timely that the provisions in the Convention concerning the monitoring and control of enforcement of training standards will be reviewed.

The last comprehensive STCW rewrite was subject to an unprecedented degree of input from the industry. This time, however, with issues such as flag state responsibility and reporting requirements on quality standards no longer proving so controversial,

governments are taking more of a lead. Indeed, many innovations of STCW 95 - with their implications for national sovereignty - have been incorporated into and expanded by the Voluntary Member State Audit Scheme, which was adopted in 2006 and covers the enforcement of other IMO safety and environmental Conventions.

Nevertheless, ISF, which represents maritime employers at IMO, has for the last two years been conducting its own 'gap analysis' of those provisions in the Convention that might merit re-examination. ISF has subsequently suggested to IMO the need for clarification regarding the documentation required to be held by seafarers under the Convention, which will hopefully reduce the confusion sometimes experienced during port state control visits when inspectors try

to seek additional evidence of basic training, such as fire fighting, that is meant to be covered by the main STCW certificates.

The IMO review will also be looking at strengthening the responsibilities of flag states with regard to standards of competence, as well as upgrading various requirements in the light of new developments, such as the more widespread use of Bridge Resource Management training, and the operation of ballast water management equipment. ISF is also supporting calls for additional emphasis to be given to training in environmental responsibilities.

In late 2007, ISF published a new edition of its Guide to the STCW Convention which takes account of developments such as the updated IMO 'white list' of governments (certificating states and flag states) that have continued to provide documentary evidence of compliance. ISF also continues to produce training record books for officer and rating cadets studying in both the deck and engine departments, as well as ISF Personal Training Record Books for qualified crew, which are now used by tens of thousands of seafarers worldwide.





The Year in Review

Government Responsibilities

Shipping companies have primary responsibility for adhering to high standards of safety and environmental performance. However, they require flag states and port states to meet their own obligations to ensure that international maritime instruments are properly enforced and implemented.

In February 2008, as part of the ongoing campaign to promote the vital need for governments to ratify IMO and ILO maritime Conventions, ICS and ISF published a new brochure highlighting those international legal instruments which the shipping industry believes should be ratified as a matter of priority. The brochure also provides an update on developments since the campaign was first launched a year ago.

Encouragingly, the IMO Anti-Fouling Systems (AFS) Convention (prohibiting the use of TBT based anti-fouling paints) and the IMO Convention on liability for bunker spills will enter into force later this year. However, there is still a pressing need for more governments to ratify the IMO Ballast Water Management Convention and the HNS Liability Convention, to ensure their entry into force. More ratifications are also needed to ensure the wider application of certain other Conventions, such as the Protocol to the Convention on Limitation of Liability for Maritime Claims (LLMC), in order to discourage regional regulation, and MARPOL Annex VI (atmospheric pollution), to ensure that the stricter standards expected to be adopted by IMO during 2008 will be applied on a global basis as soon as possible. The campaign also continues to promote ratification of the ILO Maritime Labour Convention (MLC) and the

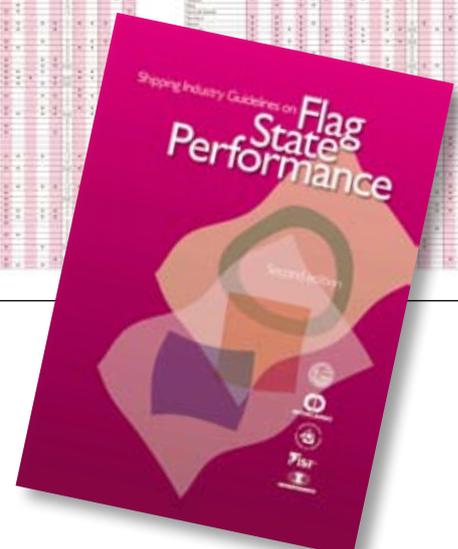
ILO Seafarers' Identity Documents Convention, which should help to facilitate seafarers' shore leave, as well as arrangements for seafarers joining or leaving ships.

The widespread and timely ratification of IMO and ILO Conventions is vital if unilateral and regional regulations that compromise the efficiency of maritime trade are to be avoided. The new ICS/ISF brochure can be downloaded at www.marisec.org/ratification.

ICS/ISF, in co-operation with other members of the Round Table of international shipping associations (BIMCO, Intercargo and Intertanko) have also updated their annual Shipping Industry Flag State Performance Table, using information in the public domain, such as port state control inspection records, data on the ratification of IMO and ILO Conventions, and official reports about the use of non-IACS classification societies and national quality standards reports with regard to seafarer training. The Table can be downloaded at www.marisec.org/flag-performance.

The Table is intended to provide a general appreciation of a flag state's performance and whether further questions need to be asked by shipping companies when choosing to use a particular flag. It continues to serve as a complement to the IMO Member State Audit Scheme through which, under the auspices of IMO, governments' implementation of IMO Conventions is now subject

to external scrutiny. It remains the fervent hope of ICS and ISF that the IMO Scheme will eventually become mandatory, and that in the meantime states will publish the results of their voluntary audits.

14 Enhancing Maritime Safety

Regulating to ensure safety of life at sea has always been the principal function of IMO, and the primary role of ICS and ISF is to represent the considered opinion of the international industry at every IMO Committee, technical sub-committee and correspondence group at which measures to improve safety - and to prevent pollution - are developed through consensus amongst the world's maritime administrations.

In addition to the various issues touched on by this review, ICS and ISF are deeply involved in the constant updating of regulations, technical codes and recommendations. These issues are far too numerous to deal with in a review such as this but, to mention but a few, they range from the ongoing development of Goal Based Standards for Ship Construction, a system for Long Range Identification and Tracking (LRIT), the safety of double hull tanker designs, rules on ship-to-ship cargo transfer operations, and possible amendments to the International Code for the Construction and Equipment of Ships Carrying Dangerous Chemicals in Bulk (IBC Code). These and similar topics all require a high level of commitment from ICS/ISF and their member national associations, in order to provide the informed input from industry which these complex IMO discussions require.

A typical example, perhaps, is recent ICS work on lifeboat safety. The IMO Sub-Committee on Design and Equipment, which met in Bonn in March, took account of input from an ICS co-ordinated Industry Group, established in response to a number of fatalities and serious injuries during lifeboat drills. Pleasingly, IMO agreed



with industry arguments about the need for organisations other than manufacturers to be permitted to service lifeboats, provided they meet new recommendations concerning the approval of service providers. IMO has also reviewed the use of immersion suits in totally enclosed lifeboats, and technical issues such as the assumed weight criteria of persons in lifeboats. However, while IMO has acknowledged ICS arguments about the importance of addressing the safety of On-Load release gear, there remains a need for IMO to make faster progress on this issue. In co-operation with the P&I Clubs, a plan to establish an international database on lifeboat incidents is being discussed.

Another example of routine but critical work concerns fire protection, the possibility of fire at sea being amongst the worst situations that can potentially confront seafarers. ICS represented the industry at the meeting of the IMO Fire Protection Sub-Committee, which met in London in January 2008. Issues considered included new IMO Guidelines on measures to prevent fire in engine rooms and cargo pump rooms, a review of the fire safety of external areas on passenger ships, and a Unified Interpretation on portable fire extinguishers.

In September 2007, the Chairman led an ICS delegation in a full round of Tripartite discussions with shipbuilders and classification societies in Tokyo. Views continue to be exchanged about the implications of the IMO Goal Based Standards for ship construction, experience with the IACS Common Structural Rules, and environmental developments such as ballast water requirements. In addition, as mentioned elsewhere, there have been specific Tripartite discussions on



reducing carbon emissions from new ships, while additional work is planned on ship recycling.

Meanwhile, ICS comments to IACS on the subject of Common Structural Rules have borne fruit with the establishment within IACS of a number of working groups to propose changes to the CSR process in recognition of the validity of the detailed points made by ICS and the need to address them.

Another vital aspect of ICS/ISF work is the development of guidelines on industry best practice that serve as a complement to IMO regulations. For example, in November 2007, ICS published a fully updated edition of the ICS Bridge Procedures Guide, which is intended to reflect best navigational practice on ships today, in all sectors and trades. It is already being carried and used on board thousands of the world's ships. The Guide embraces the latest internationally agreed standards and recommendations adopted by IMO, and takes account of the increased use of modern electronic charting systems, and the introduction of equipment such as Automatic Identification Systems (AIS). Guidance concerning pilotage has been thoroughly updated, while advice about dynamic positioning has also been included. The increasing use of sophisticated navigational aids brings its own risks. The updated Bridge Procedures Guide therefore stresses the need for vigilance against undue reliance on new technology. Experience continues to demonstrate that properly formulated procedures and the development of bridge team work are critical to maintaining a safe navigational watch.

