An increasing number of CRANE ACCIDENTS

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COLLISIONS in majority amongst EXPENSIVE CLAIMS

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The Swedish Club is a mutual marine insurance company, owned and controlled by its members. The Club writes Hull & Machinery, War risks, Protection & Indemnity, Loss of Hire, Freight Demurrage & Defence insurance and any additional insurance required by shipowners.
Dear Members,

As the year draws to a close we note with great satisfaction that our members, and the shipping community in general, have continued to enjoy positive market conditions for a period longer than ever experienced before. The shipping economy and the world economy as such are driven by the unparallel development in China and will carry on doing so as long as there is political stability in that huge and diverse country.

The Swedish Club is one of the first clubs to present its annual report, as our financial year runs from January 1st to December 31st and not, as is the case with most of our competitors, from February 21st to February 20th. In benchmarking against competition, we have concluded that most clubs have had an excellent financial result, whereas maybe only half of the competition has produced a positive technical result, i.e., where, in simple terms, premiums cover claims. We are proud and pleased to belong to that group.

In the wake of the publishing of annual report, it has often been reported that claims seem to increase due to the excellent freight market. The alleged logic behind this trend is that owners and operators should ignore safety regulations and delay maintenance, in order to fully exploit the current situation. In our view, this would be a most short-sighted arrangement, and it is certainly not in line with the way our members operate. Our statistics show, on the contrary, a marked downward trend in terms of frequency, both when it comes to Hull and P&I claims.

These facts lead us to the now very topical discussion on substandard shipping. As always, politicians tend to overreact, while industry forces on the other hand are too slow to react. It is disappointing to see that a balanced and pragmatic discussion between the interested parties is difficult to achieve. We believe that there is a lot to gain by the shipping organisations involved joining forces trying to formulate a common policy. For too long, individual interest groups have claimed that their areas of responsibility only reaches that far. Others will continue where we stop.

We don’t believe that there are any such boundaries. Basically, we all have the same interest – floating coffins should not ply the seven seas; they should not be insured, and they should not be able to compete with our owners. Being a relatively small Club, it is probably easier for us to establish that our members are of acceptable quality.

It is not by choice that we are small, but sometimes it makes life easier. The larger the Club, the more difficulty it is to have a thorough knowledge of each and every member.

The International Group has a formidable task in the years ahead shifting the wheat from the chaff.
So how will our members and the brokers notice this change? We outline here a few major changes that we know will be appreciated by all of you.

**SCOL**

Scandinavian Club OnLine is a high-quality interactive platform with an upgraded functionality. SCOL provides members and brokers with information about all open claims and closed claims for the last six years. The last five full years and the claims associated with those years form the records in SCOL. One new facility which is now available is information about the current year.

Fleet structures sometimes cause advanced systematic arrangements and we have done our utmost to group all the various sub-fleets of a member under his fleet name. Thus, the initial entry table always shows the top level in the hierarchy, and individual sub-fleets can be seen by “drilling down” into the system. (This is true even if there is only a single fleet.) An updated help text is available, but the best training is to move around in the system – all underlined blue names and figures can be explored further.

**Up-to-date information**

SCOL is accessible through our new and modernised internet site at [www.swedishclub.com](http://www.swedishclub.com) where you also find much interesting and useful up-to-date information. Bookmark the website as your favourite and make it a rule to visit the website regularly.

We are facing some conversion difficulties during the initial period. All old data has been duly converted and properly stored, but the connections to SCOL may fail. We are trying to rectify every error we find, but some links to brokers are causing a problem. Most links have now been re-connected, but we welcome any comments and we will do our utmost to solve any problems.

**Certificates of Entry – CoE**

We have finally removed the old policy, which served no real purpose in our modern society since everyone requires a Certificate of Entry to show to port authorities, charterers, mortgagees and many others. A single format for the CoE will be used for all classes of business and the CoE will describe the cover, but not the premium paid. Agreement about premiums will be made separately, and the CoE can therefore be used as a proof of entry for a particular risk.

CoEs will be available through SCOL. (This function is not ready yet, but we hope to be able to provide it soon.)

CoEs for P&I are subject to a number of rules and restrictions. Basically, such a CoE may not describe a positive risk covered since this could, in the worst case, open for a direct action against the P&I club. Hence, certificates for P&I will state that the vessel is fully covered and will list the exclusions from cover. To satisfy authorities who require confirmation that a certain risk is covered, the P&I clubs have agreed to make their rules available on their websites. The Scandinavian Club rules are available on our website, and authorities can view them there. Furthermore, anyone can search for vessels entered through our extranet SCOL. Our website provides easy access to this search function.

**Conditions**

Another “new” document that we have introduced is the document that states the “conditions”. In most cases, the broker will provide us with a CoE at the start of the tendering process. This slip describes for a vessel or (more often) for an entire fleet, the conditions for which the vessel or fleet has been entered. This is normal practice, especially in the hull market, where shares are placed with different underwriters and it is thus convenient to have only one wording in circulation.

Previously, it has not been easy for us to accept this format, but the new system enables us to use “broker slips”, or slips that we have produced, and store them together with the risk entered into our system. The slips should preferably be sent by e-mail but fax or traditional mail is of course also acceptable. The great advantage of the new system is the accessibility of the slips, not only for us but also for the members and for the broker. SCOL lists under the vessel insured all main risks that are covered, and we can provide for viewing and copying not only a quick summary of the cover, but also the entire slip. (The viewing function of the slip is not fully functional yet due to some final adjustments.) It may, however, be the case that not all entries have slips: a CoE is sufficient in some cases, or there may...
be a combination slip for a number of risks covered. For example, conditions with respect to increased value may be listed on the slip for the hull. In this case, information will most probably be displayed only under the hull entry and not under the increased value entry.

**IMO number**

The paint of the name has not dried on some ships, before the vessel has been re-chartered, and there is a new name neatly painted on the bows and the stern. This causes headaches for us and for everyone in shipping, and this has forced us to start using IMO numbers. All documents will soon include a name of the ship and the IMO number, with the latter being taken as the definitive identification. We say “a name”, since the name may change, and the computer will most probably take the first name entered on the ship for a particular risk period, unless a change is made later. Since we agree on the premium in advance, the computer “thinks” that the name is the first known name during the policy period, and it logs this name on all invoices. This is why we will be using the IMO number (which are also nicely painted on most ships today – but very hard to remember).

We will require early notification of IMO numbers when entering new ships, and the sooner we get these numbers, the easier it will be to insure the “correct” vessel.

**Debit and Credit Notes**

We have changed our practice to follow market standards, and now divide the year into equal parts. Debit and credit notes are generally sorted by payee, that is, sorted by the person who is to pay us the premium. Additional premiums are however separated to facilitate further processing of same.

Debit and credit notes have been given a new layout and are easy to understand. The IMO number serves as the reference to the ship and the vessel name that was listed when the first debit note for the policy period was produced is also specified.

We often see that premiums are paid without stating the reference number. We would appreciate if you could specify the reference number on the bank order, since it makes it much easier for us see which payments have been made. Our credit control carries out a huge number of transactions every day, and the quicker these transactions are made, the quicker we can pay out claims. We do check that premiums have been received before remitting payment for claims, and we, or you, do not appreciate any delays in those transactions. So, please always state the reference number when remitting premiums!

**Vessel information**

The member and the broker can find all basic information about a vessel in our extranet system, SCOL. There is also information about which team is handling your insurance cover, and possible claims for your ship. The main types of cover, nowadays called “sub-classes”, will be listed, and information about each type of cover can be accessed by clicking on it. All the information is derived from the computer system, and any errors must be reported to us as soon as possible to ensure correct cover.

**Vessel search**

Any vessel entered into the Club is searchable through SCOL. Access is open to all, simply follow the instructions on the website. The information provided for general users is limited, but provides enough information to satisfy an authority for verification of entry, if this is required. The P&I clubs regularly provide updated information of entries on a website supported by the EU: [http://www.equasis.org](http://www.equasis.org).

**Proxies**

Most of you will remember that a large number of proxies are sent every year in advance of the annual general meeting. The Swedish law that governs mutual insurance companies allows us to automatically regard the “client” as the “member” with the right to vote at the Annual General Meeting. We do not, therefore, have to contact each individual assured or legal owner of each entered ship as we have been doing for many years. The “client” is our partner with whom we negotiate and who takes the decisions in all matters regarding insurance. The client may, of course, pass his proxy to anyone he wants to represent him at the AGM.

