

# CURRENTS

ISSUE NUMBER 19

NOVEMBER 2004

## SHIP ARREST

**... and the importance of P&I Club security**

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## AMERICAN CLUB NEWS

### Diary

November 17, 2004	Reception	Island Shangri-La Hotel, Hong Kong
November 18, 2004	Board Meeting	Island Shangri-La Hotel, Hong Kong
November 22, 2004	Reception	Pudong Shangri-La Hotel, Shanghai
December 10, 2004	Reception	Trinity House, London
March 10, 2005	Board Meeting	Office of the Managers, New York
June 16, 2005	Annual Meeting	Ritz-Carlton Hotel, New York
September 15, 2005	Board Meeting	Office of the Managers, New York

### Board Changes

At the Annual Meeting in New York on June 17, 2004, the following Directors were elected to the Board:

Vassilios Bacolitsas	Sea Pioneer Shipping Corp
Keith Denholm	Pacific Carriers Ltd
Victor S. Restis	Enterprises Shipping & Trading S.A.

### Management Changes

The following appointments have been made to the staff of Shipowners Claims Bureau Inc., the Managers:

#### New York

Carl M. Croce	Surveys/Compliance
Laura Cafarelli	Accounting
H. Ozgur Cilli	Underwriting
Arthur J. Gribbin	Claims
Margaret Lee	Claims
Sonia I. Santos	Surveys/Compliance

#### London

Fiona Clarke	Administration
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American Steamship Owners Mutual  
Protection & Indemnity Association, Inc.,  
Shipowners Claims Bureau Inc., Manager  
60 Broad Street, 37th Floor  
New York, NY 10004, USA

## Onwards and Upwards

Time flies! It is cause for reflection that the last edition of *Currents* was published shortly after the February 20, 2004 P&I renewal. The many developments in the life of the American Club over these past months have challenged it in a variety of ways. But it is fair to say that the Club has risen to these challenges with vigor, energized by a commitment to candor both toward its own membership and toward the market at large.

2003 opened with a significant increase in new business and the months which followed featured steady progress. Happily, conditions in the security markets improved, as did rating levels which continued to rise after a lengthy period of weak pricing. As mentioned in the last edition of *Currents*, the last renewal saw new highs in entered tonnage and premium income.

Thus, against a background of excellent – and apparently sustainable – freight markets, clouded only by persistent geopolitical uncertainties, the American Club continues to look with optimism to a future committed to unsurpassed standards of Member service and the refortification of its financial integrity.

Most especially, however, the Club remains committed to expanding its resources to meet continuing Member service demand. While these will remain centered on New York and London, capabilities will be amplified in the short-term by the establishment of an office in Greece in 2005, in respect of which further details will be provided to the Membership over the months to come.

It is hoped that this present edition of *Currents* will provide readers with useful information and insights into a wide range of topics of current relevance within the shipping sphere. Ship arrest – and the vital importance of Club support – is one such topic of perennial interest explored here. Those Members who are engaged in the carriage of sugar and rice cargoes to West Africa are also recommended to read of the various precautions that can be taken to minimize the operational hazards endemic in those trades. Meanwhile, safety and loss prevention remains as high a priority as ever and Members will be interested to learn that the Club has expanded upon the establishment of dedicated PEME clinics in the Ukraine and the Philippines, with the introduction of pilotage awareness training courses for deck officers.





# SHIP ARREST... AND THE IMPORTANCE OF CLUB SECURITY

**Anna Quinn, Vice President, Shipowners Claims Bureau Inc., discusses contemporary issues associated with this vital aspect of P&I Club service**

## SHIP ARREST – P&I COVER

Ships arrest is a constant source of *angst* for shipowners. A ship, after all, is the Owner's principal asset and every day it remains idle, trading income is lost and running costs are incurred. These losses can be enormous. When an arrest for a P & I covered risk is threatened or asserted then it is the Club's overriding goal to do everything possible to minimize delays to the ship, while ensuring that the release of the ship is conducted on the best terms achievable for the Member.

Of course, not every valid claim results in a ship being arrested or detained. In some cases where incidents giving rise to claims against the ship/ Owner have occurred, the injured party will fail to demand security and the ship will be free to sail. One of the roles of the Club's local representatives is to foster good relations with local receivers. The fact that the ship is entered with an International Group Club and that the Club is represented locally may be sufficient comfort to a claimant. Unfortunately, this is becoming increasingly uncommon as claimants are all too aware of the difficulties of pursuing an unsecured loss against defendants who are out of jurisdiction.

When we talk about formal arrest, we are talking about the situation where a claimant is granted a formal arrest warrant by the Court. On many occasions claimants will notify Owners of their intention to arrest, prior to going ahead with formal arrest proceedings. This is because formal arrest means that the claimant will have to pay legal costs and arrest fees. In addition, there will be commercial relationships in place that claimants may wish to preserve. More often than not it is also in the Shipowner's interest to avoid formal arrest. There is

an obvious cost saving as releasing a ship from formal arrest will necessarily involve legal expense; in absence of formal arrest the Owner will almost certainly be in a better position to negotiate security terms; the Court will often require the provision of a bank guarantee; the Court may require local jurisdiction for disputes under the guarantee; and finally the process of releasing a ship from formal arrest can in itself be time-consuming.

## Incidents for which P&I Security is Commonly Sought

- Loss of life or personal injury
- Cargo Claims
- Salvage
- Breach of Charter Party, including payment of hire or other amount due
- General Average
- Fines and Penalties (deserters, Coast Guard violations)
- Oil Pollution

## FORM OF SECURITY

### • Club Letter of Undertaking

One of the major benefits a Shipowner derives from being a Member of an International Group P&I Club is that Club Letters of Undertaking are widely accepted forms of security. A Club letter can be provided either directly by the Club or through one of its local representatives (at the direction of the Club), and is recognized as being a very high quality security. The process is faster than the provision of a bank guarantee or bond as the involvement of external bodies is not required. In some jurisdictions the Courts will recognize a Club LOU as an acceptable form of security. In others an LOU may not suffice once a formal arrest has been granted by the local Courts. Both claimants and owners gain in situations in which the claimants are prepared to accept a Club letter and the Club will do all possible to impress this on claimants.