A new and intensive work stream



has been created by the UK Marine Accident Investigation Branch's reports into damage to boxes on board the containership *Annabella*, and the loss of the containership *MSC Napoli*, which came to grief off the South West coast of England in early 2007. ICS, in co-operation with the World Shipping Council which represents containership operators, has established an expert group to

investigate the need for further best practice guidelines to cover issues associated with stowage planning and the safe loading of container ships. The project was progressed at a meeting of industry experts in Washington DC in January 2008, and ICS will be reporting on this work to IMO at the earliest opportunity, with the completed Guidelines expected during 2008.

Another routine example of ICS and ISF safety work was the publication in March 2008, in co-operation with the International Maritime Pilots' Association (IMPA) and with the support of other shipowner organisations, of a simple brochure to remind ships' crews of the importance of rigging pilot ladders correctly - see www.marisec.org/pilotladders.



16 Tanker Safety

ICS remains committed to progressing the ongoing work on tanker safety, following the major report by the Inter Industry Working Group on Fires and Explosions on Board Tankers, which has now been presented to various IMO Committees.

A disturbing conclusion of the report was that otherwise competent and qualified seafarers are still prone to bypass accepted procedures during cargo operations, and that this had been a factor in a number of sometimes fatal explosions on tankers, which regrettably occurred about three years ago, and which precipitated the industry study. While the July 2007 meeting of the IMO Joint MSC/MEPC Human Element Working Group welcomed the industry study, the onus for recent work has rested with the industry's 'human element sub-group' on tanker safety (which is being led by ICS) to develop detailed proposals that might help tackle the need to further inculcate 'safety culture'. Disappointingly, the industry's radical proposals for enhanced tanker training received a rather muted response at the IMO STW (training) Sub-Committee in March 2008, although it is hoped there will still be an opportunity for these ideas to be taken forward as IMO's review of the STCW Convention continues.

Another related issue concerns the recommendations of the Inter Industry Working Group with regard to inerting of small chemical tankers. The Group recommended that IMO give consideration to amending SOLAS to provide for the application of inert gas to new oil tankers of less than 20,000 dwt and to new chemical tankers. However, it was suggested that a





full cost benefit analysis should be conducted if IMO wished to consider the application of inert gas to existing chemical tankers. Noting that there are many factors to examine when considering the extension of inert gas requirements, IMO has established a new work item to address this important issue comprehensively.

Improving Environmental Performance

Notwithstanding the current high profile attention being dedicated to air pollution and carbon emissions, it

has been necessary for ICS to remain focused on a wide range of other environmental issues, including the continuing pursuit of the goal of zero ship pollution, whether as a result of serious maritime incidents or during routine operations.

Serious pollution incidents on the scale of the *Prestige* in 2002 or the *Exxon Valdez* in 1989 are thankfully rare, with a significant reduction in the amount of oil spilt accidentally since the 1990s (see figure 3). However, the possibility of serious incidents occurring, even when the ship itself

may not have been at fault, was sadly brought home by the *Hebei Spirit*. In December 2007, Korea witnessed what was probably its worst ever oil spill, when a floating crane crashed into a tanker.

Although somewhat less serious in terms of its environmental impact, by colliding with the fenders of the Golden Gate Bridge and spilling a quantity of bunker oil in the San Francisco Bay, the unfortunate containership *Cosco Busan* may have a significant impact on policy in the United States.

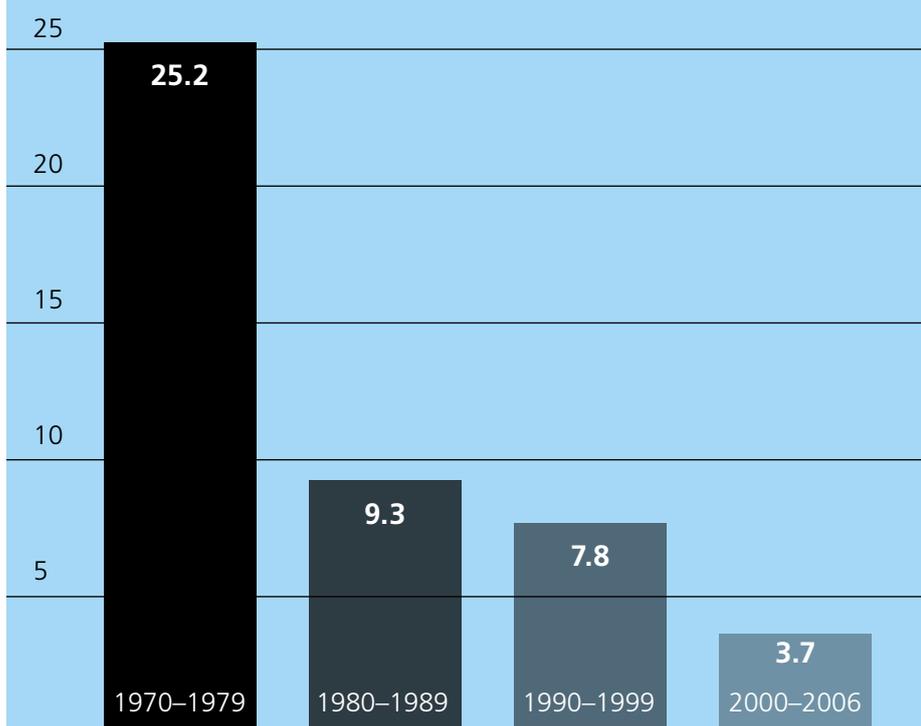
In spite of the enormous progress made in recent years, both of these incidents emphasise the need for continuous improvement of environmental performance. In February 2008, ICS launched an updated edition of its Code of Practice on Shipping and the Environment. The expanded 4th edition is intended to provide a concise but comprehensive summary of the environmental obligations of shipping companies as required by the latest international regulations, and also outlines a clear set of environmental standards by which companies should operate. In addition, the ICS Code contains information about the current overall environmental performance of the industry. Previous editions have proved a useful tool to help policy makers understand that shipping remains the most environmentally benign form of commercial transport.

Significantly, the Code also incorporates a recommended management framework to ensure compliance with the IMO MARPOL Convention. This is derived from new Shipping Industry Guidance on Environmental Compliance produced by ICS and ISF, in autumn 2007, as

Figure 3 Average number of major oil spills (over 700 tonnes)

Source: ITOPF 2006

Spills per year on average





a template for ensuring adherence to MARPOL. This Guidance, which is supported by other shipowner organisations, is also intended to help satisfy environmental compliance programmes introduced by governments, such as the new United States Coast Guard Environmental Crimes Voluntary Disclosure Policy.

The ICS/ISF Guidance sets out various elements to be reviewed in order that shipping companies' boards can verify full environmental compliance throughout their operations. This includes advice on instilling corporate and individual responsibility for compliance, amongst both shore based management and seagoing staff; and the need for training in the vital importance of environmental compliance - including consequences of MARPOL violations, such as criminal penalties and imprisonment. The importance of proper budgeting and investment in technical equipment, auditing and reporting systems is also covered.

The development of the new industry Guidance has in part been prompted by disappointment at the number of prosecutions for MARPOL violations which continue to be brought against shipping companies, especially in the United States, and draws upon discussions with the US authorities. In January 2008, ICS met with representatives of the US Department of Justice in Washington to discuss the increasing spate of prosecutions of shipping companies for pollution offences, often due to anomalies in the records for the use of oily water separator equipment. In response to the continuing incidence of apparent non-compliance in the United States, it must be expected that the penalties applied will continue to grow in

magnitude until the regulators feel that a deterrent level has been reached. The Department of Justice has made it clear that there is no evidence that this is yet the case, in spite of the enormous fines handed down so far and the cost of the court imposed compliance programmes.

ICS has been urging the Board of Directors of every shipping company to review thoroughly its Safety Management Systems, as required by the IMO International Safety Management (ISM) Code, to ensure that environmental compliance is fully addressed in every respect. It is of the utmost importance that every company's board is sure that it can verify total environmental compliance throughout the organisation.

Ballast Water Management

ICS remains engaged in the discussions at IMO about the implementation of the IMO Ballast Water Management Convention, which was adopted in 2004 to prevent the transportation of invasive marine species, but which has still not come into effect. In the absence of the entry into force of a global regime, there is the continuing 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 the voyage. (The ICS/ISF website now contains an analysis of regional ballast water requirements - www.marisec.org/regional-ballast-water.)

ICS has therefore welcomed the agreement concluded by an IMO Assembly Resolution in November 2007 which provided for a delay in the enforcement dates for new ships'

ballast water treatment equipment, necessitated by the Convention having not yet entered into force, and the lack of type-approved equipment. The compromise proposal put forward by ICS, and agreed by governments, means that new ships constructed in 2009 will not be required to have the new equipment fitted until their second annual survey or the end of 2011, whichever is the sooner. As requested by ICS, IMO also agreed that the Marine Environment Protection Committee should keep the IMO Resolution under review, especially with regard to the question of ships constructed in 2010.

By eliminating this uncertainty, one major obstacle to the ratification by governments of the IMO Ballast Water Management Convention has hopefully been removed, and ICS will continue its campaign to see that this important Convention enters into force as soon as possible. In the meantime, ICS members remain committed to performing deep water ballast exchange, when safe to do so, and to co-operating with voluntary





20 coastal state requirements.

