

26 February 1999

TO ALL MEMBERS

Dear Sirs

YEAR 2000 DEVELOPMENTS

It was noted in the last Circular on Millennium problems, dated 20 January 1999 and entitled "Year 2000 Charterparty Clause" (5:268) that it was the Association's intention regularly to update Members on this important issue. This Circular sets out various recent initiatives, and similar Circulars are being issued by other member associations of the International Group:

1. US Coast Guard sponsored Meeting - London

The USCG are planning a meeting to be held at the International Maritime Organisation's headquarters in London on 3 and 4 March 1999. The meeting has been convened, following a Year 2000 meeting at the United Nations late last year, to address a number of issues facing the global maritime transportation system.

Representatives from over a dozen organisations (both shipping and offshore interests) will be invited to attend and the aims of the meeting are:

- (a) To produce a series of checklists for different types of vessels
- (b) To produce model contingency plans
- (c) To devise a method of distributing the meeting's conclusions

The International Group has been invited to attend and will be sending a small team.

2. Contingency Planning - Code of Good Practice

The most thorough and conscientious programme may not achieve millennium compliance. Even those who are successful and whose own systems function perfectly may nonetheless be at risk from the failure of others - third party suppliers, business partners or even customers. In the shipping industry it is now becoming generally recognised that contingency plans against the possibility of failure on board, on other ships, at ports or by navigational aids are an essential part of Y2000 preparations.

The preparation of appropriate contingency plans will be one of several factors that will indicate whether a member has acted prudently in relation to millennium related problems. Members will be aware of the continuing need to take all prudent steps to ensure their own millennium compliance.

The International Chamber of Shipping is drawing up a Code of Good Practice for shipowners to follow. The International Group of P&I Clubs is assisting them in this work. This Code of Good Practice will, however, only be effective if it has been agreed and is ready to be implemented by as many sides of the industry as possible. It is the aim of the ICS to achieve this and the Code is to be tabled for discussion at the USCG meeting, together with the immunity and port and harbour issues mentioned below.

P.T.O.

3. Immunity Clause

In certain circumstances the Code of Good Practice could require the master or owner of a vessel to take steps such as delaying entry into port, avoiding a congested seaway, declining to load or discharge cargo etc., which might normally constitute a breach of contract. An initiative is under way, supported by the ICS and the International Group of P&I Clubs among others, to formulate an immunity agreement which will commit signatories on different sides of the industry to waive their right to bring claims for deviation and delay where the party who would otherwise be in breach has implemented the Code. If this receives sufficient backing, the same might also be used as the basis of a liberty clause in individual charters, bills of lading and other contracts of carriage.

In addition, if the Code of Good Practice and the immunity agreement were to be accepted by a sufficient number of interested parties the effect could be significant. Legal advice indicates that in such an environment if a master decided to follow the Code unilaterally, there would be a reasonable prospect that a court would decide that the taking of such steps did not constitute unreasonable deviation.

4. Port and Harbours

Port operators, harbour and waterway authorities around the world have been considering the problems they may face during the critical date periods.

Several authorities have already indicated that they will be seeking details of Y2000 compliance and programmes by questionnaire or other means and are likely to use the information received to determine whether vessels will be allowed passage through their waters. Others have said that they will be restricting navigation at critical periods during this year and next (which might include: 21/22 August 1999 for the GPS rollover, 9 September 1999, 31 December 1999/1 January 2000 and 29 February/1 March 2000 as Y2000 is a leap year).

It seems that many of the authorities are looking for either somebody or some association (ie Classification Society, P&I Club or hull insurer) to provide shipowners with a "Certificate of Compliance" or are expecting the shipowner himself to confirm compliance. Neither solution is practical as no-one will issue such a document and no responsible shipowner can claim to be totally risk free.

It would be to the advantage of the whole industry if the ports can be persuaded to act in concert with the rest of the industry to support and accept the Code of Good Practice that is being developed by the ICS.

In addition, there is a further initiative underway to agree a standard form of exchange of information between vessels, their owners and port or harbour authorities in relation to millennium readiness. If this can be achieved it will result in a common standard and avoid unnecessary duplication.

5. New Publications

"Guidelines for Year 2000 projects" is available free of charge from local Lloyd's Register offices or by contacting the Control Engineering Department on: Tel: +44 181 681 4781/ Fax: +44 181 681 4870. The publication can also be downloaded from their Web site (www.lr.org).

Yours faithfully
A BILBROUGH & CO LTD
(Managers)