*(continued on next page)*

### • **Bank Guarantee or Bond**

Claimants may demand a bank guarantee. Although this will always be resisted, if this demand is likely to be enforced by the Courts in a formal arrest situation it may not be possible to convince claimants to accept a Club LOU (the law of most countries will entitle a claimant to insist on a Bank Guarantee or Bail Bond). Clubs can and do provide Bank Guarantees regularly and usually with little more delay than provision of a Club Letter. Unfortunately this is not true in all jurisdictions where complications may arise in communications with local correspondent banks or bank/ Owner/ claimant wording requirements.

### • **Cash Deposit**

Cash deposits can be demanded in some cases, although again with strong resistance from the Clubs. Deserter cases are a good example of this.

## PROVISION OF SECURITY – THE CLUB'S RULES

I have used the American Club's rule relating to the provision of security as an example but all of the International Group Club's rules follow a similar formula:

*"The Association in its absolute discretion may, but shall in no case be obliged to, provide on behalf of a Member security to prevent the arrest or obtain the release from arrest or otherwise in respect of an insured vessel, and should it do so, the Member shall upon first demand made at any time by the Association in writing arrange such counter security (which expression may in the Association's discretion include a deposit of cash with the Association) as the Association may require and (with or without such counter-security having been required or arranged) shall indemnify the Association against all liabilities and expenses incurred by the Association in consequence of the security originally provided by the Association."*

There are a number of important elements in this rule.

### • **The Provision of Security is Discretionary:**

The Club is not obliged to provide security. This is because one of the overriding principles of P&I insurance is that of 'pay to be paid'. When the Club issues security it is undertaking to pay compensation directly to third parties, once certain criteria are fulfilled, namely, that liability has been established and final judgment issued, or amicable agreement has been reached. An obligation to provide security to a third party is tantamount to an obligation to be

directly liable to a third party in the first instance. In practice, provided the incident giving rise to the arrest or detention falls within the scope of the rules and the Member is up to date with premiums or other amounts which may be outstanding, the Club will usually provide security.

### • **The Incident to which the Arrest Relates Must Concern an Insured Vessel:**

The Club cannot provide security for an incident which occurred prior to or following a period of entry. This is important in the context of associated or sister ship arrest.

### • **Counter Security**

When security is provided by the Club, the Member may be asked to furnish counter security. This counter security is to cover elements of claim that are covered by the security but not recoverable from the Club under the terms of its rules. As a general rule the Club will usually not provide security for non-covered items. It is not always possible, however, to determine whether the incident giving rise to the security demand is covered under the rules, prior to the provision of security, as a full investigation would inevitably delay the ship. The short term goal is to ensure that the minimum disruption is caused to the ship's trading and an event which on its face seems to be fall within P&I cover may ultimately fall outside of the scope of the rules. An example of this is a claim arising as a result of a deviation from the contractual voyage.

## FUNDAMENTAL ELEMENTS OF A SECURITY WORDING

The terms of any security should be carefully considered. A simple standard P&I wording will serve as an illustration of the components which the Club will endeavor to include in a security wording to ensure the Owner's position is fully protected.

- The security should be addressed to the correct party; the party who has title to the goods.
- The starting point to determine the amount of security will be the quantum assessed by surveyors or other experts, although in a formal arrest situation the amount may ultimately be fixed by the Courts.
- The amount of the security should be limited. Interest and costs can amount to alarming levels depending on the jurisdiction involved and so where possible it should be made clear that the amount of security

includes amounts which may be charged in interest and costs. If necessary, security can be provided for a fixed amount plus interest and costs.

- Factors such as statutory limitation of liability should also be borne in mind. In large exposure cases, consideration should also be given to the unencumbered value of the ship as a limitation device.
- In general terms the wording should always limit the Member's and Club's exposure to amounts for which they may be found legally liable, either by agreement or final Court judgment.
- Jurisdiction and applicable law will often be open to negotiation. There is no hard and fast rule on which jurisdiction will be most beneficial to the Owner and circumstances, past experience and local legal advice may often be sought on this point.

## SISTER SHIP AND ASSOCIATED SHIP ARREST

The involvement of the Club in a sister ship or associated ship arrest, from a P&I perspective, is fairly simple in that the Club can only provide security for an incident which is of a P&I nature and which occurred on a ship entered at the material time.

It will be possible for the Club to secure a claim where the offending ship was entered with the Club at the material time but the arrested ship is not. Conversely, where an entered ship is arrested in respect of a claim against a ship which was not entered with the Club at the material time, it is unlikely that the Club would be in a position to assist in the provision of security. Again, International Group Clubs typically work together in these situations, in an effort to minimize the length of detention.

Where a Member has FD&D cover, the Club will also be in a position to offer legal assistance in the case of a non-P&I related, wrongful arrest.

## DIFFICULT JURISDICTIONS

The list of problems which can occur in the more difficult jurisdictions of the world is endless.

In harsh jurisdictions where plaintiffs hold all of the cards, it is often not so much a matter for legal discussion but a case of using local resources to get the Owner into the best bargaining position possible to secure release of the ship on acceptable

terms. Unfortunately, this may lead to unavoidable delays to the ship.

The Clubs and the International Group can and do identify troublesome jurisdictions and work with local correspondents and lawyers in an effort to solve broader problems for the long term, outside of a specific arrest situation.

In one Middle Eastern country, for example, where there has been a worrying trend of illegal ship detention, consignees and ship agents (usually both part of the same parent organization) detain ships upon completion of cargo operations without prior notice, by simply denying the vessel sailing clearance. Claims are often ill-founded and, at best, highly exaggerated. Only once claims have been settled by cash payment, will the agents clear the vessel for sailing.

most receivers that their attitude is unacceptable, that it is causing delays to ships while cash is found and that it is damaging their country's reputation in the outside world. As an interim measure, claimants have been persuaded to accept a written undertaking, to the effect that settlement funds will be paid within 14 days, to allow the ship to sail immediately. While this may not appear to be a big step forward, it is a significant achievement in what may be a very difficult jurisdiction.

At the same time, our representatives have been making contacts in the local judiciary and have coordinated Club visits. They have also provided background information and literature supplied by the Clubs to members of the judiciary regarding maritime cases.

which qualifies them uniquely to assist Owners. It is, of course, of the utmost importance that the Club should be notified of potential problems at the earliest opportunity, so that the Managers are placed in the best possible position to assist their Membership. 📌



This type of cash settlement cannot be paid directly by the Club and Owners should be very careful to ensure that no cash payment is made without the express approval of the Club. The Club recognizes the difficult position Owners face and will try to assist to the fullest extent, but it is clearly a most unsatisfactory situation.