More generally, ICS has greatly welcomed the significant statement to the Assembly by the IMO Secretary General that care should be taken when laying down 'aspirational' dates in future conventions, the implementation of which may rely, in particular, on technologies which may not be available when needed; thus acknowledging an issue which has been highlighted consistently by ICS for several years.

It is also worth remarking that the IMO Anti-Fouling Convention of 2001, which prohibits the use of TBT based paints that damage the marine environment, will finally enter into force in September 2008. The fixed implementation date of 2003 was the cause of much legal uncertainty, although the vast majority of ship operators ceased to apply TBT based paint from this date.

The purpose of efficient anti-fouling paints, of course, is to protect ships' hulls from barnacles and the like which impede efficient use of fuel, and thus help limit emissions. It is therefore ironic that the issue of 'bio-fouling' - the transport of invasive species via the hulls of ships - is now on IMO's work programme - and that the drive to reduce fuel consumption and hence CO₂ emissions will focus on the efficiency of the hull's passage through the water.

Towards a Ship Recycling Convention

ICS continues to lead shipowner representation at IMO as it develops the text of a new Convention to address concerns about working and environmental conditions in ship

recycling yards, which are mostly located in Asia. Following progress made by IMO at a special meeting in Nantes, in January 2008, IMO is expected to adopt a new Convention at a Diplomatic Conference in Hong Kong in May 2009.

Since the development of the Industry Code of Practice on Ship Recycling in 1999, the shipping industry has been committed to action on the issue. In July 2007, the industry launched a new initiative to promote the safe and environmentally sound recycling of end-of-life ships. Endorsed by members of the Industry Working Group on Ship Recycling, which is co-ordinated by ICS, the document 'Interim Measures' outlines five principles for shipowners to follow when selling ships at the end of their working life.

These principles, derived from the draft IMO Convention for the Safe and Environmentally Sound Recycling of Ships, advocate actions which shipowners are recommended to take when selling vessels for demolition. The measures are intended to contribute immediately to improved recycling practices and to the development of the draft IMO Convention itself. They cover such issues as the selection of ship recycling facilities, the completion of an inventory of any hazardous materials on board, and arrangements to ensure as far as possible that ships are 'gas free' on delivery to the recycling yard.

Detailed guidance material supporting these Interim Measures is also being developed for publication in due course, and will be updated in the light of industry experience and any changes to the text of the current draft Convention.

The industry recognises that the IMO Convention may well face a prolonged period before entry into force following its eventual adoption. The Interim Measures therefore identify what can be undertaken practically by shipowners who wish to sell their ships in accordance with the provisions of the draft Convention.

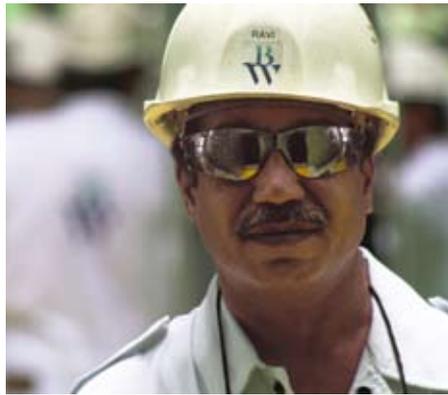
European Union Developments



ICS and ISF have been developing their relationships with the various EU institutions

that impact on international shipping. Via their national shipowners' association members, ICS and ISF have traditionally enjoyed good relations with the maritime administrations of EU Member States. However, in co-operation with the European Community Shipowners' Associations (ECSA), ICS and ISF have worked hard to improve their contacts with the various Directorates-General of the European Commission that are relevant to shipping. In co-operation with other industry bodies, ICS and ISF have also sought to develop an improved dialogue with members of the European Parliament through the establishment of the so called Intergroup on maritime affairs, which now meets regularly in the Parliament, in Brussels and in Strasbourg.

ICS and ISF have been especially pleased by the message conveyed by the EU Maritime Policy Review 'Blue Paper', published in the autumn of 2007 following two years of consultation, to the effect that the European Commission would prefer to give IMO a chance to develop global regulations. However, the threat of regional action remains, especially on



the environment, and IMO will need to ensure it delivers global rules where required.

Throughout the comprehensive EU review, ICS and ISF submitted detailed comments to the Commission on the various work items proposed. Although the list of projects now appears to raise few major concerns for non-EU operators, as the EU Action Plan progresses, it will be important for ICS/ISF to remain vigilant. The Directorate-General of Transport, meanwhile, is launching its own major review of maritime policy to apply for the next 10 years.

ICS has continued to co-operate with ECSA in responding to the various regulatory proposals contained in the EU's Third Maritime Safety Package. The proposed Directives on Port State Control, Accident Investigation, and Vessel Traffic Monitoring (including welcome requirements on 'places of refuge') have essentially been finalised. However, the classification societies are still in disagreement with the Commission about the scope of the Class Directive (recently given a new perspective by the investigation of some class societies, launched in early 2008 by the EU competition authorities, for reasons as yet unknown). Meanwhile, the Council of Ministers remains unwilling to agree to the Civil Liability and Flag State Compliance Directives to which ICS and ECSA have been firmly opposed.

With regard to the draft Directive on Civil Liability and Financial Guarantees of Shipowners, at a meeting in April 2008, a majority of EU Member States shared the industry's view that the Commission's proposal is unnecessary and that increased levels of compensation for maritime claims

could be best achieved by ratification of the 1996 Protocol to the IMO Limitation of Liability for Maritime Claims (LLMC) Convention by all EU Member States.

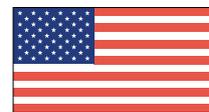
In November 2007, the EU Advocate General's non-binding opinion in the Intertanko-led legal proceedings before the European Court of Justice (ECJ) regarding the legality of the EU Directive on Criminal Sanctions for Ship Source Pollution was published, and the judgement of the Court is awaited. Regardless of the outcome, for legal reasons, the Commission issued in March 2008 a proposal for a new Directive to amend the present Directive, which will be subject to the co-decision procedure involving both the EU Council and Parliament.

October 2008 will see the end of an era as liner Conferences are abolished from trades to and from Europe (although ICS continues to defend their continued operation elsewhere). However, the liner sector is prepared for this radical change and is setting up a new forum for the collection of trade information, under the auspices of the European Liner Affairs Association. The Commission is also reviewing consortia regulation, though preliminary indications suggest that it has no intention of making fundamental changes which might affect the ability of lines to enter into space sharing arrangements.

In addition to the new competition rules affecting containership companies, operators in other trades are awaiting the publication of EU Guidelines on tramp shipping, which it is hoped will clarify the Competition Directorate's new enforcement powers over bulk and specialist sectors. ICS has contributed to the

development of the Guidelines, in co-operation with ECSA which has been leading discussions between industry and the Commission. However, shipping companies enjoying pool arrangements will probably need to conduct self-assessments of their compliance with existing EU law, although the law itself remains unchanged and few companies are expected to have to restructure their operations radically.

United States Developments



US environmental rules, at both Federal and State level, present

a continuing challenge for the global industry. Moreover, the new administration that will be formed after the US presidential elections is expected to give fresh impetus to environmental regulations, due to growing pressure at grass roots level within individual US States, not least California; a process that has already come to light in Congress as both political parties compete to demonstrate their green credentials. Notwithstanding the sterling efforts of the Chamber of Shipping of America to appraise ICS/ISF and its members of US developments, it is often difficult for shipowners to keep pace with events.

A Bill currently in Congress on marine air emissions, sponsored by the Environmental Protection Agency (EPA) and a leading California senator, may yet prove incompatible with the new global regulations on air emissions being developed by IMO. As discussed elsewhere, ICS has been working hard at IMO to accommodate the desire in the US for low sulphur fuels to be burnt in coastal areas. Although the



22 US Congress is in the final stages of ratifying the existing MARPOL Annex VI, the devil will be in the detail of the implementing legislation, discussions about which have already affected the direction of the negotiations at IMO about amending Annex VI.

In California, meanwhile, new rules requiring 0.5% sulphur content in fuel for auxiliary engines are already being implemented, despite their remaining subject to legal challenge by interests led by the Pacific Merchant Shipping Association. Additional unilateral rules governing ships' main engines are expected to follow suit.

Although Congress is finalising legislation based on the IMO Ballast Water Management Convention, it is likely that the final 'kill standard' for removing unwanted invasive species will be far more stringent than that required by IMO, while individual US States may be given latitude to develop additional requirements - potentially a recipe for chaos. An important legal case brought by environmentalist groups against the EPA, concerning the enforcement of the US Clean Water Act, is also of great interest since it creates the possibility that all ships' discharges, including water used to cool engines, would have to be licensed. Meanwhile, in order to avoid collisions with whales, rules are being developed whereby ships may have to reduce their speed in US waters, potentially to a level lower than is compatible with safe navigation.

