

Quality shipping and Shell

Jan Kopernicki, vice president of Shipping within Shell, discusses how he believes good quality tanker owners could be encouraged and bad quality tanker owners could be driven off the seas

"We're a commercial company, and we're acting responsibly," says Jan Kopernicki, vice president of Shipping with oil major Shell. "Sustainable business is the key, we devote a lot of energy to it."

As well as manning and managing its own fleet of vessels, Shell charters tankers from high quality independent owners; these ships are used to complement the controlled fleet.

"Good ship operators recognise quality and run their fleets to a standard over and above that laid down by flag states and classification societies. We respect shipping companies who run high quality ships - these are people we hold in high regard, and we work with them promoting quality and safety.

"There's a lot of common ground between the quality independent owners and the big charterers," he says.

Shell is prepared to pay whatever the market rate is for quality tonnage, he says.

Quality is assessed by Shell's vetting team who look at the performance of the vessel in its 8-hour biannual vetting inspection, Port State control inspection reports, the history of ownership and class changes, the vessel's casualty record, and any other relevant information. All this information is gathered and assessed by a team of marine professionals in the vetting team each and every time a vessel is offered to Shell.

"We're happy to work with our colleagues the independent tanker owners on this complex issue," he says.

There are other incentive factors for quality ships, such as the Port of Rotterdam Green Flag system, and another one in Cape Town.

"You get a green flag which you fly," he says. "And you get a slight abatement in port charges. It's an interesting commercial incentive, a very interesting option."

Substandard operators

The oil majors do not have the power to force substandard operators out.

"We're not the sheriff, we're not the marshal. The sheriff is the IMO, the marshal is port state control. They have the power to stop them doing business."

Shell can exercise its purchasing power to avoid doing business with substandard tankers, but 40 per cent of oil tankers are never touched by the oil majors. The company has no power to force these tankers not to trade.

"We as charterers can't drive substandard operators off the seas," he says.

"Governments can. Governmental authorities can control shipping standards, through exercising effective port state and flag state controls. Government can publish their findings and issue a warning to a wider audience whenever they find a substandard ship."

"It's essential to detain and remove the operators of substandard ships in order to force improvements. They hurt the environment and make no contribution to achieving acceptable standards."

Mr Kopernicki argues for a fair international system of regulation which, if applied equally anywhere in the world, would ensure that there was a level playing field.

Enough laws have been made to ensure higher quality shipping, he argues; we need a more consistent and effective enforcement of the existing laws, rather than a rush to make new laws.

"99 per cent of the issues can be covered by firm and balanced application of the [existing] laws," he says.

"The environment is everybody's environment," Mr Kopernicki notes. "Why is it, a substandard operator is allowed to continue operating? It doesn't seem right. It comes down to an issue of whether there is there a level playing field for us all." Having substandard tanker operators on the market causes problems for quality ship operators.

Not only do they see the substandard operators take their business and make more profit, because they do not invest in safety and quality initiatives or effectively maintain their tankers, the substandard operators can also lower the market rates. "Prices are influenced by marginal ships," says Mr Kopernicki.

Flag and port state control

The best way to tighten up international tanker quality right now, Mr Kopernicki believes, is through tougher port state control.

"I think that would be better for us all if a combination of flag and port state was more rigorous in applying existing regulations," he says.

"If you look at the changes which need to happen, the port state weapon is available today."

There are some good examples of countries which have improved shipping quality around their coastlines through more rigorous port state control.

"Look at Australia - they've been very strong on port state control. They've inspected 75 per cent of ships over 15 years old, and now they've decided to inspect all of them."

"The way Australians handle their inspections is very impressive. Do substandard shipowners take their ships to Australia?"

"Similarly in America - the US Coast Guard boards ships. Do poor quality ships go to the US - I don't think so. There are some very good countries which show it can be done."

Mr Kopernicki notes, however, that age isn't always the best criterion to decide whether or not a ship should be inspected, as a well maintained and managed older ship can prove safer than a ship which is not so old but is in the hands of a substandard operator. It is not just the fabric of the vessel, the standards of training and certification of the Master and crew are equally as important.

There are IMO treaties which state that port state control inspectors should perform a certain number of ship inspections. Mr Kopernicki notes that there can be problems with these quotas such as when inspectors only inspect ships which arrive during normal working hours, or inspect ships they know to be good because they are faster and easier to inspect.

"I'm aware of the issue where people fill quotas," he says. "But there are serious administrations that manage to target ships which are a threat. It can be done."