At International Group level, the Clubs have coordinated an initiative with local representatives in an effort to find a long term solution to the problems shipowners face and in particular to promote the acceptance of Club LOU's in arrest situations. Our representatives have been able to convince

These approaches have been well received and it is hoped that in the situations where the level of quantum demands it, Owners will be able to challenge the legality of ship detention by agents/consignees with increasing confidence. It remains an uphill struggle but both the Clubs and our local correspondents believe that, slowly but surely, the battle is being won.

The subject of arrest is a broad topic and this article attempts to convey only the role of the Club. Clubs have an unrivaled breadth of experience in this area, as well as access to an international network of both general and legal correspondents,



# The Carriage of Bagged Rice and Sugar

*Steve Pennicott, Claims Liaison, Shipowners Claims Bureau Inc., outlines the hazards of these regular West African trades and proposes some precautions*

Much has been written on the carriage of bagged cargoes to West African ports, in particular, on the carriage of rice and sugar. Indeed, the Managers have drawn Members' attention to the pitfalls awaiting the unwary shipowner engaged in these trades in previous editions of *Currents\** and we make no apology for returning to them here. Because the routine problems associated with these cargoes are often exacerbated by jurisdictional problems with the local courts and by underwriters ignoring specific jurisdiction clauses incorporated into the contract of carriage, shipowners may be treated less favorably in respect of any defense that they might otherwise have had available. It is, therefore, essential that precautionary measures are observed, the most important of which are rehearsed here below.

The most problematic issue confronting the shipowner in these trades is the role of the stevedore. At West African ports, stevedores are customarily provided by the local authorities and appointed by the charterer and receivers. However, they are always considered to be the servants of the master/owner, regardless of the fact that there is no contractual relationship. Given this, the master is often deterred from intervening in matters concerning their performance, either by the threat of physical violence or by the threat that the vessel will be moved off the berth. Under such circumstances, the shipowner may have recourse against the charterer. However, the success of any such action will depend on the willingness of the charterer to honor their obligations and, of course, their solvency. While claims can often be made against the stevedores, more often than not, they will hold no liability insurance, leaving claims in tort difficult to enforce.

When chartering vessels for the carriage of rice and sugar, owners should stipulate that the stevedores are employed at the risk and expense of the shippers /charterer /receivers and that any reference to the stevedores being under the direction and control of the master shall be limited to ensuring the seaworthiness of the vessel. Any clause indicating that the stevedores are under the direction, control and orders of the master, for the purposes of loading, stowing or securing the cargo, should be deleted. Furthermore, when bills of lading are issued either by the master or his agent under specific authority, the face of the bill of lading should be claused incorporating the terms and conditions of the charterparty and there should also be a specific reference as to the applicable law and jurisdiction.

*\* No. 16, February 2003 and No. 17, November 2003.*

With proper drafting, it will be difficult for the receivers and/or their underwriters to argue that they were not aware of a specific jurisdiction clause when purchasing a “To Order” bill of lading. A specific clausing along the following lines might be suitable:

*“All terms and conditions of the Charterparty dated ....., including the law and arbitration clause, to be incorporated in this Bill of Lading which, in the event of any dispute, shall be subject to English law and jurisdiction”.*

The Managers have always held the adage “prevention is better than cure” in high esteem and will assist owners in providing standing instructions to masters and in advising when precautionary surveys should be undertaken. In principle, draft surveys should always be undertaken prior to loading and upon completion of discharge. Whilst it is appreciated that, in the case of bagged cargoes, a draft survey may not be the most accurate way of calculating the number of bags loaded, it does provide a reasonable indication as to quantity, thereby alerting the master to any potential problems.

With these general observations in mind, some specific guidance on the carriage of sugar and rice may be offered.

## Sugar

Brazil is the primary exporter of bagged sugar to West Africa, with the cargo invariably controlled at the loading port by the major commodity houses, as shippers. It is generally accepted that, when issuing Mate’s Receipts and Bills of Lading, the Master is obliged to rely on the quality, the quantity and the description of the cargo as furnished by the shippers. These are recognized not only by the port authorities but also by the local courts who will, as a matter of course, try to compel the master to accept their figures. Despite these restrictions, owners should be encouraged to appoint their own tally clerks and to perform draft surveys prior to and on completion of loading. The master should be instructed to reject any cargo that does not appear to be of sound condition and if, upon completion of loading, a discrepancy arises, Protest Notes should be issued to the shippers, stevedores and charterer. Upon completion of loading, the hatches should be sealed under a joint survey. In the event of a dispute, the owner/master should seek specific instructions in writing from the charterer, at whose disposal the vessel has been placed.

Prior to arrival at the discharge port, the owner/master should place the charterer

on notice, with a general request for assistance in keeping any damages to a minimum. A typical example of such a notice can be found in *Currents No.16, February 2003*:

*“Owners have been faced in the past with problems in discharging this type of cargo in good order and condition at..... (nominated discharge port). The charterer will be aware that it is not uncommon practice for stevedores to damage and/or pilfer the cargo at this port. Owners will therefore be instructing a surveyor to attend the vessel’s discharge operations and to assist the master wherever possible. While Owners will endeavor to fulfill their obligations correctly under the Charterparty they will expect charterer to assist in preventing any unnecessary loss or damage to cargo. In the event that stevedores damage and/or pilfer the cargo, Notes of Protest will be issued to the stevedoring company, the agents and charterer, holding Owners harmless.”*

On arrival, arrangements should be made for the hatches to be unsealed in the presence



of the stevedores and agents, extending the invitation also to the charterer. On the opening of hatches a surveyor should inspect the condition of the top layer of the cargo, to ascertain that the stow has not shifted and that there are no apparent signs of damage or water ingress. A draft survey should follow as a matter of course and arrangements made for a discharge tally. In the event that stevedore damage occurs, either as a result of poor cargo handling or theft, the surveyor should assist the master in issuing daily Protest Notes to the agents, stevedores, charterer, receivers and port authorities.

Another problem likely to occur is the short-landing of cargo as a result of mis-tallying. It is not unknown for receivers to deliberately under-tally cargo discharged at the vessel’s side in order that cargo can be stolen prior to, or upon reaching the warehouse, where

further tallies will be undertaken. Where short-landing and/or cargo damage occur, the master may be asked to approve figures provided by the local port or customs authorities, who in turn may view this exercise as an opportunity to raise revenue. Again, under these circumstances, a draft survey should be conducted upon completion of discharge. While not purporting to be conclusive evidence of the amount of cargo carried on board and/or discharged, it will provide a persuasive indication when attempting to mitigate or repudiate any claims that are subsequently brought.