**Future**

The future is already here, and our vision is to provide easy access and to reduce the flow of unnecessary documents. We prefer to use e-mail as much as possible, but we know that some documents must be sent by traditional mail. We are trying, and we will continue to do our utmost, to simplify document handling; and we are always open to discussions and proposals to solve the needs and requirements of an individual member or broker.
Reinsurance and the benefits of long-term commitment

The Swedish Club’s long-standing relationship with Gen Re has required commitment from both sides over a period of two decades. The reinsurance contract led by Gen Re was established 21 years ago and ranks as this reinsurer’s second oldest marine treaty. In the past 21 years, there has been only one change in this treaty’s structure, an increase in the retention from USD 1 million to USD 2 million, introduced in 1990.

Marine business is notoriously cyclical and the reinsurance sector regularly performs badly. What really counts, above all else, is underwriting discipline. Happily, The Swedish Club also recognises this principle. Underwriting discipline is all about analysis, rather than marketing. In this sector, however, marketing has a tendency to encroach on the assessment of risk.

Reinsurance exists to protect against volatility. In this business, the winners make commitments they always keep. The losers, in contrast, make promises they often break. The evidence is plain, as there are few surviving reinsurers in the United States… following 20 years of broken promises. The picture is completed by the fact that, in recent years, there have been three downgrades to every upgrade. Even some of the leading players have dropped several rating levels over the past three years.

Setting aside the turbulent general situation, what makes a long-term relationship – such as that existing between The Swedish Club and Gen Re – flourish for over 20 years? The essential components include transparency and dynamism. A healthy commitment requires a relationship under constant examination; commitment and doubt can sit together without antagonism.

The far horizon is important. In all long-term relationships there are ups and downs. In the five years to 1990 the layer made a USD 40 million loss. In the five years to 2002 the layer made USD 26 million. Such outcomes only make sense over the long-term.

A long-term relationship must be resilient and able to ride smoothly in a market known for dramatic behavioural swings. The cycles are getting shorter and deeper, without the benefit of the upturns seen in the past. These trends are symptomatic of a global market in which capital is fluid and barriers to entry are low in the extreme. In addition, insurance buyers today are increasingly sophisticated in their management of risk. What hasn’t changed is the widespread fixation on premiums and the commonly held belief that premium growth is a measure of success. These cycles will continue as long as senior management teams are prepared to allow other concerns to undermine their underwriting decisions. The “science to art” ratio should be 80:20, not the other way round.

There are only two options in a softening market: cut rates in an effort to maintain premium volume or hold rates and let some business go. The former will generate underwriting losses. The latter strategy will see premium volume drop by, perhaps, 20 per cent, but an underwriting profit will be retained. Clearly, an attempt to maintain volume under such conditions is an inferior strategy.

In contrast to the volatility of the market as a whole, the relationship between The Swedish Club and Gen Re stands out as a model of long-term commitment, highly beneficial to both parties. It is unusual and demonstrates what can be achieved through long-term continuity in a world where the partnership approach is increasingly rare.

The special characteristics of the successful partnership really boil down to one key factor: the close alignment of our business models. “The special characteristics of the successful partnership really boil down to one key factor: the close alignment of our business models”

Mr Justin Gardner is Vice President and Manager of Stamford-based reinsurers General Re. In a presentation at The Swedish Club’s Members’ Day, he explored the impact of long-term commitment in a marine reinsurance context. In this summary, Justin examines some of the elements which have given the Club’s relationship with Gen Re such great longevity.
The European Maritime Safety Agency (EMSA) has its origins in the Erika and Prestige tanker accidents and the European Commission’s view that closer cooperation between Member States on safety and pollution prevention matters would be desirable. As an independent technical body, EMSA was established to promote closer cooperation in these areas. Under an EC Regulation adopted in June 2002, EMSA is charged with providing technical and scientific assistance to the European Commission and Member States on all matters concerned with the implementation of Community legislation on maritime safety and protection of the marine environment.

These responsibilities now extend to 25 Member States. EMSA has three primary aims. The first is to ensure proper application of legislation already in place, by encouraging harmonised implementation of the rules. The second is to foster technical cooperation in the areas of safety and pollution prevention. The third aim is operational in character and addresses, for example, issues such as pollution response.

The decision to establish EMSA was taken following the loss of the tanker Erika in late 1999 and the project was accelerated by the loss of the Prestige in November 2002. As things stand, Member States differ in their interpretation and implementation of maritime legislation. Some differences concern timing. EMSA is responsible for helping Member States overcome such problems by identifying effective solutions which can be used throughout the EU. In doing so, EMSA contributes to a level playing field and the eradication of distortions of competition. These objectives can be achieved by emphasising the common interest in maintaining the highest standards of safety and pollution prevention.

This broad goal recognises public expectations following severe tanker accidents. Expectations continue to grow and the level of tolerance continues to decline – with the threshold now very close to zero. In short, the public now expects zero spills.

In making its contribution to programmes reflecting these expectations, EMSA has no legislative powers. Instead, the new agency works closely with national agencies within Member States, to facilitate cooperation. There is now another major task, in assisting the new Member States to implement Community legislation.

The new agency commenced active operations at the beginning of this year. Its priorities include action to encourage the safe operation of passenger ships, bulk carriers and other important ship types. The safety of oil tankers is another major concern. Issues here include the safety of double-hulled tankers in the longer term.

My particular responsibility is to lead the team responsible for EMSA’s classification society workload. Under current legislation, the classification societies are subject to EMSA assessment every two years. As there are currently 12 EU-recognised societies, this requires six assessments a year.

EMSA is also involved in some operational aspects of Port State Control, including the monitoring of effectiveness at the level of individual Member States. Here, we have an interest in doing more to focus the inspection effort on those vessels posing the greatest risk. Responsibilities include the maintenance and updating of the so-called “Black List”. Other issues for EMSA include the provision of reception facilities in ports, seafarer training and the development and operation of the ship reporting database required under the Monitoring Directive (2002/59/EU). We want to promote the early detection of ships representing the greatest risk, improved emergency response and the recognition of EMSA as a central source of data and statistics.

As EMSA continues to develop as a fully functional agency, its responsibilities will continue to grow. New duties already include the verification of third country compliance with the STCW Convention and security inspection-related tasks concerning the (EC) 725/2004 Regulation. Meanwhile, the constant threat of a major oil spill requires EMSA to be proactive in helping to ensure that Europe has the best possible means to prevent such events (and to control them when they do occur).

Turning to the relationship between the P&I Clubs and EMSA, we are aware that the Clubs are repositories of a wealth of knowledge arising from, for example, pre-entry surveys and claims. It may be beneficial to explore how this information can be shared to better effect, with the aim of flushing out operators who are not up to standard.

EMSA is still determining the best way to proceed with the construction of its maritime safety database. We need to develop model reporting formats for 25 Member States and we need the database to be capable of interrogation, to identify trends. Accident reports from Member States will be included, but we also wish to have access to the near miss data held by owners and their DPs.

We are now entering a new period with 25 Member States, including Malta and Cyprus – two very large flags. EU flags now represent some 23 per cent of world tonnage. As we look to the future, we have the imminent prospect of a new, enlarged Commission and a new European Parliament. Maritime safety issues are likely to remain high on the agenda.

“In short, the public now expects zero spills”
A clear vision of Reederei NORD’s future

Mrs Christiane E. Oldendorff, Chairman and Managing Director of Reederei NORD Klaus E. Oldendorff, was elected to the Board of The Swedish Club at the Annual General Meeting on June 3rd of this year. Reederei Nord was represented on the Board by the late Klaus E. Oldendorff, who passed away in March 2003. Klaus Oldendorff became a Director of the Club’s Board in June 1995. Reederei NORD, a family-owned company, was established in 1964 and moved from Hamburg to Cyprus in 1987. The fleet, now consisting of 37 modern tankers, bulk carriers and container vessels, has been with The Swedish Club since 1992 and is entered for both hull (the entire fleet) and P&I (11 vessels). In this interview, Christiane Oldendorff discusses her plans for the future of a highly successful shipping group.

On December 12th 1964 Klaus Oldendorff’s new company took delivery of a single-deck, 1,417 dwt vessel. The Nordholm was Reederei NORD’s first vessel. The fleet soon expanded, with early acquisitions including some of the first semi-containerships to be built. The company then took the strategic decision to invest only in newbuildings.

Christiane Oldendorff says this was one of the key decisions taken in the company’s history: “Our newbuildings were ordered from yards in the Far East. With the exception of Hong Kong, we were the first Western shipping group to build in China. This second major decision, of course, was to move to Cyprus. That decision was taken after a lot of family ‘brainstorming’. The climate for shipowning in Germany became steadily more difficult during the 1980s. The move was not just a commercial decision. We also had to consider our two sons, Christian and Nikolaus. The decision was in favour of Cyprus for many reasons, with language being one of the most important. I am glad to say that, as a family, we never regretted the move. Indeed, Cyprus was everything we’d hoped for.”

