

THE PRESTIGE FACTOR

. . . and the industry initiatives

California Land Commission, *Prevention First 2004*

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Ladies and Gentlemen,

When the organisers invited me to talk about this subject, I was quite hesitant. What could I say that has not been said before about the accident of the **M/T Prestige** and the significant regulatory changes resulting as a consequence of it? The subject was exhausted by presentations, political debates, international regulations, litigation and all these frequently well covered by the media. I then realised that the invitation is an opportunity for the tanker industry to present the less known side of the story, namely the changes within the industry, its self-triggered procedures and operations and to try to highlight the improvements towards which these changes are aiming. Therefore, I slightly modified the title.

In this context, I wish to thank you for the invitation and express appreciation for being allowed to stand in front of you and share some of our daily experiences.

Allow me to spend one minute to introduce the International Association of Independent Tanker Owners (INTERTANKO) (**slide 2**) which is a trade association of some 230 (+/-) oil and chemical tanker operators from some 40 countries including US, operating some 2,200 tankers with an aggregate capacity of 165 million dwt and average age of the fleet of 11.8 years. By tonnage, our members represent some two-thirds of the international tanker fleet and they do transport 60% of the oil imported in US by sea. Members are only companies which are not owned by Governments or oil companies. However, we have a large number of associate members which include major oil companies, classification societies, state-owned companies, financial institutions, ship yards and many others that have a vested interest into the tanker business...

Back to the subject of today, let us not consider the **M/T Prestige** accident as the starting point of the analysis. Let us go back two more years and start from the **M/T Erika** accident followed by the serious incident of **M/T Castor** and by the sinking of another ship, the chemical tanker **levoli Sun**. (**slide 3**) .All these accidents took place close to European waters and Europe had strongly responded by adopting more restrictive regulations. Like the US after the Exxon Valdez accident, Europe has demanded and the IMO has agreed to adopt new regulations and to significantly amend some of the existing regulations. The first and the greatest change was an acceleration of the phase-out of the single hull tankers in the international regulations. The change was so rapid that the first set of amendments to the IMO MARPOL Convention, agreed on a fast track after the **Erika** accident, was not yet into force when the second set of amendments triggered by the **Prestige** accident had been agreed in IMO last December. In less than 5 years, the single hull tanker's trading life was cut from 25 to 30-years to fixed drop dead dates, bearing no relationship to their age. The result of this (**slide 4**) brought a similarity between the OPA 90 and the IMO phase-out schedule for most of the tankers. We have prepared a more detailed database on the phase-out (**slide 5**) which shows a similar phase-out profile of single hull tankers regardless of their size. Some of the differences between the

number of ships to be phased-out in the next 2 years under the IMO, the EU and the OPA 90 schemes respectively are simply due to the different initial implementation dates under each scheme. In practice, in 2004 and 2005, the EU and the IMO schemes would phase-out tonnage that is already made obsolete under the OPA 90 regulations. As from 2006 there would be small differences between the three schemes. The other difference beyond 2010 is due to the IMO provisions allowing flag Administrations to permit single hull tankers built in the 1990s to possibly trade until 2015. However, IMO had also allowed port authorities to deny entry to single hull tankers that might go beyond 2010. So, our slides illustrate the maximum lifetime of the current tanker fleet as per June 1st of 2004. **(slide 6)** According to this conservative assumption and based on the current tanker tonnage contracted and potentially to be contracted, we estimate that that by end of 2010 double hull tankers will represent close to 85% of the tonnage. The remaining single hull tonnage will either be double bottom or double side tankers or relatively young single hull tankers which, subject to their flag Administration's decision and subject to port authorities' decision to receive them, might continue to trade a few years, but, not more than their 25th anniversary and with a drop dead date at 2015 which ever comes first.

I think I will conclude here about this subject with a slide showing a complete picture of demolitions and new deliveries currently known to us. **(slide 7)**. If of any interest, we could discuss any detail during the Q&A part of this session.