On the legal front, ICS has participated in the submission of two amicus curiae ('friend of the court') briefs to the US Supreme Court in support of Exxon's appeal against the punitive damages award in the *Exxon Valdez*

case. The briefs argued that awards of punitive damages for accidental ship-source pollution would undermine the uniformity established by national statutes and international treaties. If allowed to stand, the lower court's findings could have seriously adverse implications for the wider shipping community. The Supreme Court's decision is expected in June 2008.

A very welcome legal development, however, is the progress being made by the United States towards ratifying the UN Law of the Sea Convention.

Security, of course, remains a priority for the United States. As discussed elsewhere, ICS has been centrally involved in raising awareness of the implications of the US 100% container scanning law. However, heavy handed ship inspections by US security authorities have also been a concern which the ICS/ISF Chairman/President has raised directly with the US Coast Guard. ICS has welcomed USCG statements in early 2008 acknowledging the important need to treat ships' crews with consideration.

While the lack of US engagement in the World Trade Organization negotiations on maritime services is regrettably now more or less taken for granted, there is a general feeling emerging (as demonstrated by the US election campaign) that the US may be about to embark on a somewhat more protectionist direction, in terms of both general and maritime trade policy. ICS has therefore put much effort into maintaining its close relationship with the Consultative Shipping Group of foreign maritime nations, and their attachés in Washington that form the so called Cotton Club.

Asian Developments

Pleasingly, ICS has rarely needed to raise concerns with Asian governments about the development of regulations that may be at variance with the global rules adopted by IMO. However, it has been important to engage with authorities in Asia as they seek to harmonise their shipping and trade policies with developments elsewhere.

With regard to competition policy, notwithstanding the decision of the European Union to prohibit liner Conferences in trades to and from Europe as from October 2008, ICS has encouraged the maintenance of tried and tested Conference regimes in other Asian trades. Following the decision by Singapore to continue to permit Conferences, China has recently indicated that it has no intention of prohibiting them, despite its current updating of general competition law and China's separate new requirements for Conferences to submit additional data about their activities. The recent review of Australian trades also permits Conferences to continue, although there are new restrictions on other types of discussion agreements. Meanwhile, a major review of maritime competition policy in Japan continues where, with the support of the Ministry of Transport, it is hoped that current arrangements can be maintained.

However, major principles of maritime law have potentially been at stake with regard to discussions over the maintenance of navigational aids to shipping in the Malacca Straits, which is of course a major international waterway. Malacca is one of the great international straits as defined by UNCLOS.



ICS has been centrally involved in discussions about safety in the Malacca Straits held under the auspices, amongst others, of IMO, and it is accepted that a means needs to be found of sharing the burden of financing these aids to navigation, which for several decades has been borne by Japan. In a move welcomed by ICS, the Middle East Navigation Aids Service (MENAS) is understood to be in a position to start formal discussions with the littoral states about the possibility of making a contribution on behalf of the international industry, to help fund navigational aids in the Malacca Straits. This will hopefully avoid any unwelcome precedents, e.g. linking monies to individual ships in transit through what is a strategic international waterway, which might have unwelcome implications for the principle of freedom of navigation as defined by UNCLOS.

With regard to security, China is now developing its own supply chain security requirements, which are thought likely to borrow heavily from EU regulations. Publication is expected during 2008. Elsewhere, Australian discussions on a possible '24 hour rule' (which included a meeting between ICS and Australian Customs in 2007) came to a halt at the start of 2008. For the time being, Australia has decided to await the outcome of international developments, particularly in the EU and the US.

More routinely, in discussion with the Consultative Shipping Group of governments, ICS raised concerns during early 2008 about Vietnamese freight taxes, and the Indonesian government's intervention in the setting of Terminal Handling Charges, which would seem to be



an unwarranted interference in the commercial activities of international operators.

An important development in 2007 was the establishment by the Asian Shipowners' Forum (ASF) of a permanent secretariat in Singapore. This will hopefully give more focus to the articulation of the Asian industry's perspective on regulatory matters. ICS and ISF hope to develop a similar relationship with ASF as is currently enjoyed with the European Community Shipowners' Associations which, together with ICS/ISF, also has a common membership of national shipowners' associations.

Fair Treatment of Seafarers

The treatment by national authorities of seafarers unfortunate enough to be involved in a serious maritime casualty or pollution incident is an extremely important issue for employers and crews, especially in the light of recent high profile cases around the world where masters and crews have been detained by investigating authorities, apparently without adherence to proper due legal process. The desire to avoid the repetition of such incidents led to the adoption by governments in 2006 of the IMO/ILO Guidelines on the Fair Treatment of Seafarers in the Event of a Maritime Accident. The Guidelines address the key responsibilities of investigating authorities, as well as those of the vessel's flag state and the seafarers'

country of residence. The Guidelines also apply to shipping companies and seafarers themselves, who have a duty to co-operate with investigating authorities to the extent that they reasonably can.

Seafarers must be treated with dignity and respect, and always given access to independent legal representation in situations where they may be interviewed or detained following an incident at sea. ISF and the International Transport Workers' Federation (ITF), the global seafarers' trade union, in their capacity as ILO 'social partners', helped to develop the IMO/ILO Guidelines, which were the product of tripartite negotiations with governments.

In January 2008, ISF and ICS joined forces with ITF in a new initiative to help protect seafarers unfortunate enough to be involved in maritime accidents. ISF and ICS believe it is very important that the IMO/ILO Guidelines, which represent the internationally accepted minimum standard for the fair treatment of seafarers by investigating authorities, are implemented in practice by governments.

As part of the campaign to promote the IMO/ILO Guidelines, national associations and seafarers' unions have been distributing thousands of posters worldwide - supported by information on the internet - to help inform seafarers about how the Guidelines can help protect them. The three organisations have also been encouraging their national members to approach their governments in order to determine how effectively the Guidelines are being implemented.

Left: ICS/ISF Secretary General, Tony Mason, and ITF General Secretary, David Cockroft, sign a joint letter to IMO Secretary-General and ILO Director-General.

For campaign material see: www.marisec.org/fairtreatment.



Maritime Labour Convention

As the official 'social partner' responsible for co-ordinating national shipowners' associations at the International Labour Organization (ILO), ISF has been at the centre of efforts to promote the ratification of the ILO Maritime Labour Convention (MLC) 2006. This ILO 'Super Convention' consolidates over 60 existing ILO maritime labour standards into a single instrument. The wide range of matters covered includes seafarers' contractual arrangements, responsibilities of manning agencies, working hours, health and safety, crew accommodation, and medical and catering standards.

Encouragingly, the ILO MLC has already been ratified by three of the largest open registers - the Bahamas, Liberia and the Marshall Islands. Meanwhile, an accord for a social agreement between employers represented by ECSA and European seafarers' unions means that the Convention is on track to be ratified by EU Member States in the not too distant future. Important labour supply nations are also making progress towards ratification. The omens therefore seem very positive for the Convention to come into force without undue delay, delivering the high but level playing field of maritime employment standards which shipowners and seafarers require.

In Geneva in February 2008, ISF took part in preliminary working group discussions with representatives of governments and seafarers' trade unions about procedures for enforcement of the ILO MLC. Full tripartite meetings - which will draw in several hundred representatives of employers, unions and governments

from around the world - will develop detailed Guidelines on flag state inspection and port state control of the ILO MLC in September 2008.

An important aspect of the Convention's enforcement will be the issuance of ILO Maritime Labour Certificates, usually following inspection by a classification society, and the requirement for ships to maintain a Declaration of Maritime Labour Compliance. A priority for ISF in 2008 will be to discuss the implementation of these new procedures with the classification societies. One possibility is that labour issues might be addressed during ISM Code verification procedures.

Safe Manning and Fatigue Prevention

The issues of adequate safe manning levels on board ship and the prevention of fatigue amongst seafarers are inextricably linked, with both the IMO Safe Manning Guidelines and the IMO STCW seafarers' rest hour regulations currently subject to a comprehensive review. ISF is leading the employers' input to this important debate at IMO, which will also have implications for the enforcement of the new ILO Maritime Labour Convention (MLC).

New equipment and shipboard efficiencies have allowed manning levels to be reduced significantly since the 1970s. Since the 1990s, however, there has been renewed and widespread appreciation of the commercial and safety benefits that have been derived from improved maintenance as a result of increasing manning levels over and above those strictly required to ensure the safe operation of the ship, as

recommended by the IMO Guidelines contained in Resolution A.890 on minimum safe manning levels.

The IMO Safe Manning Guidelines were last revised in 1999, and reflect the fact that prescriptive manning scales are inappropriate, given the wide variety of ship types, sizes and trades, equipped to different levels of technical sophistication. However, while the IMO Guidelines permit technological and operational innovation, they are firmly intended to ensure compliance with international work hour regulations contained in the STCW Convention and the ILO Convention on Seafarers' Hours of Work and the Manning of Ships (ILO 180), the latter having been incorporated into the ILO MLC.