## Rice

With rice, which is exported to West Africa mainly from Thailand, the importance of precautionary surveys cannot be over-emphasized. The importance of proper dunnage and ventilation should also be recognized. In *Currents No. 16, February 2003*, it was noted that:

*“Ships agents have warned owners recently about the hazards of using bamboo as dunnage when loading rice cargoes in Thailand. Normal dunnage consists of two – three layers of bamboo sticks laid in a criss-cross pattern, with a cover of bamboo matting next to the tank tops and additional bamboo matting applied to the ship’s sides. However, if the bamboo sticks utilized are too fresh, mould can result from the excess humidity; also their sharp points can pierce the rice bags causing spillage of cargo. Crewmembers and/or surveyors are recommended to reject any unsuitable materials when using bamboo sticks as dunnage.”*

and in *Currents No. 17, November 2003*:

*“The continuing incidence of contamination claims in respect of bagged rice cargoes has prompted the Association to remind members involved in this trade of the importance of proper ventilation procedures. Damage to bagged rice from condensation occurs when the dew point of the outside air falls below the dew point of the air inside the vessel’s holds. To ensure proper circulation, bags should be stowed leaving ventilation channels of 5 – 6 inches at horizontal levels of about 20 bags with individual bags blocking the channels at intervals of 5 – 6 tiers to ensure vertical strength and stability. Dunnage should be used to prevent the bags coming into contact with the sides of the holds, tanks tops and bulkheads. To avoid condensation, the hatch covers should be opened for a few hours to allow a thorough ventilation of the holds, weather and sea conditions permitting. Once the dew point of the air inside the vessel’s holds has risen above the dew point of the external air, ventilation should be stopped.”*

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As with bagged sugar, precautions should be made prior to the vessel's arrival at the discharge port to place the charterer on notice that their assistance will be required in ensuring safe and proper discharge of the cargo. Likewise, a draft survey should be undertaken prior to and upon completion of discharge, a surveyor should be appointed to attend the opening of hatches and a tally should be undertaken in order to determine the outturn quantity of the cargo. Again, if problems are encountered, the Owner's P&I Club should be notified immediately.

It should also be remembered that there is frequently congestion at West African ports and whether the vessel berths in a timely fashion or is held off the berth as a floating warehouse will depend largely upon the 'clout' of the receiver. When berthing is delayed, there is always the risk of the cargo becoming compacted and of problems with ventilation which can cause cargo damage. However, so long as the charterer continue to pay all hire or demurrage as it falls due, it is difficult for the owners to do anything other than to record, by way of Protest Notes, their concern at the delay and the fact that cargo damage may result.

During the voyage itself, the cargo should be treated with as much care and attention as at the loading and discharging ports. Aside from water ingress, the most common cause of damage to sugar and rice cargoes in transit is sweat. This takes two forms: cargo sweat and ship sweat.

Cargo sweat consists of condensation, which forms on the surface of cold cargo when it comes into contact with warm, moist air. Cargo sweat will form when the dew point of the air in the hold is higher than the temperature of the cargo. This is most likely to occur when the ship has loaded cargo in a cold region and air is admitted to the hold as the ship passes into a warmer region. To prevent cargo sweat, all ventilation should be stopped and the holds should be kept closed, leaving the air as far as possible undisturbed. The temperature of the cargo will rise slowly to equal the external atmosphere and, so long as the holds remain closed, the air within will gradually become warmer and will retain more moisture.

With an inert cargo, the dew point of the air in the non-ventilated holds will remain constant as it becomes warmer. If the cargo contains moisture, it will exude moisture as the atmosphere warms up. However, as heat flows from the shell of the ship into the hold atmosphere and thence to the cargo, any change in the temperature of


the atmosphere will precede the temperature of the cargo. Any moisture given off by the cargo will be held in the air. Therefore, it will be safe to ventilate the hold only after the surface temperature of the cargo has risen to equal the temperature of the air outside the hold. Where the external air is exceptionally dry, ventilation should only occur when the dew point is lower than the temperature of the cargo.

Ship sweat is the condensation which occurs when warm, moist air in the hold comes into contact with the cold steelwork which forms the deck and shell plating of the ship. Ship sweat will form when the dew point of the air in the hold is higher than the temperature of the ship's steel, typically when the ship has loaded cargo in a warm region and passes into a cooler region. It is likely to form first in the vicinity of the hatch coamings, the fore and aft holds and the fore and aft ends of the midship holds. The topside tanks – even when empty – provide an insulating layer which will delay the penetration of the cold from the external air to the plating which forms the tank/hold separation. When passing from a warm region to a cold region, full ventilation should be maintained whenever possible, in order to extract moist air from the hold and to replace it with drier air from outside. If the cargo contains moisture, the air in the hold will continue to be moist and will condense upon the ship's cold steelwork unless it is continually extracted by drier air.

Standing instructions should take into consideration the weather conditions at the loading port and the careful stowage of the cargo. The following guidelines should be regarded as a minimum requirement in this respect:

- If rain is likely, instructions should be obtained from the shippers and charterer and weather watchers should be appointed. The master may also be able to use the radar to predict any forthcoming rain showers. There should be enough crew on board to close the hatches if rain is expected. In certain conditions and ports, hatch tents can also be erected to ensure the maximum possible protection of the cargo during loading.
- The holds should be clean and dry and free of any previous cargo residue, contaminants and insects.
- Draft surveys should be performed prior to and upon completion of loading and discharge. Any discrepancy should be reported to the owner and the local P&I Club correspondent.

- Arrangements should be made for the cargo to be tallied upon loading and discharge, any discrepancy to be reported to the owner and the local P&I Club correspondent.
- The use of hooks by stevedores should not be permitted under any circumstances. Otherwise, a Protest Note should be issued immediately. Likewise, should there be any evidence of theft or poor cargo handling, including the overloading of slings, Protest Notes should be issued on a daily basis and the owner and local P&I Club correspondent notified.
- Fumigation, if required and allowed under local regulations and in accordance with the sales contract, should be performed under the guidance of the shippers/charterer.
- Holds, hatches, vents, doors and access areas must be kept watertight, in good working order and properly maintained.
- Stowage of the cargo should be in accordance with good seamanship and with adequate ventilation channels.
- Where applicable, the hatches should be sealed upon completion of loading in the presence of the shippers/charterer and unsealed at the discharge port, in the presence of the receivers/charterer.
- Wet and dry bulk thermometers should be used during the course of the voyage. Readings should be taken at not less than six-hourly intervals, with ventilation being adjusted accordingly, and records should be kept.