Christiane Oldendorff always took an active interest in her husband’s business: “Klaus had no reservations about discussing business at home. In fact, I think it was a release to be able to talk things over outside the office environment. Furthermore, we tended to travel together. We had a good, strong marriage and we shared the challenges. Inevitably, over the years, I learned much from him.”

Klaus Oldendorff was the type of man who never totally switched off. Christiane explains: “He was always thinking. He loved our sailing holidays, but I would often catch him looking out across the sea. His mind was still working on something!”

When her husband passed away, Christiane made the transition to Chairman and Managing Director with immediate effect: “It had been clear for a long time that this was my husband’s wish. Naturally, it was difficult at the emotional level, but we had 30 wonderful years together. If someone so close must take their leave, it falls on you to accept it and let them go.”

“The adjustment was made easier by the outstanding staff in Limassol and Hamburg. I was always around in the offices and shared Klaus’ relationship with them. That helped a lot. I am grateful that the loyalty they gave my husband has transferred to me. I am very fortunate in that respect.”

Christiane Oldendorff has a clear vision of the future direction of Reederei NORD: “We now have a young fleet of 37 tankers, bulk carriers and container vessels. The average age of this 2.5 million dwt fleet is just five years. The fleet consists of 23 container vessels of up to 2,500 TEU, seven Panamax bulk carriers and nine tankers. The latter include four Panamax product tankers delivered this year.

“We have six new ships on order – two 2,600 TEU container vessels for delivery in 2005-06 and a further four of 3,500 TEU in 2007. So, we will continue the policy of operating young ships of high quality. Our views on quality, of course, also focus on personnel. I take a very direct interest in issues that concern the human element of safety. Our ships are manned by well-trained, multinational crews and my priorities here include continuous education and training, together with a high standard of English usage.”

Why did Reederei NORD become a member of The Swedish Club? “Well, there was a Club merger in 1992 and my husband was receptive to new solutions. Frankly, he got a good offer from the Club and he took it. He stayed with the Club on the grounds of good service and performance. He felt comfortable with The Swedish Club. I now regard it as a great honour to be elected to the Club’s Board. I don’t want to copy my husband. That’s impossible. So, I will take things gently and see what sort of contribution I can make.”

New responsibilities have had an impact at the personal level: “Now I understand why my husband was thinking all the time! Now I am working all the time. The day starts at 7 am unless I’m flying and an earlier start is required. Some days are very long, finishing in the late evening. When I am home, I make the most of it. The day always starts with a family breakfast and we lunch together whenever possible. I try to spend as much time as I can with my two boys. I keep going by getting a good night’s sleep. I sleep well.”
News from Asia

The Swedish Club Academy

The summer is over and the Olympic Games in Athens have just finished. China (Beijing and Tienjin) will host the Olympics in four years’ time, and preparations have been under way for some time now. Many large infrastructure projects are currently running at full steam in Beijing.

Many believe that the Olympic Games in 2008 and the World Expo in Shanghai in 2010 are two of the reasons behind the economic boom we are currently seeing in Asia. China is the major locomotive for the region, pulling along most other countries in Asia, who are doing quite well.

It seems as if Japan is also finally pulling itself out of the slump that has lasted for over 15 years. Political and economical changes in India in recent years seem to have lifted the country and increased the interest of foreign investors.

Foreign investment in China is continuing to be very strong. Some people claim that development in China is going too fast, and that power shortages, shortages of coal, and the soaring cost of steel may put a damper on the pace of growth.

The freight market remains very strong for most segments and some shipowners are taking the opportunity to cash in and sell some of their ships. Others believe that the market will remain strong for some time and are buying second-hand vessels or looking for newbuildings. It is not easy to find a shipyard with an available slot as most shipyards in Asia have their order books filled until 2006-2007.

The surge in steel price during the last two years has created problems for the shipyards as already committed newbuildings will be less profitable than when the contract was inked due to the higher steel prices. The increase in steel price also means that future newbuildings will be more expensive.

New IMO standards for bulkers, as well as for other ships, might also increase newbuilding prices in the years to come. Despite all of this, newbuilding capacity in China will soar in the next five to ten years, making them a strong competitor for shipyards in Korea and Japan as quality of the newbuildings from China has improved tremendously.

Marine Insurance Course in Hong Kong

The Swedish Club Academy has for a number of years arranged a Marine Insurance Course in Göteborg. Our Asian entered tonnage is consistently increasing and now accounts for close to one third of all the business we do. We therefore decided to arrange a Marine Insurance Course for our Asian members enabling them to save both time and money and to get better acquainted with our Hong Kong Team.

The turnout was very good and we had 26 students attending the course between the 19th and 21st of October. Interesting lectures by staff from Hong Kong and Göteborg with an attentive audience during the days and dinners at typical Hong Kong restaurants seemed to be a winning concept. The course will be offered in Asia again in the future either on an annual or biannual basis. We thank the attendees for dedication and hope that they were able to get better understanding of the Club and marine insurance in general.
At the beginning of this year, the Club sent out a questionnaire to members and brokers. The purpose was to obtain an informed “feel” for how we are performing.

In particular, we sought feedback on specific issues that are central to our operation. Being a member driven club, the aim is to improve performance at all times to the benefit of members.

The response ratio for members was 20% whereas 15% of the brokers responded measured in numbers. This appears to be low at first sight, however, a significant number of long-standing members and brokers contributed for which we are grateful. The participating fleet was close to 50% of the tonnage entered.

Accordingly, here are the results of the questionnaire illustrated by graphs attached to the respective questions.

Whilst there is no time for complacency, the score is quite satisfactory. Notably, the Club gets special credit for speedy casualty response. Comprehensive and urgent attendance to emergencies is important and we put a lot of emphasis on that.

As you may be aware, the Club introduced a new computer system in May 2004 with a view to improving documentation and flow of information. In addition, we envisage clear advantages in our loss prevention work as well in that we will become even better to analyse claims, causes and trends. Admittedly, there are some “teething” problems encountered which are currently being addressed. We are, however, confident that the new system will enhance both speed and the accuracy of information.

Finally, the last question in the examination is important to as it rates the overall performance of the Club. Our aim is to treat members fairly and equally and to add value in the risk transfer. Although satisfactory, we shall endeavour to continue to improve our products and services.
Are you satisfied with the support level and advice given by the Club during the claim’s process?

Have you ever visited The Swedish Club’s website [www.swedish-club.com]? If yes, please state your opinion of the quality.

Are you satisfied with the overall quality and performance of The Swedish Club as your marine insurance provider?
Situated on the Connecticut coast of Long Island Sound, approximately one hour’s drive north of New York City, is the picturesque harbor town of Southport. In this tranquil setting sits the head office of Independent Maritime Consulting Ltd (IMC Ltd.) which acts as The Swedish Club’s North American correspondents for Hull & Machinery.

Independent Maritime Consulting Ltd was founded in 1998 by David Smith, the former manager of SMCO’s hull claims department. David assembled a first class team of H&M and P&I specialists who he had worked with at SMCO and during his prior years with another well known U.S. P&I correspondent firm. The concept was to create a small but highly efficient organisation, staffed by claim professionals and marine surveyors of the highest caliber experienced in and dedicated to handling both H&M and P&I work. David and his colleagues believed this would be attractive to H&M and P&I clubs who saw no advantage in maintaining a “captive” service organisation in the US but serve as an equally valuable resource to the existing “dedicated” commercial correspondents, maritime law firms and the maritime community in general.

The IMC Ltd. Team

As signified by our company logo, which features a ship’s sextant and propeller, the staff of IMC Ltd. all have extensive seagoing experience as deck and engine officers coupled with many years of shore-based experience as superintendents and marine surveyors. Having highly qualified Master Mariners and Chief Engineers on staff, IMC Ltd. is able to quickly assess what kind of assistance or investigation is needed and assist in finding practical and cost-effective solutions. To supplement our “in-house” team of surveyors, IMC Ltd. has developed a comprehensive network of experienced specialists situated in strategic locations around the coastline that can provide immediate local assistance to a vessel and be in a position to apply their particular knowledge to a problem. IMC Ltd. maintains offices in Southport, Connecticut (Head Office), Houston, Texas, and satellite offices in Philadelphia, Miami and Portland, Maine.

The work of Independent Maritime Consulting Ltd.

Today, IMC Ltd. acts as US General Correspondent for The Swedish Club and several other leading Scandinavian H&M underwriters. The company is extensively used by P&I clubs, H&M underwriters and their US commercial and legal correspondent offices to provide technical/surveying assistance, commercial claims handling services and other related services such as arranging for towage, salvage, repairs to vessels, failure analysis, condition surveys, on-board investigations, litigation support, acting as expert witness, etc. IMC Ltd. is often contacted directly by The Swedish Club’s members to provide assistance on matters such as pre-purchase surveys, on or off-hire surveys, commercial disputes, etc. In short, IMC is able to assist on almost any kind of H&M, P&I or commercial problem.