There is a general impression that **Erika**, **Castor**, **Ievoli Sun** and **Prestige** were un-maintained, improperly operated old rust buckets. That it is not the case. They were different tankers of different age with different trades and one of them was a 10 year old double hull tanker. However, with the lack of adequate accident investigation and accident reporting, it is difficult to assess with accuracy the root cause of each of these individual accidents and incidents. Therefore, the industry has proceeded to a broader responsible analysis to detect the main areas which needed a serious revision and improvements. I would therefore spend the rest of my presentation going through some of these initiatives which were taken not only as a result of the **Prestige** or of the **Erika** accidents, but, the result of an industry effort to eliminate risks that could produce such disasters. These are measures already taken and with measurable effects. There is a second category of measures that are under development but with clear targets. All these cover the design, construction, survey, inspection and finally operation & manning of a tanker.

Design

Tanker design **(slide 8)** was not a very sophisticated matter. However, the sophistication of the tanker design was increased by new features adopted to provide a higher environmental protection against operational and accidental discharges of oil cargo. Complete segregation of cargo and ballast tanks, of the oil and ballast water pumps and piping systems and the adoption of the double hull design brought significant changes into tanker design. In addition, designs have been developed to meet any one of the ten different sets of regulations for newbuildings published by each Classification Society. It has been said that the difference between each Class regulation for newbuildings did not result in significant differences in the actual design of a tanker. However, since these various rules are based on a variety of assumptions with regard to the environmental conditions and loads for which the ship's structure is calculated, differences still exist. Under an industry initiative, this practice is coming to an end and Classification Societies are developing common regulations for new building of tankers and common regulations for the new building of bulk carriers. This will mean that no matter who is the designer and which Classification Society is required to verify and approve the design compliance with the regulations, the ship should be equally strong and resilient. In addition,

according to the common rules for tankers, the ship will be designed and dimensioned to sustain the North Sea wave spectrum (the most difficult known at the moment) for a design life of at least 25 years. New and more demanding strength criteria will be made part of the regulations and, should an owner properly maintain such a ship for her entire life, the operating life of such a ship could easily go beyond this 25 years design life. The common rules for tankers are out with the industry for comment and are planned to become operative by July 1, 2005.

Ship building (slide 9)

High standards of ship construction are essential so that a good design results in a safe and high-quality ship. Building a ship is a complex matter and takes almost a year of intense and highly structured labour. It involves not only a ship yard but many sub contractors, steel mills, foundries, equipment manufacturers (mechanical, electrical, electronic, etc.), paint manufacturers and paint application companies and so on. Such an elaborate process, involving pulling together elements of a structure with huge dimensions, needs thorough monitoring and coordination. It has been the practice to assume that a ship is in very good condition on the day of the delivery. It has been proven in practice that this is not always the case. Therefore a proper monitoring of the shipbuilding process is needed.

The shipyards' quality management should first and foremost take care that their process delivers quality products and should also supervise the quality delivered by each subcontractor. Over the last two years, shipowners' representatives, Classification Societies and shipyards from Japan, Korea and China met and discussed ways of improving the essential procedures for ship design and ship construction. There is a list of items addressed which also include possible guarantees to be provided that, when delivered, ships are of a good standard. Classification Societies is in a process of developing a New Building Survey Scheme to improve the monitoring of the shipbuilding process.

Maintenance and operation (slide 10)

Proper maintenance and proper operation are the owners' primary responsibilities. The introduction of the ISM Code in 1998 has brought in the modern managerial procedural operation of ships. Tanker companies have developed standards for each procedure and seafarers do follow these procedures onboard tankers. There are tanker companies that have dedicated personnel for a certain size group of tankers under operation. Ships of the same size have same equipment and the same operational standards and thus the risk of human error originating from lack of familiarity with procedures is made remote.

Tanker operators have different maintenance routines and there is no one single best model. However, there are common threads running between these maintenance programs and routines that all tanker operators need to follow. This would include the scope and frequency of survey of the ship's structure, the testing of onboard equipment and its calibration, the routine maintenance of the machinery as recommended by the makers, etc. INTERTANKO is considering developing guidelines to indicate the type of standard procedures for a sound and efficient maintenance program. The guidelines would enable tanker operators to add specific procedures for their trade but they would contain a number of procedures that each company must include in its maintenance program. The industry needs a reference guide for the essential survey procedures and the frequency with which they have to be applied.