If manning levels are insufficient, and are likely to contribute to fatigue, this should affect compliance with work hour requirements, which under existing ILO requirements have to be demonstrated through mandatory maintenance of work hour records for individual seafarers. In other words, to ensure compliance with work hour regulations, which are now being checked more precisely by port state control inspectors, unsafe manning levels should be corrected automatically. However, enforcement should also be strengthened by making the maintenance of work hour records a mandatory requirement under the IMO STCW Convention. This is something which ISF has been advocating during the separate review of this Convention.

Encouragingly, initial discussions amongst governments at IMO in March 2008 have acknowledged that radical changes to A.890 are probably not required. Instead, as argued by





ISF, there is recognition that what is needed is better implementation of the IMO Guidelines, which could be assisted by linkage to the International Safety Management (ISM) Code.

ISF has also been involved in discussions at IMO on how to harmonise seafarers' minimum rest hour requirements in the STCW Convention with work hour requirements adopted by the International Labour Organization (ILO).

However, the regimes adopted by IMO and ILO were developed for very different purposes. STCW prescribes minimum rest hours from the safety perspective, while the ILO Conventions also take account of social issues, such as the point at which additional payments for overtime should normally be made and the extent to which work hours may be subject to agreement between employers and unions in collective bargaining agreements - issues outside the remit of IMO.

ISF believes that the task of IMO is to ensure that the rest hour provisions of STCW are compatible with the ILO requirements. However, the Member States of the European Union made a block proposal in early 2008 which went much further, in effect proposing an amalgamation of the STCW safety requirements and the ILO social requirements. The EU proposal fails to take account of a vital aspect of the IMO and ILO regimes, both of which permit occasional deviation from the normal minimum rest hours stipulated (provided compensatory rest is provided) - something which is crucial to safe and efficient ship operations.

Meanwhile, a large number of seafarers are now maintaining accurate records of their hours of work

and rest using the ISF Watchkeeper 2.0 software, which, as well as producing individual seafarer's records in the format recommended by ILO and IMO, allows companies and crews to ensure that they comply fully with both ILO and IMO work hour requirements.

Crew Claims and Repatriation

In Geneva in February 2008, ISF participated in the joint IMO/ILO Ad Hoc Expert Working Group on Liability and Compensation Regarding Claims for Death, Personal Injury and Abandonment, comprising representatives of employers, unions and governments. The meeting helped identify possible elements for inclusion in a mandatory instrument concerning crew claims, the details of which will be discussed further by ISF and ITF prior to the next meeting of the IMO/ILO Group in July 2008. Opinion amongst governments remains divided as to whether IMO or ILO would be the best forum for developing the instrument.

The IMO/ILO Working Group also considered the issue of seafarers abandoned and not repatriated to their country of residence by their employers, as required by existing ILO Conventions. The number of reported cases of seafarers being stranded remains very small in proportion to the huge number of ships trading, and the vast majority of reputable employers have arrangements in place to ensure that seafarers are always repatriated. However, there was strong support from governments and unions for a mandatory solution to ensure the effective provision of financial security for abandoned seafarers.

Although the obligations of employers are made clear by the new Maritime

Labour Convention, it does not provide for financial security to be provided for the risk of abandoned crew in the unfortunate event of insolvency (not normally covered by P&I Club insurance). ISF and ITF will seek to develop proposals for consideration by governments at the next meeting of the IMO/ILO Working Group, in July, where a recommendation will be made as to whether any new mandatory requirements should form part of the ILO Maritime Labour Convention or whether the matter should be handled by IMO.

ILO Minimum Wage for Able Seafarers

Although ISF plays no part in collective bargaining negotiations with seafarers' trade unions, ISF, as the international employers' association for shipowners, co-ordinates shipowner representation on the ILO Joint Maritime Commission (JMC). Uniquely within the ILO system, the JMC is a bipartite body, comprising representatives of shipowners (ISF) and seafarers' unions (ITF). One of the tasks required of the JMC is that of agreeing periodically to changes in the ILO Minimum Wage for Able Seafarers. Although only recommendatory, it has important implications for collective bargaining agreements and is sometimes referred to in national legislation.

Following an agreement made in 2006, the ILO basic minimum wage has increased from US \$500 and US \$515 in 2006 and 2007 respectively, to US \$530 a month as of 1 January 2008. An increase from US \$530 to US \$545 a month will be effective at the end of 2008.

When overtime and other mandatory



entitlements are also taken into account, the total wages received by seafarers enjoying the ILO minimum are of course far higher. In practice, moreover, the vast majority of the world's 1.25 million seafarers receive wages that are significantly greater than the ILO minimum. Indeed, the ILO minimum wage is substantially higher than that which most seafarers, two thirds of whom come from developing countries, would be able to attain in comparable shore based employment.

The ILO Joint Maritime Commission has decided to review the existing formula for any future revisions to the minimum wage, and ISF members are currently developing their input into a JMC sub-group which has been established for the purpose and which will meet in 2008.

Seafarers' Health and Welfare

The nature of seafarers' work, with long periods away from home and potential exposure to tropical illnesses, may pose a danger to crew members in situations where access to medical care is not always immediately available.

As already required by existing ILO instruments, the Maritime Labour Convention requires all ships to carry a medical chest and medical equipment, while the IMO STCW Convention addresses medical competences required for seafarers on board. The aim is to ensure that, in emergencies, ship based medical care is similar to that found ashore.

In 2007, ISF assisted in the final stages of drafting of the recently completed third edition of the International Medical Guide for Ships, a major

task undertaken jointly by the World Health Organization, ILO and IMO. This important Guide contains information and advice for seafarers in the event they are faced with injury or illness on board. The latest edition, launched in March 2008, contains up to date guidance consistent with the International Health Regulations and the WHO Model List of Essential Medicines. It is hoped it will help to ensure that the provisions of the Maritime Labour Convention are upheld with regard to the health protection and medical care afforded to seafarers upon the Convention's entry into force.

ISF continues to campaign for the ratification of the ILO Convention on Seafarers' Identity Documents (ILO 185) which requires port states to facilitate provision of shore leave, vital to the welfare of seafarers who may have been engaged on long inter-continental voyages. In the face of modern concerns amongst governments about illegal immigration and security, it is recognised that port states, contrary to previously accepted principles, may sometimes require seafarers to obtain visas. However, it should be possible for such visas to be obtained on arrival. Particularly in tramp trades, it is simply not practical for seafarers to be expected to obtain visas in advance from overseas consulates.

ISF still plays an active part in the International Committee on Seafarers' Welfare (ICSW) comprising government and voluntary seafarers' welfare agencies, and participated at a major ICSW Regional Welfare Conference in Singapore in September 2007.

UNCITRAL Convention on Cargo Liability

ICS has participated actively throughout the negotiations taking place since 2001, in Vienna and New York, under the auspices of the United Nations Commission on International Trade Law (UNCITRAL), to draft a new Convention on Contracts for the International Carriage of Goods Wholly or Partly by Sea. The central aim of this major project has been to produce an up to date liability Convention reflecting modern trade practices, striking a fair balance between cargo and carrier interests and therefore encouraging widespread ratification and ultimately achieving greater international uniformity. The new Convention is intended to replace the present patchwork of liability regimes, including the Hague, Hague-Visby and Hamburg Rules. Issues not previously featured in earlier conventions are addressed and, as a result, the new Convention is much longer but more comprehensive.

In January 2008, UNCITRAL Working Group III (Transport), which has been considering and developing the draft Convention, agreed all outstanding issues, including the crucial issue of carrier limits of liability. In June 2008, in New York, the UNCITRAL Commission is expected to approve the final draft Convention prior to its formal adoption by the UN General Assembly, probably in early 2009. This will pave the way for ratification, with a minimum of twenty states expected to be required to bring the new instrument into force.

In order to meet the demands of modern trade practices, the draft Convention regulates not only traditional port-to-port carriage, but



also recognises the needs of door-to-door traffic and contains optional provisions to facilitate carriage ancillary to sea transport. It is therefore more accurately described as a 'maritime plus' Convention. Charterparties are excluded from its mandatory coverage, although 'transport documents' (bills of lading) issued pursuant to charterparties will be subject to the Convention when transferred to a third party. The Convention is therefore relevant to non-liner operators in addition to containership carriers.

The proposed regime includes provision for paper and electronic documentation, and arrangements for carriers and shippers in liner trades to agree individually tailored 'volume contracts' which, under certain conditions, are permitted to derogate from some parts of the Convention. There will be a fault-based liability regime and a catalogue of carrier defences similar to those in the Hague-Visby Rules but without the traditional nautical fault defence, and an extension of the shipowner due diligence obligation to apply throughout the voyage.

At the most recent rounds of UNCITRAL meetings, carrier limits of liability have been discussed intensively. While ICS has questioned any rise beyond current levels in the Hague-Visby Rules, which already adequately compensate the large majority of claims, governments with substantial shipper interests have argued for significant increases as a political message. It was therefore provisionally agreed in Vienna, in January 2008, that carrier liability would be set at a maximum of SDR 875 (approx US \$1,442) per package or unit and SDR 3 (approx US \$5) per kilogram of

weight, whichever is the higher.