When disaster strikes! – A typical but interesting challenge for IMC Ltd.

Many shipowners and charterers find trading to the US a daunting prospect. Owners must deal with a bewildering array of regulations which can differ substantially from one state to the other, stringent port control and security audits, a costly and often “invasive” legal environment in a litigious society where disputes so often end up in court or arbitration, a scarcity of shipyards and salvage resources, etc. US H&M and P&I correspondents are carefully selected based on their knowledge and proven ability to help shipowners deal with this challenge. Here is a good example of a recent case in which IMC Ltd. used their knowledge and resources most effectively:

While navigating outbound in the Savannah River, Georgia, a partially loaded Swedish owned parcel tanker lost control and veered across the channel into the unloading platform for an LPG terminal. The impact left the ship’s anchor imbedded in the four story concrete and steel platform which quickly disintegrated and became a two story platform! Five stainless steel loading arms, each valued at approximately USD 1.5M, on top of the platform were damaged together with several breasting dol-

Independent Maritime Consulting Ltd.

The Swedish Club’s H&M correspondent in North America
phins. The vessel sustained significant impact damage and penetration of her cargo tanks which, fortuitously, were empty. By another fortunate coincidence, the terminal was in the process of being refurbished and the loading arms and shore pipelines had been drained of LNG. This prevented what would undoubtedly have been a catastrophic loss of life and an environmental disaster. Although there was no pollution or loss of life, the magnitude of the accident and damages resulted in significant involvement of the USCG, local authorities and flag state.

IMC Ltd. responded immediately and engaged local counsel together with specialists in marine loading arms, LNG piping and electrical systems, marine civil engineers and metallurgists. The terminal had been “mothballed” for over 15 years and the owners acted very quickly to commission a “state of the art” replacement offloading facility with brand new loading arms. It was crucial to gather and preserve the evidence since the depreciation and “betterment factor” would later prove to be a major factor in the negotiations and litigation. Several major components of the facility, particularly the loading arms, did not meet current industry standards and the terminal owners clearly saw this as an excellent opportunity to upgrade their facility at the expense of the “offending” vessel.

IMC Ltd. staff surveyors quickly evaluated damages to the vessel and worked with the owners and class in preparing a detailed repair specification that could be sent out for tenders. Due to the extent of damages the USCG and class insisted on repairs being carried out in the US. The assistance provided by IMC Ltd. in soliciting and analysing competitive bids, and negotiating with the repair yard, minimised delay to the vessel and repair costs.

IMC Ltd. then worked closely with local counsel to carry out a thorough on-board investigation and develop a defense strategy. They liaised closely with the various experts in closely evaluating the pre-existing condition of the various components of the facility and the measures taken by the terminal to effect repairs. Due to the USCG and port authority’s concern about the “exposed” locale of the berth and potential for a catastrophic accident if another vessel struck the berth while cargo operations were underway the terminal was required to provide “escort” tugs for each vessel passing their facility, and they added this considerable cost to their claim.

The ultimate claim, totalling USD 14.5M plus interest, was extremely complex. IMC Ltd. worked with legal counsel and the experts to evaluate the owner’s likely potential exposure should the case proceed to trial. They proposed, arranged for and actively participated in mediated settlement negotiations that resulted in an amicable settlement of USD 11.75M. Owners and underwriters were spared the aggravation, risk and expense of trial.

Other noteworthy cases recently handled by IMC Ltd. involved the collapse of a highly sophisticated conveyor loading arm, lost and severely damaged rudders, propulsion pod failures, collisions and major engine failures. On some cases, IMC Ltd. has been asked by vessel owners to suggest possible modifications to designs and procedures in order to avoid future catastrophic failures.

Local knowledge coupled with The Team Approach
IMC Ltd. takes pride in our ability to find practical and cost-effective solutions to problems in the same fashion as The Swedish Club’s staff, i.e., by using the team approach. This approach involves working together as a team in quickly gathering essential information, identifying which resources should be applied, effectively managing the flow of ideas and information and properly managing the response so as to arrive at a cost effective solution. Collectively, the IMC Ltd. staff has well over one hundred years of seagoing, technical and claims handling experience and our local knowledge, creative thinking and positive relationships with other important industry “players” have time and time again proved invaluable to Swedish Club members. We encourage you to make good use of IMC Ltd. when faced with problems in North America inclusive of Canada, the Caribbean and Mexico. Further information about IMC Ltd. and our organisation can be obtained by visiting our website at [www.independentmaritime.com](http://www.independentmaritime.com)
There are about 1,400 inhabitants on Donsö and ten family-owned shipping businesses. Approximately 40 cargo ships are based on the island.

Donsö harbour is small, and the Donsö vessels, which often have a capacity of over 16,000 DWT, cannot put in at the home harbours. They are most often at sea and visit harbours all over the world. The officers and chief engineers on the vessels are often from Donsö.

Young people from Donsö are deeply interested in shipping. They become engineering officers or deck officers at a young age. It is surprising that captains and engineering officers from Donsö are so young, but they stimulate each other and the positive maritime climate that is engendered on the island.

This is not a recent phenomenon. Maritime interest have been a major part of the island for generations, as have young maritime officers, even though the vessels are completely different from those of 100-150 years ago.

Skippers from Donsö in the middle of the 19th century had open boats, about 45 feet long and 17 feet in the beam. They could carry approximately 22 tonnes. Boats from Donsö sailed often to Denmark, carrying wooden goods and iron goods. The return journey was used for the import of grain, leather goods, liquor and mixed cargo.

Signing on documents from around 1850 have revealed that the skippers of Donsö operated around ten cargo vessels between here and Denmark. A skipper could manage 18-20 trips during a season, which usually lasted from March until December. It was not possible even at that time to anchor the vessels in a Donsö harbour. They had to be anchored in the roadstead, while the crew rowed ashore in a smaller boat.

Shipping from Donsö experienced a major expansion during the
Shipping at Donsö

The schooner “Ragnar” from Donsö. Capt. Andreas Carlsson. The picture is a reproduction of an old sailing picture painted by H. Torkildsen, South Shields, England.

Furetank’s “Fure Nord”, 16,000 DWT, being launched in the spring of 2004.

years 1850 – 1870. Donsö skippers ordered around ten new boats from shipbuilders in the vicinity of Stenungsund. Most of the boats had decks and were called “decked boats” or “yachts”.

The yacht “Helena” seen in the picture above was built in Brandahlen on Orust in 1868. When she was built she was 45 feet long and 17 feet in the beam. The painting shows “Helena” after she had been lengthened to 58 feet.

In the middle of the 19th century, the boats were generally owned by their skippers. A major change in ownership started to take place during the 1870s, prompted by a desire to share the costs of the vessels and the risks involved. For this reason, shipping partnerships were formed.

Several skippers on Donsö and the islands close by joined forces and decided to form shipping partnerships, one for each vessel. The costs were shared, as were the profits and losses. Accounting was carried out at the end of the sailing season, when the partners gathered in the home of the principal partner and celebrated the end of a successful navigation season. These meetings allowed the partners to feel that they were important and did not have to come home through the back door. Successful partners used the front door!

The schooner “Ragnar”, seen in the picture above, was a vessel owned by 16 shipping partners from Donsö and surrounding islands. She is a representative of a type of vessel that was used for longer voyages, such as those to England or America.

Captain Johannes Håkansson from Donsö sailed with the decked vessel “Lars” at the beginning of the 1850s. He ordered another decked boat, “Laura”, from Näs Warf in Ödsmål in 1857, and a new sloop in 1865 from Gamla Warfvet in Göteborg. The new sloop was also christened “Laura”. Johannes sold her to Magnus Jansson from Källö in 1870.

Johannes Håkansson was an innovator! Together with a merchant, M. T. Warmark from Göteborg, he ordered in 1870 a steam schooner from Thorskogs Skeppsvarf. She was christened “Maria” and was Donsö’s first machine-powered vessel, with Johannes as her captain. “Maria” was designed by the famous shipbuilder Frans O. Bergström at Gamla Warfvet in Göteborg.

Sveriges Ångfartygs Assurans Förening (The Swedish Club) was formed in 1872, and “Maria” was insured with the Club. She was the first Donsö vessel to be registered at the Club.

The shipbuilding today is not carried out in Sweden, but in China. The shipowners of Donsö have full confidence in Shanghai Edward Shipbuilding in China and there are currently about ten Donsö vessels on order, under construction, or under way on the voyage home from this yard.

The vessels are designed in Sweden or Norway and representatives from the shipping companies are always on site in China during the construction in order to make sure that the vessels are built as the Donsö shipowners want them.

