



## ISM code - an opportunity and not a paper exercise

THE July 1 deadline for the first stage of mandatory compliance with the ISM code has passed without apparent undue incident, despite industry concern about the ability of owners and operators to meet the certification deadline. Feedback from Club members to date has been 100 per cent positive for those requiring first-phase certification. But there is a continuing need for shipowners and operators generally to be vigilant, as recent events serve to show.

There have been reported incidents of vessels - not entered with the London Club and with ISM code certificates - being detained in port as a result of serious safety deficiencies. In one case, these deficiencies led to port state control inspectors checking the ship's condition against that recorded in the paperwork of the safety management system (SMS). The result was that the ship bore little or no resemblance to the reported condition. The auditing body for the ISM code and class were called in

and not only did the physical defects have to be rectified, but also the non-conformities with the SMS. These incidents show that improperly implemented and monitored ISM certification can be worthless, little more than a paper exercise. Continuing incidents of ships failing to

meet ISM code requirements, despite having the necessary certification, underline the need for auditing bodies to look behind the veneer of respectability which mere paperwork can lead to ship owners and their vessels.

The ISM code calls for owners and operators to put together procedures which will be maintained at all times, so ensuring the continued compliance of their ships and their operation.

The Club committee would certainly take a very critical view of any claims arising from incidents which properly observed ISM code procedures should preclude.



### Hong Kong contact

THERE have been an increasing number of cases of vessels dragging anchor and making contact with other vessels in Hong Kong harbour recently. Three designated anchorages are causing particular concern. They are subject to strong currents influenced by

tidal streams. Published information relating to current rates and seabed characteristics is now considered suspect. More detailed information is available from the Club, and members are urged to keep a proper bridge watch and generally to take extra care when using these anchorages.

## Gearing up for Year 2000

**S**HIPPING is used to dealing with deadlines, but the so-called millennium bug is arguably the most daunting deadline of all. Not only are the consequences of any failure to meet it potentially catastrophic, but it is the one deadline that simply cannot be pushed back.

The P&I clubs have made every effort to advise and inform their members about the need to ensure that their operations are millennium-compliant in readiness for the clock ticking over to the year 2000.

Just recently, for example, the International Group of P&I Clubs has concluded a

series of seminars at a number of strategic locations throughout the world dealing with millennium issues.

But is there really any way of making sure that your operations are millennium-compliant? Recent problems experienced by shipowners and operators shows that this is not an exact science.

We hear stories of recent orders for onboard equipment, which were delivered together with a warranty of millennium compliance.

Unfortunately, when the units were tested, 43 per cent were found to be non-compliant for Year 2000 use.

This is not an isolated case. There have been several instances of equipment which had been declared by manufacturers to be date-compliant but which failed the tests. These included a GMDSS system Inmarsat terminal.

Members are advised not to accept manufacturers' millennium-compliance warranties at face value, no matter that they may be offered in good faith.

The only solution is for owners and operators to test all systems themselves, and then to prioritise remedial action accordingly.

Even this, of course, may not identify all non-compliant equipment and components, due to the inability to test embedded chips.

The Club will continue to remind its members that they must take all prudent steps and show necessary due diligence to ensure in good time that their systems and operations are millennium-compliant.

Ultimately, the Club has absolute discretion with regard to the merits of claims which might have been avoidable had the member taken prudent action with regard to millennium compliance.

### Alert on US cargo theft

**T**HEFT of cargoes from road vehicles in the United States is threatening to spin out of control. Some reports put the cost of such crime at \$5 billion a year, while others say it is twice that amount. California, New York, New Jersey and Florida, with their numerous ports, are the worst-hit states, with stolen cargoes in many cases being shipped out of the country within 24 hours of the theft. Latin America and the FSU are prime markets for the stolen cargo. Methods



*New York - hit by cargo theft*

employed by the thieves include the use of false documents, and tampering with container seals. Members are urged to be especially vigilant when accepting cargo for shipment, since establishing the point of theft - and liability for it - can be problematic.