Inspection and Inspection Access

Periodical inspection of the ship's structure is extremely important (**slide 11**). Unfortunately, this is a very challenging task, particularly in large tankers. People not familiar with commercial vessels do not comprehend the dimensions of these ships and would be very surprised to learn that they are bigger than many familiar buildings and land structures. The distances and surface areas which ship surveyors have to cover for inspections are enormous. (**slide 12**) In order to make the survey efficient, the industry has developed a survey scheme under which, according to the type and the size of the vessel, surveyors are making close-up surveys and thickness measurements in areas on which the structure is subjected to higher loads and stresses - the so called *hot spots*. These hot spots are defined through practical experience and the industry has improved the scope and the extent of the periodical surveys on tankers.

IMO has recently concluded on a new regulation which would require ships to be built with means of access for inspection and surveys. The few slides I prepared for today will give you a better understanding in that these new features would give a much better access for survey and maintenance (**slides 13 – 17**).

All these improvements have been put into action in recent times and their effect is expected to minimise the risk of structural defects and, when defects might still occur, these are easily detected and repaired.

Manning and onboard management

INTERTANKO Members have a constant focus on the well-being and the level of training of their employees, being onboard ships or on shore offices. There is no higher investment than on the people who take care of the ships to ensure proper operation and proper maintenance. (**slide 18**) For decades, ship owners have supported several maritime training schools around the world and the high quality of people onboard tankers is recognised. There has been criticism about the use of third world crew onboard ships, but these are unjustified. The shipping industry has a problem in recruiting people. Life at sea is not easy. In today's operations, ships are spending very little time in port and most of the time at sea. Thus it is no longer attractive for youngsters to take a job onboard a ship and "see the world." Today, air tickets are affordable and the young generation from the western countries are choosing this way of discovering the world. This argument might be too simplistic but this is the true reason why ships have more and more sailors from the Near and Far East.

Unfortunately, we see that more and more Governments treat tanker officers as criminals. (**slide 19**) There have been a number of countries which, as part of their immediate action in the aftermath of a tanker accident, have arrested the master and/or some of his crew. The criminalisation of seafarers is a very, very bad thing. These accidents, no matter how serious they are and how much they impact the local environment, do not happen on purpose, but are the result of any number of unfortunate events. With the key witness arrested and under criminal penalty threats, the accident investigation is not going to be efficient. The industry and the governments involved, instead of learning from such an event and properly assessing and correcting the inefficiencies which led to the event, are instead getting into endless legal proceedings which can only benefit the lawyers. (no offence to the lawyers - this is not a criticism to them or their activity).

INTERTANKO and Industry Operational Procedures and Guidelines

In supplementing its members' training policies, INTERTANKO has issued over the years, a long list of Guidelines (**Slide 20**) which are aimed to update people onboard tankers of operational advances. All these Guidelines should become part of any company's management procedures as references. To name one single example, INTERTANKO launched 2 years ago, an operational procedure to contain the loss of hydrocarbon vapours during sea transportation. The containment of such losses was up to 80%. The good news was that the idea was picked up by manufacturers and, based on the concept promoted by INTERTANKO, they have made a new automatic release control system which is not only more efficient, but ensures a higher retention of such cargo related vapour releases.

As we speak, in another Session of this Conference, Capt John Hill from Heidenreich Marine is presenting another initiative within INTERTANKO membership, namely sharing information on terminal safety through the INTERTANKO Terminal Vetting Database. The list of such initiatives is even longer and includes many other initiatives of other industry organisations like Oil Companies International Forum, Tanker Structure Cooperative forum, International Chamber of Shipping and International Association of Classification Societies..

Monitoring of the INTERTANKO membership standards

All INTERTANKO adopted membership criteria (**slide 21**) to define a benchmark for membership entry. The last adopted measure was in the aftermath of the **Prestige** accident. We thought that, as a specific requirement under OPA 90, all tankers would have a procedure to address the ship's stability in an emergency situation. We were wrong because **Prestige** did not have it. As from January 1st this year, all tankers registered with INTERTANKO have the obligation to have a contracted stability emergency program that, in some situations could make a huge difference on the outcome of an incident or accident. Moreover, INTERTANKO and the UK Government have initiated regulatory changes with IMO and a similar criterion is now part of the international legislation.