The main type of vessel ordered currently is tankers, with a displacement between 16,000 and 20,000 DWT. These vessels are around 150 metres long, and are around 22 metres in the beam.

The shipping companies on Donsö maintain close contacts with each other and arrange it such that as soon as one vessel leaves the yard at Shanghai, the next vessel is ready to arrive at the fitting quay. In this way there is space for the keel of a new Donsö vessel to be laid.

Vessels built at Shanghai Edward Shipbuilding in China are of the highest possible quality and most of them are insured, just as “Maria” was in the 1870s, in Sveriges Ångfartygs Assurans Förening (The Swedish Club).

Göran Valinder
Crane accidents

The Swedish Club has been faced with an increasing number of claims relating to ship’s cranes in recent years. As the cost of these claims, both for owners and for the Club, is substantial and growing, we feel that there is a need to highlight some of the problems arising from the operation of cranes, and for giving some suggestions as to how these problems can be reduced.

The claims being brought to the Club’s attention generally relate to standard ship’s cranes used on container ships or bulk ships. The causes of the claims can be divided into two main areas. The most frequent kind of incident, particularly for container ships, is contact incidents between the ship’s crane and a shore gantry crane. This type of incident frequently causes extensive losses, particularly if the gantry crane is seriously damaged and the port is unable to use it for extended periods. This may result in very large loss-of-use claims from the port authority.

The second major area is mechanical failure to the crane. The cause and nature of these losses vary, but some general conclusions can be drawn from the claims handled by the Club. The cause can normally be traced either to improper operation of the crane or to improper (planning of) maintenance. The Club has further experienced problems when the specification for the crane is not correct, i.e. the design of the crane is not suited for the type of operation for which it is used.

Two recent examples provide telling illustration of the problems that can result from damage to and by cranes.

In the first incident a bulk carrier was loading dry cargo from barges when the crane housing suddenly collapsed on the open cargo hatches, causing extensive damage to the crane unit, the bridge housing, the monkey island and the hatch covers. The crane collapsed due to a mechanical problem with the slewing bearing unit – this unit disintegrated completely. The crane housing was not equipped with any mechanical safety means to prevent the housing from falling off the pedestal and thus the dramatic result was that the crane housing actually fell off the pedestal.

This crane had to be replaced, at a substantial cost and with a lengthy time for delivery. Furthermore, it was discovered that other cranes of similar type from the same manufacturer on board other vessels owned by the same owner were unsafe to operate, thereby making the series of vessels effectively gearless. The operational difficulties for owners and charterers are substantial and the owner is faced with a substantially reduced charter rate until the problems are rectified.

Owners and the Club have co-operated in finding the cause for the slewing bearing disintegration, and of the damage to the remaining cranes. Extensive investigations have been carried out, involving complete recalculation of the crane’s safe working loads, an assessment of the general design and metallurgical tests of the slewing bearings. While the cause is not yet fully known, the preliminary results suggest a design and construction flaw in the bearings together with a possible error in the operation of the cranes.

A striking example of crane damage involving contact with a shore installation occurred when a container ship, entered with the Club, was carrying out cargo operations with her cranes parked with the jibs in the horizontal position facing the seaside. Due to the movements of other ships within the harbour, the port authority ordered the cranes to be raised to 45 degrees. The jib position lights were switched on and the crane jibs were raised following standard procedures onboard the ship and following the requirements from the port authority. Even though the jib was well-lit and the order to move the cranes had been given

Here is a six-pack on how to reduce

Fredrik Olsson
Claims Executive
Team Asia

Benny Johansson
Technical Manager
Team Asia

PHOTO: THE SWEDISH CLUB
The owner and the crew should be familiar with the type of cranes used on board, and maintenance should be carried out as specified in the manufacturer’s manual.

When cargo operations are carried out by stevedores operating the cranes, the ship’s crew should remain aware of the operation of the crane. If the crane is misused, the stevedore company should be informed, and a written protest served on the stevedore company or the charterers.

All safety means and equipment should be tested before the cargo operation is commenced.

The cranes should be operated at all times in accordance with the manufacturer’s published manual.

The crew should keep a logbook covering the crane operation, including times when the cranes are used for cargo operations, when the maintenance is carried out, what type of cargo has been loaded/discharged, weather condition during the cargo operations, etc.

The crew should verify in the ship’s logbook or in a separate logbook/cargo logbook when and how the communication between the foreman and the ship’s crew is supposed to be carried out during the port call.

by the port authority, the jib was struck by the gantry crane. The jib was almost completely torn from the crane house and ended up hanging from the gantry crane’s wire ropes.

As a result of this dangerous situation, the port authority temporarily closed the nearby fairway, which was one of the entrances to the port, thereby potentially causing extensive losses for ships planned for arrival and departure during the time period affected.

The owners and the Club, together with local representatives for charterers, eventually managed to remove the jib from its precarious situation, making further cargo operations possible. The cause of this extensive loss was clearly poor communication between the ship and the shore, in this case between the stevedore foreman on deck and his crane driver.

The cases described above are only examples of numerous cases relating to cranes being handled by the Club in recent times. Further examples and situations can be given, but these two are typical, if unusually severe.

As can be seen from the examples described above, and from other claims handled by the Club, cranes can cause severe damage to both ship and shore-based equipment, leading to major interruptions in a ship’s trading schedule. It is consequently important for owners to be aware of this and take appropriate actions to minimise the risk of damage.
Different views on The Stockholm/Andrea Doria Collision

“There is no other casualty during the 130-year history of The Swedish Club that has given rise to as much publicity as the collision between the two passenger liners Stockholm and Andrea Doria on July 26th 1956. The Swedish Club Letter No 3-2002 presents not only an impressive photograph of the sinking liner but also a short description of the events leading to the sinking. Many books have been written about the collision. As recently as 2001, the book Desperate Hours – The Epic Rescue of the Andrea Doria, by Richard Goldstein was published in the U.S.


The English book does however not contain the complete text of the Swedish book. Gordon Paulsen has also produced a legal opinion describing one possible outcome of the Stockholm/Andrea Doria collision had it gone to trial in New York. The book also contains a translation of an article by Captain Gustaf Ahrne of The Swedish Club in “News from Assuransföreningen” (The Swedish Club Letter) No 1, 1972 entitled “A Radar Assisted Collision”.

Out of the Fog is reviewed in the Journal of Maritime Law and Commerce (Vol. 34 No. 3, July 2003) published by Professor John Paul Jones, University of Richmond, U.S. The editorial board of this journal includes such well-known maritime law experts as Francesco Berlingieri, Charles S. Haight Jr., and Nicholas J. Healey.

The review has been written by Kenneth H. Volk, who represented the Andrea Doria interest at the time of the collision. The article is no doubt of great interest to our readers and an extract is therefore published in this magazine. The article in full can be found in the Journal of Maritime Law & Commerce (Vol. 35 No. 3, July 2004). Not surprisingly Kenneth Volk arrived at a different degree of fault between the two vessels than Gordon Paulsen and Gustaf Ahrne.

Below you will find my comments which were published in the Journal of Maritime Law and Commerce (Vol. 35 No. 1, January 2004).

The Stockholm-Andrea Doria Collision

I have read with great interest Mr Kenneth H. Volk’s review of Out of the Fog: The Sinking of the Andrea Doria by Algot Mattsson and edited by Gordon W. Paulsen and his son, Bruce. I should perhaps mention that I am not a maritime lawyer by profession, but have had many years of experience in marine insurance at The Swedish Club, where I was manager for a long time. The Swedish Club was underwriter of the Stockholm at the time of her collision with the Andrea Doria. I joined the Club in 1957, one year after the collision.

Algot Mattsson, the author of the Swedish text, was a public relations man employed by the Brostrom Group of companies to which the Swedish America Line belonged, not an executive of the Swedish Line as stated by Mr Volk.

You and your readers will not be surprised to learn that I do not agree with Mr Volk’s opinion that the Stockholm was more at fault than the Andrea Doria. The opinion of Bruce and Gordon Paulsen as to the degrees of fault is exactly opposite to that of Mr Volk. In their opinion, the claim for the loss of the Andrea Doria would not be allowed because “...the vessel did not sink because of the collision; the collision was the last of a long series of serious errors. She could and should have survived the collision if she had been better planned, built and managed.” Out of the Fog, at p.149.

I agree with Mr Volk that both ships were at fault resulting in a proportionate liability for the collision. It is the percentage we disagree on. In Appendix B of the book is an article by Captain Gustaf Ahrne, “A Radar Assisted Collision”. He was an expert in radar navigation and he was in New York for most of the time from July to De-
The Stockholm/Andrea Doria Collision

Different views on

continues on page 20

The sinking Andrea Doria.