As a general rule, precautionary surveys will be for the Owner's account and Members are encouraged to act as prudent uninsured. In many instances, the cost of a survey will be considerably less than the applicable deductible in the event of a claim. Because the Managers recognize that surveys can provide valuable assistance in mitigating or repudiating claims on the Owner's behalf, they will, under certain circumstances, be willing to recommend reimbursement of the cost of the survey to the Owner. 



# THE ISPS CODE – FOUR MONTHS ON

Eamon Moloney, Head of Admiralty Law at Eversheds LLP, offers his personal impressions on the implementation of the ISPS Code.

## Introduction

The International Ship and Port Facility Security Code (ISPS Code) came into effect on July 1, 2004. According to the IMO, 86% of ships and 69% of port facilities were compliant on that day, at least on paper. By September 2004, the IMO's statistics showed a 90% overall compliance level. In the meantime, the threat of international terrorism has been ever-present, perhaps even worse than before. While the focus has been on Iraq, further afield, the picture is less clear. In spite of some dreadful atrocities, mainly against soft targets, the world's security services have had notable successes in capturing or containing major terrorists. This seems to indicate that international terrorism is being pinned down, with terrorists having to operate in small cells and against local targets.

For the shipping industry, this is a reassuring message. Ships have always been unlikely targets. With a few notable exceptions, they are out of the public eye, always on the move and only calling at isolated and /or relatively secure sites. Which is why many thought that the ISPS Code was a hasty and ill-considered overreaction to an exaggerated threat. So how does it look now?

## The ISPS Code In Practice

The ISPS Code has been seen as part of a wider response to new threats against the established order – money laundering, tax evasion, drug trafficking, sanctions busting, illegal immigration, for example. Terrorism is yet another of these threats but it is the yoke by which the Code is placed around our necks.

International Conventions are not known for their user-friendly language and the clear expression of ideas. What the Code says and what the Code means are two separate things and this is not the only problem. The ISPS Code is to be implemented in accordance with national law but it has less to do with shipping, port operations or

international trade and more to do with State security, which is a concept that does not recognize any of the normal rules governing maritime or commercial activities.

As expected, the ISPS Code has not been implemented uniformly around the world. The United Kingdom was one of the first nations to ratify the Convention but the Code itself has never been scrutinized or debated by Parliament. The Code has force of law in the UK via a European Union Regulation and in a form that is wider and more onerous than the original Convention. For example, the 'recommended' security measures in Part B of the Code are all mandatory within the European Union and there is an additional level of EU scrutiny and inspection over and above that of the nation state.

## The Effect Upon Ships And Crews

One look at the detail of the Code shows what excessive expectations have been made of ships' officers and crew – additional guards, security checks, patrols, vetting of stores, cargoes and visitors, escorting of people and goods and patrols of jetties and anchorage – all of which have to be recorded, implemented and verified. All this additional work is mandatory but at the same time the Code is laced with platitudes to the effect that due regard must be had for STCW and that the IMO needs to pay more attention to crew manning and workloads. The Code also expresses the hope that it will not interfere with crews' human rights to leisure and access to shore leave and facilities. However, the way in which the Code is being operated in many countries has had just the opposite effect.

## Information Gathering

A less obvious aspect of the ISPS Code is the new information-gathering powers which it gives to flag and port states. The major powers know where cargoes come from and they generally know where they end up. What they would also be interested to know



*(continued on next page)*

is who owns, trades and carries those cargoes and the ISPS Code will help them to find out. This gathering of information on every cargo carried and traded around the world may be ostensibly for the protection of ships and ports from terrorism but it may also be used in respect of:

- taxation and excise
- money laundering
- drug trafficking
- illegal immigration
- sanctions and sanction busting
- environmental issues

Ships and ports are now an integral part of a major information-gathering operation which is quite legal because it is related to state security. It is unlikely that the United Nations would mandate similar powers to promote free trade, to protect the environment or to ensure safety at sea.

## Safety v. Security

This highlights another dichotomy within the ISPS Code – the division between safety and security, neither of which are defined. Seafarers are in as much danger from an unvested gangway, an inoperable fire detection system or an incompetent watchkeeper as from a bomb or a terrorist. However, the ISPS Code has not been properly integrated with the rules that govern safety. The ISPS Code tells ship masters that if they must choose between safety and security, then they must opt for safety. The problem is that security advice can often be given by very persuasive people.

## The Unsafe Port – ISPS Style

The ISPS Code will have a major effect on the legal relations between all port users, especially between ship owners and charterer.

The security level of a port is set by government and the legal definition of a ‘safe port’ is wide enough to include political and security considerations as well as the condition of the berths, dredging and competent pilots. A port at Security Level 3 (with a probable or imminent risk of a security incident) is, by definition, ‘unsafe’. At this level, security forces will take over the port and it will be closed. Security Level 2 means a heightened risk of a security incident. Here, checks will be more intense, delays will occur and anchorage will be closed. Cargoes may arrive late, passengers may be kept waiting, raising the likelihood of significant disruption.

In the case of ‘arrived ships’, at the higher security levels, ports may keep ships off the berth until the latest possible moment, offering plenty of scope for delay, worry and expense and playing havoc with the concept of an ‘arrived ship’. Certainly, the loss and

expense caused by the Code will fall ultimately upon the consumer but there will also be a raft of arguments between owners and charterer as to who pays for the security measures required by the Code, especially where there is a change of security level within the life of a charter.

## The BIMCO ISPS Clauses

These problems can be addressed, to a degree, in pre-fixture negotiations. BIMCO have drafted three possible charterparty clauses: one for time charters, one for voyage charters and a ‘Security Clause’ for calls to the USA. Both the Time and the Voyage clauses expressly require Owners and charterer to comply with the Code (obvious, perhaps, but useful to have recorded in a binding contract) while Owners are to provide an International Ship Security Certificate and contact details of the Company Security Officer:

(a) (i) From the date of coming into force of the International Code for the Security of Ships and of Port Facilities and the relevant amendments to Chapter XI of SOLAS (ISPS Code) in relation to the Vessel, the Owners shall procure that both the Vessel and “the Company” (as defined by the ISPS Code) shall comply with the requirements of the ISPS Code relating to the Vessel and “the Company”. Upon request the Owners shall provide a copy of the relevant International Ship Security Certificate (or the Interim International Ship Security Certificate) to the charterer. The Owners shall provide the charterer with the full style contact details of the Company Security Officer (CSO).