We believe that the application of INTERTANKO's Membership criteria has been an important contributor to the improvement of tanker industry performance and standards. Both, the number of detentions by the Port State Control on tankers (**slide 22**) and the number of accidents (**slide 23**) and the amount of oil into the sea from tanker accidents (**slide 24**) has decreased dramatically. The tankers' record under all major port state control schemes is by far the best as compared with the records of the rest of the merchant ship fleet (**slide 25**)

Industry Image (slide 26)

One has to learn to recognise that it is impossible to conduct marine operations with zero risk. Despite all good intentions and constructive progress, some accidents will, unfortunately, continue to occur. Our challenges are, of course, to minimise the risk of accidents happening and to mitigate the effects when they do happen.

Other speakers during the Conference will have highlighted the importance of preparedness in terms of planning and training for accident response and ensuring a timely, co-ordinated and professional response. That response should of course not only cover the physical response to the incident, but also the response to public, political and media interest.

Without doubt both areas require more attention. The now inevitable negative response to marine accidents by much of the public, the press and the politicians means that the shipping industry has still more work to do. This involves educating and informing those that have

influence on the regulation and governance of the shipping industry with the real facts about our industry, as well as telling them about the responsible behaviour and commitment of the various players. (**slide 27**) In the case of tanker shipping – we might start with the facts that:

- The marine transportation of crude oil, oil and chemical products is essential to our everyday lives,
- Shipping is environmentally friendly,
- Shipping is efficient and reliable,
- The tanker industry does have a good record – is responsible and is committed to continuous improvement.

The politicians and society at large should not forget that our industry is doing a service which is extremely important for the livelihood of our civilisation (**slide 28**) Our Members transport some 60% of the oil imported by the US. They do it in good faith and give excellent performance, all at a cost which each consumer can barely perceive on top of its price at the pump.

With more attention paid to the “perceptions” held about our industry **before** an accident, hopefully the political and public reaction will be more proportionate when something does go wrong.

Conclusions

I would make three concluding remarks. Firstly, besides being a legal obligation, it is morally indefensible if a ship in distress is denied assistance by a coastal state. (**slide 29**) Fortunately such denials are only rare occurrences. However, more still has to be done to ensure that ALL coastal states - and especially those adjacent to the busiest shipping lanes - have planned for and are prepared to offer a Place of Refuge whenever it is necessary. We all appreciate that this is a complex issue, but one that demands an urgent solution.

Secondly, (**slide 30**) it is important to bring under the concluding remarks the criminalisation of seafarers. Appropriate sanctions against any party responsible for intentional pollution are not disputed. However, the criminalisation of seafarers for accidental pollution does absolutely nothing for the advancement of marine safety and protection of the environment. Indeed such action will be counter-productive as it will deter responsible officers and crew from a career at sea.

Thirdly, (**slide 31**) the value of learning from failures and accidents cannot be over-emphasised. The importance of conducting rigorous and comprehensive accident investigations, and the regular failure actually to undertake these, are both well recognised. It is equally essential that other feedback and learning mechanisms are developed. In-service experience of structural, mechanical and human failures, and near-miss reporting in ship operations, should be the norm – without the assignment of blame, and in as free and open a manner as is possible.

Results do not come on their own. (**slide 32**) It needs interaction between the authorities and the industry. (**slide 33**) This would require the public and regulators perception be closer to the reality of all conditions of trade and (**slide 34**) the terrible dangers to which ships and seafarers are sometime exposed. Reality could be quite different from what we would believe (**slide 35**). We are **all in the same boat**. We need to work together, as partners. (**slide 36**) Only then we can make a difference and, with a next opportunity we could together assess our results in eliminating the “Prestige Factor”.

(slide 37) Chairman, Ladies and Gentlemen, I hope that I have provided you with some new insight into tanker industry activities and an understanding of INTERTANKO's strong desire to be in the forefront of developments which would certainly ensure accomplishment of our motto: Safe Transport, Clean Seas and Free Competition.

Thank you all for your patience!