“Mattsson’s book, although clearly biased in nature, is nevertheless interesting”

The morning of Thursday, July 26th 1956, I awoke and turned on the radio to hear that there had been a catastrophic collision between the Andrea Doria and the Stockholm off Nantucket and that the Andrea Doria was sinking. I dressed quickly and went down to the Burlington office expecting that we might be called upon to act in the case.

Sure enough, when I reached the office, I learned that Eugene Underwood, one of our most senior partners, had been appointed to represent the Italian Line and Underwood assigned me as his litigating assistant.

During this time, diligent efforts were afoot in London to reach a settlement. Both vessels were heavily insured and many of the underwriters were at risk on both vessels. It was to their advantage to cut the losses by eliminating huge legal fees. It was also to the advantage of the vessel owners to keep the adverse publicity to a minimum by ending the dispute. The transAtlantic ocean liner business was at its zenith, and neither the Italian Line nor the Swedish America Line wanted to lose any market share through the continuance of a hotly-litigated court case producing daily headlines. As a result of these pressures, a settlement agreement was reached in London about January 10th 1957, ending the dispute between the vessel owners and establishing a fund of approximately USD 6,000,000 to be used to settle all third party claims. A condition of the agreement was that no fault should be ascribed to either party and that the terms of the settlement remain secret.

Thus ended the trial of one of the most famous ocean disasters of all times in which 51 people were killed and nearly 1700 Andrea Doria passengers and crew were rescued through the heroic efforts of many, including the ocean liner Ile de France, which turned around and came back to the scene of the collision in the middle of the night, and also the Stockholm herself, which rescued 570 people in lifeboats. But, with the end of the litigation, the fault for the collision would never be legally established and speculation continues on the issue to this day. The latest contribution to the debate is Out of the Fog: The Sinking of Andrea Doria, by Algot Mattsson.

Many books and articles have been written about the Andrea Doria/Stockholm collision. The first and perhaps most comprehensive

Mattsson’s book, although clearly biased in nature, is nevertheless interesting

The book Out of the Fog: The Sinking of the Andrea Doria, can be ordered free of charge from The Swedish Club.

Orla Mattsson's book, although clearly biased in nature, is nevertheless interesting.
was Alvin Moscow's *Collision Course*, published in 1959. A more recent study is Richard Goldstein's *Desperate Hours: The Epic Rescue of the Andrea Doria*, published in 2001. Both of these works are objective in their approach. Not so in the book under review by Algot Mattsson.

Actually, *Out of the Fog* is not a recent work. Mattsson wrote it in 1986, about thirty years after the event. It is based in large measure upon a lengthy interview of the third mate of the Stockholm, Johan-Ernst Carstens-Johannsen, now living in Sweden.

Mattsson is a former executive of the Swedish America Line and the text includes lengthy quotations from Carstens as given to Mattsson in 1986. The original Swedish version was translated by Professor Richard Fisher of Lund University in Sweden and edited by my good friends, Gordon Paulson and his son, Bruce. Gordon was the litigation assistant to Charles S. Haight, the attorney representing the Stockholm in the New York court action. Underwood was his chief opponent. Most of the writing is, therefore, extremely polemic in nature, putting the full blame for the collision upon the Andrea Doria.

Many sections of the book, however, are objective. More than a dozen photographs show the two vessels before and after the collision, with careful descriptions of their interiors, especially of the Andrea Doria. And, there are some very good descriptions of the activities aboard trans-Atlantic vessels in their heyday, together with the hustle and bustle at the piers on arrival and departure.

The author also includes an expert analysis of the collision (Appendix B) prepared by Captain Gustaf Ahnre in 1972 at the request of The Swedish Club, one of the insurers of the Stockholm. Although the argument presented favors the Stockholm, the collision diagram prepared by Captain Ahnre (page 154) appears to support the Andrea Doria’s version of the events, which was that when first sighted by radar, the Stockholm was slightly on the starboard bow of the Andrea Doria and that the two ships, had they maintained course, would have passed safely starboard to starboard in fog.

Finally, there is an Editorial Comment by Gordon Paulsen (Appendix A). This is almost in the form of a legal brief that might have been submitted in court on behalf of the Stockholm. Gordon is an excellent lawyer and could always write a good brief, but his argument that the Andrea Doria was in violation of International Rule 18 is not sound. Article 18 of the International Rules for the Prevention of Collisions at Sea, in the version that applied in 1956, stated:

> When two steam vessels are meeting end on, or nearly end on, so as to involve risk of collision, each shall alter her course to starboard, so that each may pass on the port side of the other.

But under the Rules’ terms, the Steering and Sailing Rules (which include Rule 18) applied only when the vessels were within sight of one another. Here they were in fog; the Andrea Doria could not see the Stockholm, and the Stockholm did not see the Andrea Doria until moments before impact. Under these circumstances, both vessels were governed by the rules pertaining to navigation in fog. Specifically, Rule 16 at the time provided:

> Every vessel shall, in a fog, mist, falling snow, or heavy rain storms, go at a moderate speed, having careful regard to the existing circumstances and conditions.

> A steam vessel bearing, apparently forward of her beam, the fog signal of a vessel the position of which is not ascertained shall, so far as the circumstances and conditions admit, stop her engines, and then navigate with caution until danger of collision is over.

Even though Carstens strongly denies that his ship was in fog, at his deposition in New York he was unable to explain why he did not see the lights on the Andrea Doria, which he should have seen at a distance of at least six miles if the weather was clear as he contends, and why he did not hear the loud fog signals from the Andrea Doria. If, indeed, the Stockholm was not actually in fog, it was rapidly approaching a very thick fog bank and Rule 16 applied just as though she were in fog. There are many authorities in support of this proposition.*

In fairness, Gordon Paulsen grudgingly acknowledges that the Stockholm might have been somewhat at fault for failing to sound a signal that she was turning to starboard and also for failing to moderate her speed when Carstens knew or should have known that the Andrea Doria was approaching from an area of fog. He concludes that if the case had gone to trial, blame might have been apportioned seventy percent to the Andrea Doria, thirty percent to the Stockholm.

My own view, in hindsight, is that both ships were certainly at fault for excessive speed in conditions of reduced visibility. In today’s world of measured comparative fault, however, I would conclude seventy percent against the Stockholm and thirty percent against the Andrea Doria because the Stockholm had more violations. She failed to hear and heed the Andrea Doria’s fog whistles; she failed to sound fog whistles herself; she failed to sound a turning signal when the vessels were in sight of each other; and she failed to sound the danger signal as required. Finally, of paramount importance was Carstens’s failure to call the captain to the bridge when he knew that the Stockholm was rapidly approaching a vessel that he could not see, presenting serious risk of collision.

Mattsson’s book, although clearly biased in nature, is nevertheless interesting for the many reflections of Carstens and the descriptions of the operations of large trans-Atlantic shipping companies in the days before the jet aircraft.

Kenneth H. Volk**


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Self-handling and pilot competition in new Port Directive

The EU Commission has launched a new proposal to improve market access to port services. According to the Commission, a new frame work for ports is essential to promote short sea shipping to reduce congestion and environmental pollution. The directive aims at increasing competition between service providers in a port and to improve transparency on the financing of port infrastructure to increase competition between ports. All service providers should be authorised based on criteria such as professional qualifications, financial situation and insurance cover, safety and security, compliance with work and social rules including collective agreements and compliance with environmental requirements. The number of providers of the same services in a port could be limited, but this should be decided by a competent, neutral authority based on a number of criteria. Pilotage could be subject to competition, but competent authorities could decide to operate the pilotage service by themselves or grant an exclusive right to another organisation. Self-handling is included also in the new proposal. Operators may use their own shore-based personnel and ships in regular short sea shipping services and on the Motorways of the Sea will in addition be allowed to use the crew for loading and discharging operations.

IMO dismisses fake ISPS papers

IMO has dismissed claims by the British security firm Qinetiq that fake ISPS papers are for sale in the market. The company’s head of security, Neil Fisher, says that forged security certificates are changing hands on the black market. Lack of standard format is said to have made the forgery easier, but this is denied by the IMO. A number of crucial details in a security certificate, like its number and the official seal of the issuing authority and finally the verification procedures of port-state control should expose possible fakes.

Oil transport in Barents Sea worries the UN

The increased exploration activities in the Barents Sea is a potential threat to the Arctic ecosystem, according to the United Nation Environment Programme (UNEP). In a recent report the UNEP draws attention to the hazards of oil transportation and that many tanker crews lack experience to handle potential threats like seasonal ice and frequent storms. UNEP warns that the risk of accidental spill will increase in the near future and recommends the development of safety plans to prevent such spills as well as contingency plans to respond to such accidents.