(ii) Except as otherwise provided in this Charter Party, loss, damage, expense or delay, excluding consequential loss, caused by failure on the part of the Owners or “the Company” to comply with the requirements of the ISPS Code or this Clause shall be for the Owners’ account.

Whereas charterer’ primary obligation is to provide full contact details to the Owners:

(Voyage)

(b) (i) The charterer shall provide the CSO and the Ship Security Officer (SSO)/Master with their full style contact details and any other information the Owners require to comply with the ISPS Code.

(ii) Except as otherwise provided in this Charter Party, loss, damage, expense, excluding consequential loss, caused by failure on the part of the charterer to comply with this Clause shall be for the charterer’ account and any delay caused by such failure shall be compensated at the demurrage rate.

(Time)

(b) (i) The charterer shall provide the CSO and the Ship Security Officer (SSO)/Master with their full style contact details and, where sub-letting is permitted under the terms of this Charter Party, shall ensure that the contact details of all sub-charterer are likewise provided to the CSO and the SSO/Master. Furthermore, the charterer shall ensure that all sub-charter parties

they enter into during the period of this Charter Party contain the following provision:

“The charterer shall provide the Owners with their full style contact details and, where sub-letting is permitted under the terms of the charter party, shall ensure that the contact details of all sub-charterer are likewise provided to the Owners”.

(ii) Except as otherwise provided in this Charter Party, loss, damage, expense or delay, excluding consequential loss, caused by failure on the part of the charterer to comply with this Clause shall be for the charterers’ account.

The main provision is that any loss, damage, expense or delay arising out of either party’s failure to comply shall be for that party’s account. It is therefore important that a pre-fixture check is made as to whether the ship and the voyage-ports are all at the same ISPS Security level. If there is a discrepancy, then there will be additional costs.

The Voyage Clause explicitly allocates the risk and expense of security measures imposed by port facilities, in accordance with the ISPS Code, to the Charterer:

(Voyage)

(c) Provided that the delay is not caused by the Owners’ failure to comply with their obligations under the ISPS Code, the following shall apply:

(i) Notwithstanding anything to the contrary provided in this Charter Party, the Vessel shall be entitled to tender Notice of Readiness even if not cleared due to applicable security regulations or measures imposed by a port facility or any relevant authority under the ISPS Code.

(ii) Any delay resulting from measures imposed by a port facility or by any relevant authority under the ISPS Code shall count as laytime or time on demurrage if the Vessel is on laytime or demurrage. If the delay occurs before laytime has started or after laytime or time on demurrage has ceased to count, it shall be compensated by the charterer at the demurrage rate.

Finally, both Voyage and Time Clauses provide that Owners are accountable for all measures taken to comply with the Ship Security Plan and that charterer are responsible for all costs and expenses arising out of security measures imposed by the port facility or other relevant authority, in accordance with the ISPS Code:

(d) Notwithstanding anything to the contrary provided in this Charter Party, (all delay – Time Clause), any additional costs or expenses whatsoever solely arising out of or related to security regulations or measures required by the port facility or any relevant authority in accordance with the ISPS Code including, but not limited to, security guards, launch services, tug escorts, port security fees or taxes and inspections, shall be for the charterer’ account, unless such costs

or expenses result solely from the Owners' negligence. All measures required by the Owners to comply with the Ship Security Plan shall be for the Owners' account.

(e) If either party makes any payment which is for the other party's account according to this Clause, the other party shall indemnify the paying party.

Although BIMCO claims this to be a "balanced solution", it is undeniably onerous for charterer, especially as the clause does not address the vessel's trading history. This means that so long as Owners are ISPS-certified, then even if the vessel has called at an unlisted or insecure port during its last ten voyages, the risk of delay or detention or expense during the contracted voyage will rest with the Charterer.

BIMCO has also drafted its US Security Clauses for Time and Voyage Charters, which provide:-

If the Vessel calls in the United States, including any U.S. territory, the following provisions shall apply with respect to any applicable security regulations or measures:

#### *Expenses*

Any expenses or additional fees relating to the cargo, even if levied against the Vessel, that arise out of security measures imposed at the loading and/or discharging port and/or any other port to which the charterer orders the Vessel, shall be for the charterers' account.

#### *Notice of Readiness*

Notwithstanding anything to the contrary contained in this Charter Party the Vessel shall be entitled to tender Notice of Readiness whether cleared for entry or not by any relevant U.S. authority.

Notwithstanding anything else contained in this Charter Party all costs or expenses arising out of or related to security regulations or measures required by any U.S. authority including, but not limited to, security guards, launch services, tug escorts, port security fees or taxes and inspections, shall be for the charterer's account, unless such costs or expenses result solely from the Owners' negligence.

Again, the final provision clearly allocates the risk and expense of security measures imposed by port facilities, in accordance with the ISPS Code, to the Charterer.

- The Code had made calls to Northern Europe more difficult. The biggest problem was a lack of awareness and co-operation over the Code by the non-security authorities, particularly Customs & Excise;
- The ships had willingly embraced the Code. The next stage would be the development and testing of office procedures.

But their concerns struck a familiar note:

- The Code had adversely affected crew shore leave;
- There was a need for more co-ordination between ports and shore authorities – some of whom were applying the Code unevenly. Examples were (1) treating the coastal leg of a four-port voyage as a domestic not an international voyage – even though the ship arrived from or departed to a foreign country on each call (2) port authorities requesting security information over VHF (3) notification of changes to security levels only being given in the local language.

One common issue appeared significant. Every time one of their ships had to change



#### *Reporting*

The Vessel or its agents shall report and send all notices as required to obtain entry and exit clearances from the relevant U.S. authorities. Any delay caused by the failure to so report shall be for the Owners' account, unless such failure to report is caused by or attributable to the charterer or their representatives or agents including but not limited to the shipper and/or receiver of the cargo.

#### *Clearances*

Unless caused by the Owners' negligence, any delay suffered or time lost in obtaining the entry and exit clearances from the relevant U.S. authorities shall count as laytime or time on demurrage.