## Asia alert on risks of cargo delivery without original bills

**I**N the previous *StopLoss Bulletin*, the Club anticipated potential difficulties which members might face as a result of the financial crisis in Asia.

The Club has now become aware of several examples of substantial claims arising from delivery of cargo other than against original bills of lading - an increasingly common demand by charterers, and one with potentially serious consequences for members' P&I cover.

In one recent case, a \$2 million soyabean meal cargo was released at destination in the Far East on production by the charterer of a letter of indemnity not countersigned by a bank.

Seven months later, the original bill of lading holders demanded security for their cargo, including interest and costs, in the sum of \$2.5 million. The vessel was eventually arrested as security for the claim.

In this case the member had chartered its vessel to a large and respected trader. Security was placed by the charterer, albeit after a little delay. A satisfactory conclusion, but one which might not have

been possible had the guarantor been less principled or financially less secure.

In another recent incident, also involving a soyabean meal cargo, Chinese receivers took delivery of a \$2 million shipment against their own letter of indemnity.

Less than one month later, original bill of lading holders demanded delivery of the cargo. Again, the owners had nothing to give them. After

discharge, the receivers rejected the cargo as failing to meet specification.

Although a fall in the market value of soyabean meal may have been at the core of the dispute between the receivers and the sellers, the owner, in releasing the cargo other than against an original bill of lading, exposed itself to the dispute.

Members are urged to consider the risks associated with discharge of cargo other than against an original bill of lading and to carefully evaluate the security offered as an inducement to do so.

### Sulphur alert

A CLUB member met problems in Tunisia recently while discharging a cargo of sulphur at the port of Sfax. While the crew were sweeping cargo residue from the holds into barrels to be temporarily stored on deck, a strong wind blew some sulphur dust from the barrels into the sea. The authorities boarded the vessel, just as some sulphur-contaminated water was inadvertently discharged over the side. Samples of seawater were taken, and the ship's certificates confiscated. The vessel was held against payment of a \$430,552 fine, all but ten per cent of which was an indemnity to



cover any possible claims brought by fishermen, or for possible damage to the environment. The vessel was effectively being held to ransom. On the strength of legal advice, and the experience of other clubs at the same terminal, it was agreed eventually to pay a slightly reduced fine of \$344,441. The vessel was released after a period of detention lasting nine days. It's an ill wind.

## Shedding light on cargo taint problems

**T**HE Club has recently encountered two examples of what can happen when powerful cargo hold lamps are left burning after completion of loading.

In one of these cases, a cargo of bulk wheat was pressed up to the top of the ship's holds, in the process

surrounding the four 400 Watt mercury lamps used to light the cargo space.

To make matters worse, the cargo also covered the smoke detectors in the holds, with the result that the inlets for the detectors became choked. The lamps remained lit for the duration

of the voyage, causing localised charring of the cargo and, more seriously, widespread tainting and a pervading smell. The consequences for members



and the Club, and the safety factor for those on board the ship, may be very serious.

So it is advisable to put in place effective checks to ensure that lighted lamps in cargo holds are not overlooked. The layout of switchboard panels can be quite confusing at times, and it undoubtedly helps identification if switches are additionally labelled and if appropriate warning signs are posted in those cases where it is necessary.

### Iranian practice causes concern

THE Club has recently been alerted to the fact that receivers at Iranian ports frequently try to obtain shortlanding/damage certificates in connection with alleged cargo claims, prior to the departure of the vessel.

In such cases, members are advised to seek prompt assistance from the Club's local correspondents.

Those correspondents have in fact reported that, in addition to shortlanding/damage certificates, some receivers have sought cash payment of their claims prior to the vessel's departure.

In such cases, members should advise the local correspondents as quickly as possible, so that they can take early steps to resist any unreasonable demands made by cargo receivers.

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