Now that the UNCITRAL Working Group has agreed the final draft text, ICS has embarked on the process of final consultation and discussion with its members through the Maritime Law Committee. This process will be concluded once the final text is agreed at the UNCITRAL Commission meeting in June 2008. Notably, there has already been very active involvement in the discussions at UNCITRAL by nations from Asia, Africa, Europe and the Americas, and compromises have been reached to reflect and accommodate their interests in an attempt to strike a fair balance between shipper and shipowning interests. In particular, if the final outcome is supported by the United States and the Asian nations, there is a real prospect of achieving global uniformity in the area of liability for carriage of goods by sea.

HNS Liability

In March 2008, ICS attended an important meeting in Monaco of the International Oil Pollution Compensation (IOPC) Fund which progressed work on the development of a Protocol to amend the 1996 Hazardous and Noxious Substances (HNS) Liability Convention. The Protocol is intended to overcome certain obstacles which some governments claim have prevented them from ratifying the Convention, and thereby facilitate its entry into force. The obstacle of most concern to shipowners relates to the so called 'second tier' - the HNS Fund - which would be financed by importers of HNS.

ICS is determined to ensure that solutions to the second tier

problems have a minimal impact on shipowners' liability under the first tier of the Convention, and that the arrangements agreed under the Convention for sharing the costs of HNS damage claims between shipowners and cargo interests will remain intact and balanced. In addition to supporting the principle of shared liability, ICS also supports the principle of international regulation. The reality is that there is a serious need for a global regime to come into effect as soon as possible, if regional rules are to be avoided.

The current HNS arrangements are modelled on the successful CLC/Fund regime for oil pollution damage, but are more complicated because of the wide variety of HNS cargoes, which may be carried on almost all ship types, and the desire to avoid cross-subsidisation between the importers of the various cargoes i.e. oil, LNG, LPG and general (packaged dangerous goods and solid bulk cargoes). In particular, some governments have sought relief from the administrative burden that would be associated with processing returns from the large number of importers of packaged HNS in order to fulfil the reporting requirements of the Convention.

This has led to a proposal that importers of packaged HNS should be taken out of the second tier entirely, relieving them of both the requirement to report quantities imported and to compensate claimants in incidents involving packaged HNS which exceeded the shipowners' liability. In order to fill the compensation gap that could then occur in major incidents involving packaged goods, some governments proposed that shipowners' limits of liability should be increased generally. However, in



30 response, a proposal was developed whereby importers of packaged HNS should not be obliged to contribute to the second tier, but that incidents involving packaged HNS should continue to be compensated by the second tier when they exceeded the shipowners' first tier limits. This in turn led to suggestions that higher limits of liability should apply to shipowners in incidents involving packaged HNS as a quid pro quo for the potential increased costs to importers of solid bulk cargoes. A political compromise along these lines has emerged even though governments recognise there is no economic justification for increasing shipowners' limits of liability.

In summary, it seems that governments may be willing to agree that no increases in shipowners' general limits of liability for HNS incidents should be adopted, but that a modest increase in shipowners' limits of liability for incidents involving packaged HNS should be agreed to balance potential increased financial contributions from solid bulk cargo importers. The Protocol is expected to be finalised in 2009.

Legal and Insurance Developments

While the continuing work on the draft UNCITRAL Convention and the revision of the HNS Convention have dominated the ICS Maritime Law Committee's agenda during the past year, there are a number of other important legal and insurance issues with which ICS is presently engaged.

ICS led shipowner representation at the IMO Diplomatic Conference, held in Nairobi in May 2007, which adopted an international liability

Convention on wreck removal. The Wreck Removal Convention completes the framework of IMO liability and compensation Conventions which, when ratified and implemented by governments, will ensure that compensation is available for third party claimants following pollution and other incidents.

Following the successful conclusion of the protracted Wreck Removal discussions, the IMO Legal Committee's agenda is decidedly thinner and a welcome break will be taken before a resumption of its deliberations in October 2008 on matters such as the development of a model single compulsory insurance certificate to be issued by states in relation to all of the IMO liability and compensation Conventions. ICS has cautiously welcomed the proposal as a means of easing the administrative burden on both states and industry associated with obtaining the certificates which are necessary in order to trade with nations that have signed up to the various Conventions.

The need for certification of insurance cover for terrorism (war) risks under the 2002 Protocol to the IMO Athens Convention has hampered implementation of the Convention, and a compromise solution to the problem was accepted by the IMO Legal Committee in 2006. There appear to have been no developments in relation to the scheme proposed by insurance broker Marsh Ltd, which underpinned the IMO compromise, and scepticism about its viability continues. Nevertheless, the IMO Legal Committee decided at its October 2007 meeting not to consider the war/terrorism issue further in the context of the other IMO liability and compensation Conventions that are pending entry into force, and

to rely instead on the market to find a solution.

P&I Club Managers are understood to be considering the practicalities of bringing war and terrorism risks generally within Club cover, limited to US \$500 million, which will need to be considered by Club Boards in due course. P&I Club Boards have recently agreed that Clubs should provide the certification required under the Bunkers Convention following its entry into force in November 2008, and to pool liability under Bunker Convention certificates arising from excluded risks.

In Europe, progress towards implementation of the 2002 Protocol to the IMO Athens Convention continues. In 2007, the EU Council of Ministers reached political agreement on the text of a Regulation to give effect to the Athens Convention in Community law. However, the Council controversially agreed that EU Member States should be allowed to opt out of the agreed Convention limits, and unilaterally impose higher limits. As the positions of the Council and the European Parliament are much opposed, it is very likely that the Regulation will be subject to conciliation.

The ICS Insurance Committee continues, inter alia, to liaise with the London market concerning topical issues of interest to property underwriters and shipowners. At a meeting with the Joint Hull Committee in January 2008, the opportunity was taken to discuss a variety of issues including hull and machinery (the possible relationship between bunker quality and engine damage claims), liability (the International Salvage Union's proposal for environmental salvage awards), and more general





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matters, such as the image of the shipping industry. It was agreed that the meeting was useful and that ICS and the Joint Hull Committee should meet on a more regular basis.

ICS has also been leading shipowner representation (with the International Group of P&I Clubs) on salvage issues. An International Salvage Union (ISU) proposal for a new separate award for environmental salvage when salvors have carried out operations in respect of a ship or cargo which has threatened damage to the environment is being considered by a working group established by the Lloyd's Salvage Group. ISU has not yet substantiated its case that the salvage industry is in need of financial assistance, and ICS remains sceptical of the proposal, believing that salvage services are already generously rewarded under the present system.

Supply Chain Security

ICS has been a vocal participant in recent World Customs Organization (WCO) discussions about supply chain security. In October 2007, ICS participated in the first meeting of the WCO SAFE Working Group, which has been set up to oversee the maintenance and updating of the WCO SAFE Framework of international customs standards - a risk based approach to supply chain security, developed in response to the 2001 terrorist attacks.

Much of the recent WCO SAFE discussions have focused on the US proposals for 100% container scanning. Ironically, however, the WCO SAFE Working Group is also expected to consider US proposals for amendments to the SAFE Framework to bring it in line with the 'risk

based' national US proposals for additional advance cargo information requirements, the so called '10+2' requirements. The European Union is expected to follow suit, by suggesting the inclusion of its own extra data elements before the implementation of the EU advance reporting requirements in July 2009.

It is disappointing that the US and the EU, two of the main driving forces behind recent WCO supply chain security work, are already seeking to augment the SAFE Framework so soon after its completion. However, the new US security information requirements have been mandated by Congress, and will automatically have to be added to the US security regime. Moreover, although efforts to add to the information requirements may in principle be unwelcome, in the interests of trying to achieve as close to a global security standard as possible, the agreed ICS position has been that it is probably better that the US and EU are willing to try to align the WCO Framework, using the proper amendment procedure agreed by the SAFE Working Group, rather than just introducing their new requirements on a completely unilateral basis.

Elsewhere, the European Union has continued to push ahead with its own supply chain security requirements. The EU regime is largely similar to the US system, although there are some important differences, not least that the EU requirements will apply to both imports and exports. In spite of months of rather fraught negotiations, it appears that some parts of the Commission may still be a long way from understanding industry concerns about some of the legal aspects of implementation. This includes the lack of dual filing requirements for carriers

and freight forwarders, which appears to create a loophole that would exempt freight forwarders from their advance reporting responsibilities, thus undermining the whole purpose of the security regime.

The EU Authorised Economic Operator (AEO) programmes were introduced in January 2008. Under this scheme, businesses that have fulfilled certain security or business related requirements should receive facilitation benefits, such as expedited customs clearance. However, the rather low uptake in some countries suggests that businesses may be sceptical about the real advantages of belonging to the AEO scheme. The second phase will be the implementation of the advance information reporting requirements for the risk assessment of cargo, which are due to come into effect in July 2009, although it may prove quite a challenge for many EU Member States to get their national systems up and running in time, given that the discussions about how to implement the advance filing systems are still ongoing. However, carriers will also need to prepare for the new system, which will require expensive investment in IT systems and the provision of adequate time for establishment, which cannot begin until the EU Member States have agreed on the required specifications.