Small shipping companies more accident prone

Around 25 per cent of the world merchant fleet represents more than 50 per cent of the world’s ship accidents, while 25 per cent of the “best” managed vessels only had 7 per cent of these accidents. Ships in accidents are often owned by small shipping companies, according to a doctoral thesis by Torkel Soma at DNV Maritime Solutions, published by the University of Technology and Science (NTNU) in Norway. Soma says in his thesis that by lifting the quality of the total world fleet up to the same level as the best 25 per cent performance category, the number of accidents could be reduced by 72 per cent. Soma also says that smaller companies experience more accidents during periods of economic depression, while the bigger shipping companies are, in general, better at riding out the economic cycles.

Extended Spanish action against ABS

Spain has raised its compensation claim against the American Bureau of Shipping (ABS) from USD 700 million (EUR 580.6 million) to USD 1,0 billion (EUR 830.0 million) by adding a charge of public nuisance. The claim is related to the spill of heavy fuel oil from the 81,500 DWT “Prestige”, built in 1976, off Spain in 2002. All the claims are aggressively denied by ABS, which is countersuing Spain for its refusal to allow the “Prestige” access to a place of refuge and for the country’s oil spill response. Spain says that ABS has shown negligence in its inspection of the vessel’s hull, machinery, cargo and ballast tanks.

Mandatory rules on ship recycling on its way

IMO’s Marine Environment Protection Committee is currently considering which parts of the guidelines on ship recycling could be made mandatory in the future. In February next year, IMO, the Basel Convention on Hazardous Waste (administered by the UN Environment Programme UNEP) and the International Labour Organization will form a joint working group to discuss future rules for ship recycling. More support is forthcoming for a mandatory scheme and an industry working party made up of Inter-tanko, Bimco, ITF and Intercargo, among others, has been working towards practical solutions. The International Chamber of Shipping (ICS) has already warned that a lot more work is needed before a mandatory scheme could be fully acceptable. Environmental organisations like Greenpeace have said that the scheme will depend on IMO’s willingness to embrace the legal responsibilities embedded in the Basel Convention in the control of transboundary movements of hazardous wastes and their disposal.

“Rocknes” influence on bulker safety

Norway has proposed changes in the stability rules embedded in the IMO SOLAS convention as a result of the investigation into the grounding and sinking of the dry-bulk vessel “Rocknes” in January, this year. According to the Norwegian Directorate of Shipping (Sjøfartsdirektoratet), their proposal was generally supported at the IMO Stability Committee meeting September 13th -17th 2004. The final decision to include the proposal in SOLAS will be assessed by the IMO Safety Committee. The Norwegian proposal is that double bottoms in all dry-bulk vessels and that stability calculations should take into account variations when a vessel is fully loaded.
Germanischer Lloyd (GL) announced in October 2003 that a number of large container vessels built in Korea during the last decade possibly were affected by a design flaw. Extensive re-calculation of the side shell’s expected lifetime showed that it was shorter than expected. As a consequence of the reduced lifetime and the need to endure the high frequent fatigue stress imposed, some vessels started to develop cracks in the side longitudinals in parts of the lower part of the midship.

The problem was first discovered when fuel oil escaped from a container vessel in New York. Subsequent investigations showed the true features of this incident which, at the time, was difficult for the technical experts involved to understand. It was established that oil had escaped from a bunker tank through a crack in the side shell plating and that several cracks were present in the vessel’s side longitudinals. Sister vessels in the same series were inspected as a matter of priority and were found to be in a comparable state. Fatigue was identified as the immediate cause of the failure early in the investigation.

The industry has previously experienced a similar kind of fatigue-related failure on tankers. The problem for tankers was attributed to low cycle fatigue resulting from extreme draft differences between ballast and fully laden conditions. These conditions, however, do not apply to container vessels, since they navigate the oceans with a comparatively constant draft.

So what was going on? These container vessels were less than ten years old and had been designed with an expected fatigue life of more than 20 years. Was it poor design, inferior workmanship or something else?

In order to find the cause, GL performed a structural re-analysis of the design based on the latest rules. The results showed that the structural integrity complied with current rules and GL concluded that this could not be the explanation.

A full-scale measurement on board one of the ships in the series was initiated and several theoretical investigations were performed, including a detailed finite element (FE) strength calculation in the area where the cracks had been observed.

These investigations showed that for large containerships wave configurations appear, in which the warping stresses in the midbody area cannot be neglected. These stresses are caused by shorter waves, but they are large enough to significantly reduce the fatigue life of the structure.

As underwriter, The Swedish Club was uneasy about the potential impact that this problem might have on the owners and on the Club. In particular we considered the risk of pollution.

When we first learned about the problem, we presented our relevant members with a letter in which we asked them to consult their respective classification societies. This initial letter from the Club was followed by a second letter in which we asked our members to inform us of their findings. In particular, the Club was at this time curious to know what measures owners had adopted, or were planning to adopt.

In order to obtain an enhanced understanding of this technically complicated issue, we were invited to a meeting with GL in Hamburg. GL adopted a refreshingly open attitude, and informed us in detail as to what the underlying causes for the problem were. In addition, they also informed us that they had updated their hull strength calculation program based on the latest findings. Calculations had been repeated for vessels that had been already delivered and that were potentially at risk. We noted that some vessels in service had been identified with a fatigue life of less than ten years. More importantly, we were advised by GL as to what recommendations they had given to the owners affected by the problem. This demonstrated that GL had addressed this problem in a timely and efficient manner and that the position adopted by GL catered for the interests of both the owners and the Club.

As a final remark one can say that this technical flaw that was discovered on some of the container vessels could have caused owners and underwriters serious problems. The conclusion to be drawn is that any problem detected must be addressed at the earliest possible stage. Further, in this context it is important to adopt timely and proper measures in order prevent and/or mitigate accidents.

More information can be found on GL’s website www.gl-group.com
Go Greece Go!!!!

Yes – it was fantastic, and I am not only referring to the Olympic Games. This must be the year for Greece and Athens. Not only did we enjoy the biannual Shipping exhibition Posidonia in early June, but the whole world watched Greece become the European champions in football in July. No one could ever have predicted that. The achievement boosted the whole nation and all Greeks worldwide. People forgot for a few weeks what was coming next and then suddenly activity resumed in preparation for the Olympics. I left Greece in mid July and I could not even in my dreams believe that everything would be ready in four weeks time. When I returned for the games I saw a new Athens and signs saying “Athens 2004 Welcome Home”. Not only were the various stadiums completed, the transportation and road network was running very smoothly and it was never a problem to get from one part of Athens to another. It was fortunate that there was no heat wave during the Games and both athletes and visitors had a great time. The Olympic complex, where the major events took place, O.A.K.A., was very impressive and it was a great pleasure to be there. From September 17th to 28th we also had the pleasure to host the Paralympics. Also for this major event the tickets were in short supply and it was really difficult to obtain some for the events. Early September is also the time when most Athenians return and life returns to normal.

There has been very little activity recently in the S&P market, mainly due to the good freight market. The Greeks are still placing orders for newbuildings, for which delivery is prompt and regular.

We are very pleased to welcome our new colleague Jim Greene in our Piraeus office and we are all looking forward to an exciting autumn – one event being the board meeting in Athens on November 4th.

Clas Rydén
General Manager
The Swedish Club Greece

The “connected” part of our membership may have noticed recent changes to our website. On June 3rd, in connection with the Club’s Annual General Meeting and the launch of the updated Club logotype, a completely revised website saw the light of day.

Key issues in the revision have been to achieve a clearer structure of contents and to ensure easy navigation and that only information relevant to our members and business contacts are stored on the site.

Even with these changes, the site is by no means complete. We have simply more or less laid a new platform for future development. As the number of people using the Internet as a daily working tool increases, we expect that an increasing part of our information and communication will be conveyed via our website, as opposed to traditional post. There are several benefits – Club-related information can be accessed at any time from (almost) any place, members will not need to store as much Club information at their own facilities and the cost of distribution will be substantially reduced.

We welcome readers to take a peek into our window at www.swedishclub.com and would be pleased to receive your comments and ideas for further improvement.
Shipping and the Law

Summary of recent decisions of the NLRC

1. Seafarer with diabetes awarded full disability benefits
Seafarer was repatriated due to uncontrolled diabetes mellitus. Vessel refused to pay disability benefits as the illness is not work-related and if ever disability is to be paid, it should be based on Grade 7 disability as per the findings of the company designated physician.

The NLRC cited a medical encyclopedia which stated that diabetes is an illness of "unknown origin" (Medical Encyclopedia, 1995 edition, p. 247 published by World Book Rush-Presbyterian – St. Luke’s Medical Center). Thus, since diabetes is an illness of "unknown origin", there can be no determination of whether it is work-related or not.