Mr Kopernicki believes that most inspectors are capable of finding out weak spots in a ship.

Flag state administrations can also make a large contribution to safety at sea, he says, particularly by examining and certifying officers.

Flag state administrations are starting to audit themselves against guidelines, which is another way they can ensure continuous improvement.

New build standards

Developing harmonised international newbuild standards for tankers, he says, is a very good way to improve quality, with moves currently underway by class societies DNV, ABS and Lloyd's Register.

"I'm very encouraged by what Ugo Salerno, chairman of the International Association of Classification Societies, is doing to develop harmonised newbuild standards," he says.

However he notes that harmonised newbuild standards will take a long time to make a real difference to safety, with a tanker lifespan of around 20 years.

Mr Kopernicki notes that oil companies can effectively take on up to 95 per cent of the liability in the event of a tanker accident, through their obligations under the 1992 Civil Liability Convention and the 1992 Fund Convention which was updated in 2000, even when they have absolutely no involvement in the accident.

"If a tanker owner has a spill under current conventions, the liability of the tanker owner is capped at low levels," he says.

The overall possible costs of tanker accidents are always spiralling upwards, and oil companies have to cover the remaining liability.

Liability for owners

It doesn't make sense, he argues, for the group which can do the most to avoid accidents, the shipowners, not to take the bulk of the liability.

"Its like taking your car for a drive, you drive into a lamp-post, and it doesn't bother you, you don't have to pay anything, you don't lose your no claims bonus," he illustrates.

"There is no incentive for shipowners to be more safe. If they have an accident, they won't have to worry about the effects."

"We believe shipowners should be liable for their actions. Its not that we want to get away from bills - we pay for the freight in any case - but there's no incentive for them to improve quality and safety. The oil companies want them to take their share of liability."

There is a similar scenario for spills of hazardous chemicals and bunkers. Various international conventions have been drafted by the IMO which increase shipping companies' liability, but they have not been ratified by a sufficient number of States, so they do not have any power.

"Its very important that the governments do ratify these conventions," he says.

"Currently, if you have a spill with a chemical, there's a convention from 1976 which applies. It is antique," he says. "The cut off points are very low."

Denying substandard ships insurance would be a good way of forcing them off the seas, he says. "How are substandard shipowners still getting themselves insured? These poor quality ships must have insurance because they wouldn't be allowed to sail without it."

IMO

Mr Kopernicki notes that he believes that the International Maritime Organisation is making an enormous contribution to safety and quality of shipping.

"Bill O'Neil [outgoing secretary general] has been a wonderful contributor," he says "and I look forward to Thimio Mitropoulos (incoming secretary general) continuing the good work."

The task IMO faces, getting 180 member governments to agree on the same laws, is an extremely difficult one with so many national interests to be reconciled.

"The IMO has huge assemblies and established processes," he says. "Given what they are presented with they do a good job."

It is very important that shipping laws are applied internationally, rather than unilaterally by bodies such as the European Union and US Coast Guard, he says.

"I think one has got to be very careful where different regions of the world try to solve local problems," he says. "If you ban ships from one region, they move to another with a less strict enforcement regime."

"People should say, if these ships aren't good enough for you, then they're not good enough for us either."

Having different laws in different places makes the job of a shipowner very difficult.

"The good independent owner says, how I am supposed to manage with all these different rules," he says. "We meet these problems from day to day."

Single hull double hull

Mr Kopernicki says he is optimistic that the double hull legislation will be brought in on the same timelines internationally, with the European Union and US Coast Guard requirements all broadly in line with those of the IMO, to avoid ships being sent from one part of the world to another.

On the issue of double hulls, Mr Kopernicki says that many of the politicians he meets are coming to acknowledge that double hulls are not a panacea for safety in shipping. "It is used as a shorthand," he says. "And it is overrated as a solution." Double hulls can provide some protection from a low speed or low energy collision or grounding, helping to reduce pollution from many minor collision and grounding incidents, however industry experience shows that double hulls can introduce different challenges.

Mr Kopernicki notes that double hulls are not inherently stronger as a girder than single hulls. In the design of double hulls, close attention has to be paid to areas of localised stress.

Some early double hull ships were also constructed with a high proportion of high tensile steel, which means that the shell may be more susceptible to fatigue cracking. Therefore particular attention must be paid to surveying and maintenance.

Ultimately, the best way to ensure quality of tankers is proper management, he says.