34 **Protecting Free Trade**

Shipping has emerged as one of the most liberalised sectors of the global economy with relatively few restrictions on the number of national markets that international ship operators are able to serve. However, ICS is concerned to ensure that industry and policy makers remain vigilant against any tendency towards a return to protectionism or restrictive national measures that may distort fair and efficient competition.

ICS has been encouraging efforts by the Consultative Shipping Group (CSG) of governments to revitalise its role as a forum where maritime trade developments can be discussed at a high political level. In a welcome move, in September 2007, the CSG broadened its European and Japanese membership to include Singapore, Korea, Canada and Poland. It is hoped that, in due course, other significant maritime nations may also be invited to participate, including the United States.

The CSG has undoubtedly assumed new relevance in view of the general uncertainty that now pervades much of the world economy, and the expectation that the next administration in the United States might adopt a more protectionist agenda, perhaps using concerns about safety and security as a pretext. In addition to drastic proposals concerning 100% container scanning, this unwelcome inclination was arguably demonstrated by Congress, in 2007, through its promotion by law of US LNG shipping and crews, which it linked with the process for approving new terminals. Sadly, this policy appears to go against the spirit of recognised free trade practices, with the attendant danger that such measures might be emulated by other nations.

The role of the CSG is seen by ICS as being particularly important following the disbandment of the OECD Maritime Transport Committee, which until 2005 was the guardian of maritime free trade principles. There is also a growing lack of optimism about whether a new World Trade Organization (WTO) agreement, that might codify the existing patchwork of understandings about free trade in maritime services, can be concluded successfully as part of the Doha Round.

In conjunction with CSG meetings held in Copenhagen and Tokyo, in September 2007 and March 2008, ICS organised seminars with governments to highlight topical issues that may impact on the efficiency of world trade, ranging from the implications of US requirements for 100% container scanning to restrictive practices that unfairly favour national shipping being proposed by states such as Venezuela and Indonesia.

ICS hopes that the CSG will ultimately develop into a forum with multilateral interests. However, for the foreseeable future, US/CSG dialogue will remain an important part of CSG activity. ICS therefore participated in a meeting organised by the CSG with the Cotton Club of maritime attachés in Washington DC, in January 2008. In May 2008, again in Washington DC, ICS will participate in the biennial CSG/US meeting between the heads of the world's maritime administrations and those US agencies whose work impacts on shipping.

The ICS/ISF Strategy Review identified the need for ICS to renew its relationships with bodies that could have an effect on shipping at some point in the future, including the United Nations in New York, the



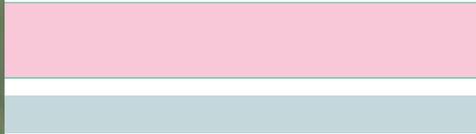
United Nations Conference on Trade and Development (UNCTAD), and the recently launched (and OECD related) International Transport Forum which acts for the world's transport ministers. This will hopefully pay dividends when the United Nations focuses on maritime safety and security issues during its discussions in New York, in June 2008, about the UN Law of the Sea, and during an OECD/ITF ministerial conference, in May 2008, which will discuss the politically charged issue of transport and climate change. The ICS Chairman has been invited to participate at the ministerial conference in Leipzig, along with key representatives of other transport modes.

Customs and Trade Facilitation

ICS continues to lead industry representation at the IMO Facilitation Committee and the World Customs Organization (the latter, as reported elsewhere, currently being preoccupied with supply chain security issues).

ICS and ISF (in co-operation with ECSA) have raised concerns about plans by some EU Member States' immigration authorities to notify a formal objection to certain provisions in the IMO Facilitation Convention which have been interpreted as being in conflict with European Community legislation (in particular the Schengen Borders Code on immigration).

The IMO Facilitation Convention governs the formalities and documentary procedures associated with the arrival, stay and departure of ships engaged in international trade. These supposed incompatibilities with EU immigration procedures relate to the Facilitation Convention's provisions permitting shore leave without the need

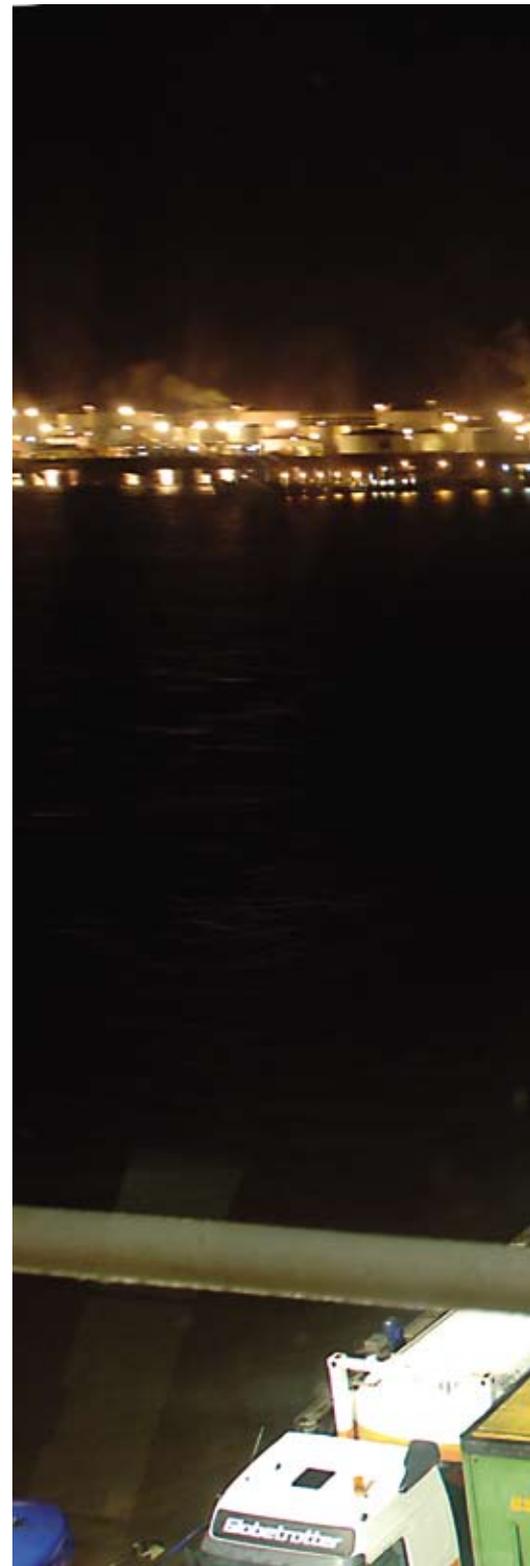


for visas to be obtained in advance, as is also required by the ILO Convention on Seafarers' Identity Documents (ILO 185) which the Commission is encouraging EU governments to ratify, and which ISF helped negotiate nearly five years ago. ICS and ISF have therefore sought to underline the crucial role that the Facilitation Convention plays in protecting seafarers' welfare by minimising the administrative burden on ships' crews and expediting the movement of seafarers.

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ICS has also contributed comments to a European Commission consultation exercise concerning a proposed 'European Maritime Transport Space without Barriers'. The idea first appeared in the European Commission's 'Green Paper' on a consolidated maritime policy, but at the time there was some confusion about what exactly was meant by this concept, and there were concerns that these proposals might have implications for market access by non-EU ship operators. However, these fears appear to have been allayed by the Commission's 'Blue Paper' and the subsequent consultation exercise about the concept launched at the end of 2007, which emphasised that it would only relate to customs and trade facilitation in the context of the EU single market.

So long as the exercise remains focused on promoting the efficiency of intra-EU trade and short sea shipping through improved customs and facilitation procedures, this could prove a useful initiative. ICS has therefore commented in support of streamlining and harmonising documentary procedures, and the use of tools such as the 'single window' concept, which would create a single point of entry for traders to submit information for use by different government bodies, without



businesses having to resubmit the same information each time. However, the ICS comments stressed the importance of ensuring that any benefits are 'flag blind' and are also enjoyed by non-EU operators trading with Europe.