Further, while the finding of the company physician is a Grade 7 disability, the specialist stated that the seafarer needs "to continue intake of medications for an indefinite period of time to prevent further complications from setting in." Thus, based on said statement of the specialist, it can be conclusively and reasonably presumed that complainant is unfit for sea duty. As the CBA, has a permanent medical unfitness clause, the seafarer is entitled to 100% compensation or US$60,000 as he is permanently unfit to resume sea duties.

Verceles, E.C. Comm.; Canosa vs. Hammonia Marine Services, et. al., NLRC NCR-(M) 03-04-1022-00, 30 April 2004

2. Findings of 3rd physician upheld
Seafarer was repatriated due to injury to his right ankle and left knee due to a fall. The company physician treated him and declared him fit to work. Seafarer disagreed and he claimed for full disability benefits as he was no longer fit to work as a seafarer. His own doctor recommended MRI of his knee.

The Labor Arbiter ruled that due to conflicting findings of the doctors, the seafarer should be examined by a doctor of the Employee’s Compensation Commission (ECC). The seafarer was examined by the ECC doctor and the injury was assessed at Grade 13 or US$36,000.

On appeal, the NLRC ruled that the findings of the third (ECC) doctor shall be final and binding on both parties (Section 20(B)1.3, POEA Standard Contract). Further, the seafarer is not entitled to full disability benefits as his illness was not assessed at more than 50% of the POEA Schedule of Disability which was a requirement under the CBA to make him unfit for further sea service.

Genilo, T.F. Comm.; Depena, Jr. vs. Pobar Marine Services, et. al., NLRC NCR CA NO. 034954-03, (NLRC-NCR-OFW CASE NO. (M) 02-03-0656-00)

3. Seafarer’s complaint of illness six months after disembarkation dismissed
Seafarer disembarked on February 2nd 2001. On July 24th 2001 or more than six months after being repatriated, he filed a complaint for “exudative retinal detachment.” He alleged that he felt blurring of vision while still on board the vessel but thinking that he just needed eyeglasses, he did not report his illness. He now claims disability and sickness benefits.

The NLRC ruled that the complaint should be dismissed. Seafarer never filed a demand or formal communication regarding his ailment or condition until more than six months from disembarkation. If indeed, he was ill, he should have communicated to the manning agent within three days from disembarkation. His illness must therefore have been contracted elsewhere and not necessarily on board the vessel.

Genilo, T.F. Comm.; Cazenas vs. Magaysay Maritime Corporation, et. al, NLRC NCR CA NO. 037416-03; NLRC OFW 02-07-1885-00, April 30, 2004

4. Corporate officers and directors held jointly and severally liable with manning agent and principal
Seafarer was awarded unpaid salaries. On the issue of whether the President of the manning agency is likewise liable, the NLRC ruled that Section 10 of Republic Act No. 8042 known as the Migrant Workers Act, the corporate officers and directors and partners as the case may be, shall themselves be jointly and severally liable with the corporation or partnership for claims and damages. Since the president is a corporate officer, he is jointly and severally liable with the manning agency.

(Sec. 10 of R.A. 8042 states in part: ...The liability of the principal/employer and the recruitment/placement agency for any and all claims under this section shall be joint and several. This provision shall be incorporated in the contract for overseas employment and shall be a condition precedent for its approval. The performance bond to be filed by the recruitment/placement agency, as provided by law, shall be answerable for all money claims or damages that may be awarded to the workers. If the recruitment/placement agency is a juridical being, the corporate officers and directors and partners as the case may be, shall themselves be jointly and solidarily liable with the corporation or partnership for the aforesaid claims and damages.)

Javier, L.C., Pres. Comm.; Efondo vs. Seabird Ship Management et. al., NLRC NCR CA No. 037717-03; (NLRC NCR-(M) 03-04-1022-00), 30 April 2004

Ruben T. Del Rosario is managing director of Del Rosario Pandiphil Inc. and managing partner of Del Rosario & Del Rosario. He is former president of the Maritime Law Association of the Philippines and is currently president of the Philippine Maritime Voluntary Arbitrators Association. Del Rosario is correspondent of several P & I Clubs.
The Club’s latest analysis of hull and machinery claims shows that collisions dominate the picture when looking at the most expensive claims. Overall, machinery claims are the most frequent, in particular damage to main engine, but at the expensive end of the scale, collisions are in the majority.

Statistics covering the period January 2001 to February 2004 showed that this spring 18 hull and machinery claims were estimated at a cost of USD 2 million or above. Twelve of these were collisions. The twelve collision claims involved container ships in five cases, bulk carriers in three cases, tankers in two and one case each involving a reefer ship and a passenger/ro-ro ship. This distribution corresponds fairly well to the distribution of ship types in the Club fleet as a whole. More interesting were some of the common factors that emerged when we studied these claims in closer detail. Important factors were:

12 of 12 occurred during the dark hours of the day
Darkness made people misjudge situations – some claimed they were “caught by surprise”. People’s performance were in some cases most likely impaired by fatigue.

6 of 12 occurred in open sea
Complacency, a false sense of security and subsequent reduced vigilance were contributing factors.

3 of 12 occurred in very poor visibility
Poor visibility requires extra attention, caution and use of available resources (Note that 9 of 12 collisions occurred in good visibility).

5 of 12 occurred with pilot on board
Pilots are on board in difficult areas and have an important safety role. However, lack of briefings, planning and communication cause dangerous situations.

11 of 12 occurred as a consequence of individual or organisational factors
Perhaps no surprise.

11 of 12 occurred with experienced people on the bridge
Perhaps a surprise – shipboard experience, age, navigating and ship handling skills offer no guarantee for a safe passage.

It is difficult to tackle the causes of these accidents with traditional training. Navigating and ship handling skills were not the problem. Nor the rules and regulations – they were in place, even if they were not always followed. The core issue is related more to attitudes and behaviour, for example, attitudes towards rules and procedures and deciding to follow the rules even if “we have managed before”.

The importance of good co-operation on the bridge, in particular good communication, cannot be stressed enough. The individuals’ roles have to be clearly defined and all knowledge and resources should be utilised in an optimum way. Everyone should feel free to contribute to a safe passage by notifying the others when a dangerous situation seems about to emerge.

It is also about increasing awareness of human strengths and weaknesses. The effects of lack of sleep are an important example.

It is therefore encouraging that training in Maritime Resource Management (MRM), which covers these areas, is gaining ground world-wide. In spite of the somewhat discouraging statistics there is big hope for the future.

Three new MRM licensees welcomed
We welcome the three latest additions to our growing group of MRM licensees:
• Australian Maritime College, Launceston, Australia
• WA Maritime Training Centre, Fremantle, Australia
• Eurasia Centre for Advanced Learning, Mumbai, India

More information on MRM is available at our website www.swedishclub.com
Club Evening with focus on naval architecture

At our recent Club Evenings in Göteborg and Stockholm Mr Lars Iwdal from Arkitektbyrå AB was invited to talk about his experience of ship design from 18 cruise vessels. We learned that it is a demanding task to create an environment on board which should attract up to 3800 passengers and it is further a demanding task for the naval architects and for the technicians to realise these visions into a complete vessel fulfilling all safety and seaworthiness aspects.

Besides a luxurious environment the number of attractions and activities is nowadays close to a world of imagination and include for example an ice skating rink, water falls, climbing walls and a theatre for 1400 visitors. Above you will find some examples illustrating this environment.

Mr Lars Iwdal, speaker at the Club Evenings on October 5th in Göteborg and on October 7th in Stockholm.
Peter Johansson, Staff Surveyor, returned to the head office, Team Göteborg III, in August 2004 after three years assignment in Hong Kong. Benny Johansson, succeeded Peter Johansson as Technical Manager in our Hong Kong office in August 2004.

Fredrik Olsson, Claims Executive in Team Göteborg III, joined the Club’s Hong Kong office in September 1st 2004 for a six-month assignment. James Greene joined The Swedish Club’s Piraeus office in August 2004 as Claims Manager. James is an internationally experienced average adjuster and has also a wide experience of all types of P&I claims. Annica Börjesson, Claims Executive, started a summer traineeship with the Club in June 2004 and since August 16th she is working as a substitute for Cleopatra Georgantzis during her parental leave. Annica holds a Swedish law degree and has specialised in maritime law.
CLUB CALENDAR

December 1st 2004
Winter lunch for members and associates in Göteborg

December 1st 2004
Christmas dinner for members and associates on Donsö

December 16th 2004
Christmas dinner for members and associates in Greece

January 20th 2005
Board Meeting in Hong Kong

May 23rd - 27th 2005
The Swedish Club Academy: Marine Insurance Course in Göteborg

June 15th 2005
Board Meeting in Göteborg

June 16th 2005
Annual General Meeting in Göteborg