The vetting process

The vetting process is the means by which Shell determines whether it can take a specific ship for charter. It involves sending an inspector onboard the ship at least twice a year to ask a specific series of factual questions, note the condition of the ship, and by observing the crew operating essential system assess skills and condition of equipment. Inspections are carried out when the vessels are working cargo and the process takes about 8 hours. The inspector writes a report which contains only factual observations. There is no place for opinion, he can only include conditions he saw himself and statements made by the ships crew. The inspector does not draw a conclusion or offer his opinion on the condition of the vessel. This inspection report is submitted to the SIRE system.

"In a perfect world - you wouldn't need to vet ships," he says. "If flag states and other authorities consistently did what they are supposed to do the need for us to do vetting would go away. Ships should be of the right quality or they shouldn't be in business."

Shell also employs its own team of naval architects who study ship design and structural maintenance. Structural data analysis is another element of the robust vetting process which, determines whether a tanker is considered suitable to carry a Shell cargo.

The OCIMF SIRE inspection process is commonly misunderstood to be a pass or fail system, or a judgement system; it isn't, the inspector just records facts.

"These factual observations are presented to a team of experienced marine professional in our vetting department. The comprehensive SIRE report provides the detail that is essential to assess the condition of the ship."

Any deficiencies shown up in the SIRE report do not necessarily mean that the ship cannot be chartered, although they will be taken into consideration by the charterers. Shell puts its own vessels under exactly the same system as the vessels it considers for charter from other shipowners.

The inspection process is co-ordinated through OCIMF, the Oil Companies International Marine Forum; Mr Kopernicki's "night job," as he puts it, is chairman of this organisation. The process is called SIRE, which stands for Ship Inspection Report.

Sometimes, vessels get a poor report on SIRE, then decide that they no longer want to do business with the oil majors who are members of OCIMF; the ship then passes

into the grey area of 40 per cent of ships which never have SIRE inspections and are never handled by the oil majors.

"A good quality owner should have nothing to fear," he says. "Its objective and therein lies its value."

All of the inspectors are audited, to make sure that results from different inspections are comparable. The inspectors are drawn from the membership of OCIMF.

Mr Kopernicki notes that although Shell has a lot of respect for its colleagues who run independent shipping companies, a good relationship does not substitute for good results in the vessel's inspection. The inspection provides a useful input which along with the inspections of Port States, history of the vessel, changes of ownership, management, class and flag, maintenance records, casualty data and feedback from Shell terminals forms the elements which lead to acceptance or rejection of the vessel.

Giving reports to governments

Although oil companies are charged a nominal £40 fee to see a SIRE report filed by another oil company, government agencies (eg port state control) can see the reports free of charge. However OCIMF is disappointed with the lack of take-up of the service among government agencies.

"We don't understand why governmental authorities don't use the service more," he says. "Its factual, its free, it would help tanker safety. I wonder if we should have charged for it. Perhaps because it's free, they wonder if it's worth anything."

"As OCIMF we see providing the data free to governments as a responsible thing to do," he notes.

It would arguably be in the public interest if the data in SIRE could be made publicly available, rather than only to other oil companies and government agencies.

However, Mr Kopernicki says that OCIMF is prohibited from making the information public under competition law, as applied both in the US and EU, because it may put the substandard ship operator out of business. "We don't have to the right to publicise faults," he says.

OCIMF had to go to great lengths within the European and US authorities just to gain acceptance for oil companies to share reports between each other about tankers.

However, the law is different for port state control inspectors working for government agencies, which are free to tell the whole world if they find a substandard ship (see the Paris MOU website for an example).

Currently, the SIRE system only covers deep-sea tankers, chemical and gas carriers, but OCIMF is developing an extension of the scheme for small ships, including barges.

Crew and maintenance

Crew quality is a major factor in ensuring safety of shipping, Mr Kopernicki says. "If a ship is properly manned it is likely to be well navigated. Crew quality, maintenance and renewal policy are all key factors in the safe operation of ships."

Whilst the quality of crews is difficult to assess during an eight hour inspection, Mr Kopernicki says that flag state administrations can make a large contribution to ensuring officers and crews onboard ships are trained to a high standard. "We at Shell work closely with the Isle of Man Administration (most of our own oil tankers are flagged in the Isle of Man)," he notes. "The Maritime and Coastguard Agency in the UK are also very strict."

A rigorous training and examination program for officers, he says, is "very encouraging for the development of cadets."