Canal Issues

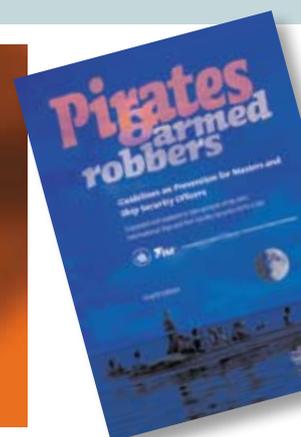
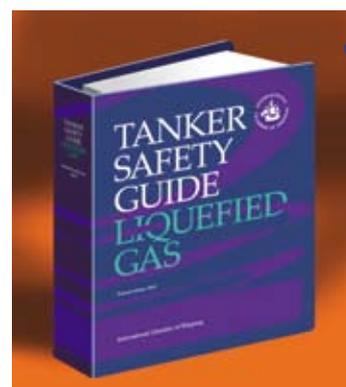
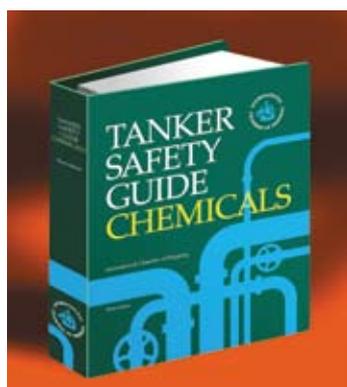
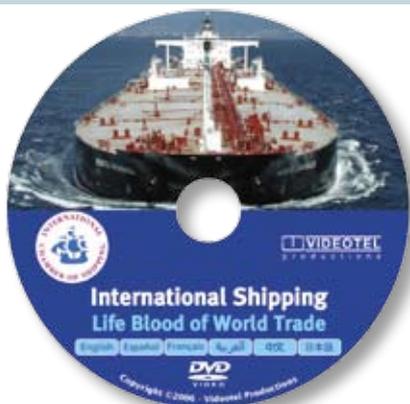
Preparations for the planned Panama Canal expansion programme are finally underway, with the construction contract for the third set of locks due to be awarded before the end of 2008. While most of the industry agrees that the expansion is necessary in order for the Canal to accommodate the larger dimensions of the modern container fleet, it is clear that the Panama Canal Authority (ACP) expects the bulk of the estimated US \$5.25 billion costs of the works to be funded by the industry through increased tolls.

Canal users continue to have reservations about being asked to provide up-front financing for a long term infrastructure project from which they may not individually derive any benefit. It was therefore disappointing that ICS calls for any changes in tolls

to be equitable and spaced over a sufficient amount of time were largely ignored when the ACP decided to press ahead last year with a first tranche of toll increases, equating to a rise of 8% to 10% per annum over the course of the next three years. ICS will, however, continue to urge the ACP to provide a clearer picture of its longer term intentions for toll increases and to give further thought to using external financing to help spread the costs of the expansion project over a sufficient period of time.

In the meantime, the ACP faces a more immediate challenge, as the Canal continues to operate increasingly close to capacity. In addition to short term measures to mitigate seasonal backlogs in Canal traffic, efforts to overhaul the transit reservation system have also been introduced to increase the flexibility of the system in order to maximise usage. However, although recent moves to tailor Canal services more closely to the needs of individual sectors can only be welcomed, it seems likely that the ACP will have to become increasingly inventive if it is to ensure customers receive an acceptable level of





service in the run up to the completion of the third set of locks, scheduled for 2015.

Elsewhere, the Suez Canal Authority announced changes in Canal tolls for 2008 which represent an average increase of around 7%. This follows on from annual increases of 3% for the last three years. ICS has therefore repeated its requests for a proper consultation mechanism and appropriate notice periods for any future toll increases.

Promoting the Profile of the Shipping Industry

For the last few years, ICS and ISF have been seeking to assist national shipowners' associations with the promotion of a positive profile for the industry, in order to improve the level of understanding amongst non-maritime policy makers about shipping's safe and environmentally efficient performance and its vital significance to the world economy.

For the first time in a while, the shipping industry appears to be receiving considerable publicity in the general media. Pleasingly, this was not primarily due to major oil spills. However, issues such as CO₂ emissions and atmospheric pollution from ships present a challenge to the industry's image, with supposedly serious journals sometimes containing unfairly negative coverage. ICS/ISF and their member national associations have therefore been working hard to educate the media and policy makers about the tremendous efforts being made by the industry and its regulators to address these serious and complex environmental issues, especially on further reducing carbon emissions.

It is said that all publicity is good

publicity, and even negative and inaccurate coverage about shipping and Green House Gas emissions has probably made policy makers, and some of the public at large, more aware of just what a huge and tremendously significant industry shipping really is. Moreover, news reports about world trade developments increasingly have images of ships in the background. The industry has also raised its profile with the business pages, due to the buoyant markets that most shipping companies have enjoyed throughout the new century.

ICS/ISF, in conjunction with the other members of the Round Table of international shipping associations, continue to operate the 'shippingfacts' website, intended to provide basic information about the shipping industry's function, structure and performance. ICS and ISF are also co-operating with other recent initiatives such as the Maritime Industry Foundation, intended to provide information about all sections of the industry, and the 'shipsandboxes' campaign launched by the Container Shipping Information Service, on behalf of the Box Club of containership operators.

The ICS DVD film, Shipping: Life Blood of World Trade, has proved a popular promotional tool. Some 20,000 copies have already been distributed since its launch, and it can also be accessed via the internet - www.marisec.org/film. It is intended to update the film during 2008.

At a routine level, ICS continues to produce materials such as the updated Environment Code, and brochures to promote the role of IMO. The main ICS/ISF website also contains a growing volume of useful information. ISF

meanwhile continues to promote international maritime careers through www.careers-at-sea.org.

Administrative Matters

Mr Spyros M Polemis (Greece) has served as ICS Chairman and ISF President since his election in 2006. The ICS/ISF Annual General Meetings, which were hosted by the Hong Kong Shipowners' Association in June 2007, elected Mr Robert Ho (Hong Kong) and Mr Michael Everard (United Kingdom) as ICS Vice Chairmen for 2007/8, with Mr Patrick Decavèle (France) and Mr Luis Ocejo (Mexico) elected as ISF Vice Presidents.

In July 2007, the Indian National Shipowners' Association became a full member of ICS, while the World Shipping Council, which represents container lines trading to the United States, became an ICS associate member.

Maritime International Secretariat Services Limited (Marisec) is the company established in 1991 by ICS and ISF to provide staff and secretariat services to the two sister shipping organisations which share a common membership of national shipowners' associations. This successful arrangement continues.

Marisec also provides services to other organisations, such as the International Support Vessel Owners' Association (ISOA) and the International Maritime Employers' Committee (IMEC).

During 2007, the ICS Executive Committee and the ISF Council conducted a comprehensive Strategy Review of ICS and ISF activities. Although the core focus of ICS and ISF interests will remain the same, the

ICS Executive Committee and ISF Council 2007/8



review has identified various areas where the service provided to the shipping industry may be further improved.

The 2008 ICS/ISF Annual Meetings will be hosted by the Union of Greek Shipowners in Athens in May.

ICS and ISF Publications

The production and global distribution of technical publications which establish agreed international standards of maritime best practice are a core part of ICS/ISF activities. The last year has seen the publication of a new updated edition of the ICS Bridge Procedures Guide, some 20,000 copies of which are already in circulation, primarily on board ships. In early 2008, ICS also published a revised edition of the Code of Practice on Shipping and the Environment, while ISF has recently updated and issued its popular Guide to the IMO STCW (training) Convention.

Interest and use amongst industry of ICS and ISF's list of over 30 publications and products continues to be strong, particularly for the various tanker safety guides, as well as tools such as the ISF Watchkeeper work hour record keeping software (which is being upgraded in 2008 in conjunction with ISF's partner IT Energy). Other major projects for 2008 are the revision of the ICS Helicopter Guide and drafting of new best practice guidance on container operations, in co-operation with the World Shipping Council.



ICS Executive Committee

Mr Spyros M Polemis (*Chairman*)
Mr David Sterrett *Australia*
Captain Dirk Fry *Cyprus*
Mr Lars Vang Christensen *Denmark*
Mr Patrick Decavèle *France*
Mr Anastasios Papagiannopoulos *Greece*
Mr Robert Ho *Hong Kong*
Mr Masamichi Morooka *Japan*
Mr Samuel Cooperman *Liberia*
Mr Luis Ocejo *Mexico*
Mr Ed Nobel *Netherlands*
Mr Trygve Seglem *Norway*
Mr Håkan Larsson *Sweden*
Mr Michael Everard *United Kingdom*
Mr Michael Bohlman *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*
Captain Wei Jiafu *China*
Captain Dirk Fry *Cyprus*
Mr Leif Kristian Nielsen *Denmark*
Mr Risto Näsi *Finland*
Mr Patrick Decavèle *France*
Dr Hans-Heinrich Noll *Germany*
Mr Anastasios Papagiannopoulos *Greece*
Mr Arthur Bowring *Hong Kong*
Mr Sabyasachi Hajara *India*
Capt Eddie Keane *Ireland*
Mr Robert Goodall *Isle of Man*
Dr Giovanni Delle Piane *Italy*
Mr Mitsuo Nakamoto *Japan*
Mr Young-Moo Kim *Korea*
Capt Saad Al-Matouq *Kuwait*
Mr Joe Ludwiczak *Liberia*
Mr Luis Ocejo *Mexico*
Mr Ed Nobel *Netherlands*
Mr Paul Nicholas *New Zealand*
Mr Trygve Seglem *Norway*
Mr Syed Mahmood Ali *Pakistan*
Mr Carlos Salinas *Philippines*
Mr Manuel Carlier *Spain*
Mr Håkan Larsson *Sweden*
Mr Mark Brownrigg *United Kingdom*
Mr Joseph Cox *United States*

ICS Organisational Structure

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ISF Organisational Structure



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