## **The Code In Operation**

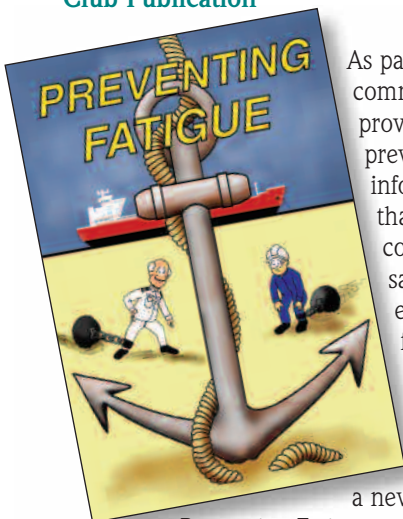
In preparation for this article, three shipowners were contacted, who together operate over a hundred ships, from ULCCs to mini-bulkers, under a wide range of flags. They agreed that:

- Thorough preparation had paid off handsomely. For all three fleets, the Code had been introduced on time and under budget;
- The Code had made calls to the USA easier. The US authorities were now better co-ordinated and are applying security measures in a more systematic and reasonable manner;

its Security Level to match the port facility, it was because of a domestic problem in the port state, not a security issue e.g. drug smuggling or other criminal activity. This indicated that the Code might be used (or abused) far more in the future for local issues than for international terrorism. 📄

# LOSS PREVENTION REVIEW

## Preventing Fatigue - A New American Club Publication



As part of its commitment to providing loss prevention information that will contribute to a safer working environment for seafarers, the American Club has produced a new pamphlet

Preventing Fatigue, a user-friendly, illustrated publication to help seafarers familiarize themselves with the risks of fatigue. Preventing Fatigue draws on important material highlighted in the IMO's Guidelines on Fatigue, which shipowners and managers are also recommended to consult for more detailed information on identifying and preventing fatigue and for implementing strategies to reduce the incidence and severity of seafarer fatigue.

Preventing Fatigue will be available in December 2005 and will be issued to all vessels entered in the American Club. This is the first in a series of loss prevention pamphlets to be issued by the Club. Future publications will focus on workplace injuries, pilotage and other specific loss prevention concerns.

## Pilotage Awareness Initiative

A study of claims between 2001-2003 conducted by the American Club found that 16% of claims were associated with contact damage (collision, grounding, FFO or damage other than collision), representing 52% of the total cost of all claims. In at least 40% of such claims, a pilot was on board the vessel and played a role in the incident causing the loss.

Building on the relationship established with the Ukrainian maritime community through its Pre-Employment Medical Examination scheme, the American Club has reached an agreement with the Odessa National Maritime Academy to perform a 1½ day class and simulator training course for Ukrainian deck officers employed on Members' entered vessels. The course is aimed at encouraging officers to gain a wider understanding of their role, responsibility and authority when pilots are aboard their vessels. Two courses have been scheduled, on December 15-16, 2004 and March 15-16, 2005, in Odessa. Similar courses will be held for Filipino deck officers in Manila, during 2005.

## Black Sea Agreement

The Hellenic Marine Environment Protection Association (Helmepa), together with sister organizations from Cyprus and Turkey, have agreed to encourage the five other countries which border the Black Sea (Bulgaria, Georgia, Rumania, Russia, Ukraine) to establish similar voluntary organizations in order to tackle the problem of pollution. The Chairman of the Turkish Marine Environment Protection Agency has described the Black Sea as an environmental disaster zone, stating that 400,000 tonnes of pollutants were being deposited into its waters annually. However, it was affirmed that shipping was not the main culprit, but the ever-increasing dumping of waste, petroleum products and hazardous materials by shore-based industries.

## IMO MARITIME SAFETY COMMITTEE (MSC) REPORT

### Bulk Carriers of Double Side Skin Construction

The MSC has reversed an earlier decision to make the double side skin (DSS) construction of bulk carriers mandatory. Nevertheless, it was agreed that bulk carriers of DSS construction should be an option and thus amendments have been made to SOLAS chapter XII for the construction of these vessels. The DSS construction option applies to new bulk carriers of 150m in length or more carrying solid bulk cargoes having a density of 1,000 kg/m<sup>3</sup> and above.

## Permanent means of access for oil tankers and bulk carriers

Technical provisions have been implemented concerning means of access for inspections and thickness measurements of ships' structures, referred to in SOLAS regulation II-1/3-6 on access to and within spaces in, and forward of, the cargo areas of oil tankers and bulk carriers. The technical provisions do not apply to the cargo tanks of combined chemical/oil tankers complying with the provisions of the International Bulk Chemical (IBC) Code. These amendments are expected to enter into force on January 1, 2006.

## Unique Company Number Scheme

The MSC has adopted the IMO Unique Company and Registered Owners Identification Number Scheme. The objective of the scheme is to assign unique identification numbers for companies and registered owners to enhance safety, security and pollution prevention by preventing fraud. A permanent identification number for companies and registered organizations will be inserted on the ship's certificates.

## Goal-based new ship construction standards

The MSC has adopted the IMO's strategic plan for 2004-2010, which states that the IMO should establish goal-based standards for the design and construction of new ships, leaving classification societies, ship designers, naval architects, marine engineers and shipbuilders to decide how best to employ their professional skills to meet the required standards.

## Joint ILO/IMO Code of Practice on Port Security

The MSC has approved the International Labour Organization (ILO)/IMO Code of practice on security in ports, which complements the provisions of the International Ship and Port Facility Security (ISPS) Code with respect to security of the wider port area. The ILO/IMO Code is available in English, French and Spanish at the following IMO website: [www.imo.org/home.asp?topic\\_id=881](http://www.imo.org/home.asp?topic_id=881).

# REGULATORY REVIEW



## Floating Casinos as Vessels

The US Court of Appeals for the Fifth Circuit has dismissed a lawsuit brought by an employee aboard a floating casino, on the grounds that the casino could not be classed as a vessel. Mary Martin worked as a cocktail waitress on the *Treasure Chest* when she slipped and fell on the dock. The case followed legislation introduced in April 2001 by Louisiana which abolished the cruise requirement for all riverboat casinos. The *Treasure Chest* had been built as a ship and, prior to that date, had sailed on Lake Pontchartrain. After April 2001 she had conducted her activities only while moored. The Appeal Court ruled that the *Treasure Chest* was not 'a vessel in navigation' at the time Ms Martin was injured and that the plaintiff's claim was therefore inadmissible under the Jones Act.

## Application of Pennsylvania Rule

A widow who alleged that her husband's death from cancer was attributable to his exposure to hazardous chemicals while working on board ships owned and operated by Amerada Hess and others has lost her appeal. Patricia Wills' claim for damages had been dismissed by the district court due to insufficient admissible evidence of causation. On appeal before the US Court of Appeals for the Second Circuit, she argued that, under the Jones Act, the burden of proof should rest with the defendants, as prescribed by the Pennsylvania Rule. However, the appeal court stated that: 'The Pennsylvania Rule created a 'drastic and unusual presumption' – albeit a rebuttable one – against the shipowner who has violated his or her legal duties' and concluded that the district court had been right not to apply the Rule in this case.

## US Anti-Pollution Crackdown

Since 2002, the US Department of Justice Environmental Crimes Division has succeeded in convicting a total of 30 shipping companies for violating US anti-pollution laws, with fines imposed totalling US\$36 million.

Many of the cases have been similar, with crewmembers typically by-passing the oily water separator to dump waste directly into the water, falsifying log books then attempting to deceive inspectors upon arrival in port. Following changes in the law to make it easier to prove obstruction of justice, whistleblowers can now qualify for up to 50% of any eventual fine as their reward. In two recent cases, where OMI Corp and Sabine Transportation were both convicted of dumping oily waste and then lying to the federal authorities, one crewmember who decided to expose his former employer's illegal practices was granted a US\$2.1 million reward, while three others shared US\$1 million.



## US Drug Seizures

The US Coast Guard has reported seizing 240,518 pounds of cocaine, worth approximately US\$7.7 billion, during fiscal 2004. The largest-ever individual seizure was made when 30,000 pounds of cocaine was discovered aboard the fishing vessel *Lina Maria* 300 miles south west of the Galapagos Islands. During the same period, the USCG was involved in a total of 98 drug enforcement operations involving cocaine or marijuana, seizing 70 vessels and making 326 arrests. The total amount of marijuana seized was 25,449 pounds.

## ISPS Code Procedures


Boarding procedures by US Coast Guard officials charged with enforcing the ISPS Code have been tightened, following complaints by the crewmembers of vessels calling at US ports. Anecdotal reports have cited a heavy-handed or disrespectful attitude on the part of boarding officials, including a refusal to show identification when requested or, in some cases, displaying pictures of animals or space aliens instead. Although Customs and Border Protection officials are alleged to have been mainly responsible, the USCG is said to have been embarrassed by these reports and has promised to instigate improvements. Officials will be obliged to identify themselves verbally, to present an official identification card at each checkpoint, sign the visitors' book, wear a visitor's badge and accept a personal escort when required.

## Paris MOU

The latest annual report by the Paris MOU on ship detention records a steady decline in the number of ships detained since 2000. Although the number of inspections increased between 2000-2003, from 18,559 to 20,309 the actual number of ships detained fell from 1,764 to 1,428 during this period. The authority attributes this improved result to better targeting by port States in respect of ships with a higher risk profile.

## Personal injury claims in China

On May 1, 2004 the PRC Supreme People's Court issued a new Judicial Note binding upon civil claims for death or personal injury compensation but not maritime claims. The Note makes no reference to a limit for death and personal injury claims, but reiterates that claims are to be subject to the usual requirements of proving loss. The previous Judicial Note issued in 1992 limited liability for maritime-related death or personal injury claims at Rmb 800,000 (about US\$ 95,000).

Following a recent decision by the Ningbo Maritime Court to uphold an injury claim by a Chinese pilot against a foreign shipowner in the amount of US\$ 450,000, the legal position is now unclear. Although the ship-owner filed an appeal, the case is reported to have been settled for an amount more than double the Rmb 800,000 limit and it now appears that the new Judicial Note is to be applied to maritime claims - dispensing with the right of limitation previously available. 

# The View From

# Karachi



*In a country which has been riven with political and social unrest, Indemnis Marine (Pvt) Ltd, the American Club's correspondent in Pakistan, provides a safe haven of P&I expertise*

From its offices overlooking a thriving marketplace in the southern district of Karachi, just a mile from the Arabian Sea, Indemnis Marine (Pvt) Ltd administers a P&I service to the international shipping community which is a model of calmness and efficiency in contrast to the hustle and bustle outside. With representation at all of Pakistan's principal ports, including Karachi, Bin Qasim and Gwadar, the company provides the full, round-the-clock support Club members demand of a modern-day correspondent in terms of marine casualty and accident response, claims handling, litigation management and debt recovery. Indemnis also offers the same support to intermodal operators at the inland 'dry ports' of Hyderabad, Multan, Faisalabad, Lahore, Rawalpindi, Sialkot, Peshawar and Quetta.

involving grounding, collision and dock damage, over and above day-to-day cargo, personal injury and operational matters. It can point with justifiable pride to a number of cases where it has achieved maximum salvage values for rejected cargoes and obtained favourable out-of-court settlements for its principals, including debt recoveries for shipowners and charterer.

But Capt. Mujtaba and his colleagues have no illusions about the difficulties facing them as they go about their daily work. In a country where political instability and social unrest have been endemic and where the rule of law can be subject to the whim of the bureaucracy, Indemnis requires all the experience and influence it can command to achieve the right results.




From the outset, it was the goal of Indemnis' founding partner, Captain S. Hashim Mujtaba, to set new standards of professionalism, in order to meet and exceed the expectations of P&I Clubs and their shipowner and charterer members. His team of four full time executives and four on-call consultants include professionals hailing from the senior echelons of Pakistan's navy and merchant navy and can boast in-house expertise in both marine and multimodal operations, as well as engineering and naval architecture, with medical assistance on hand, in the person of Indemnis' consultant surgeon Dr Mohammed Asif Qureshi. Prior to setting up Indemnis in 2003, Captain Mujtaba himself sailed as a Master Mariner with Pakistan National Shipping Corporation, IRISL and Pacific Carriers, coming ashore in 1995 to work as a P&I Club surveyor and correspondent in Karachi.

This depth of experience has provided Indemnis with excellent contacts, not only at local level with port authorities, surveyors and lawyers but also at the higher reaches of national government.

'We know our way around here', Capt. Mujtaba observes modestly.

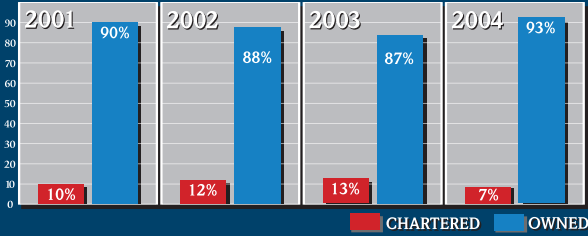
Since inception, these contacts have been put to the test on many occasions, with Indemnis handling some major, high-profile cases

During the past year, it has played a vital role in facilitating the attendance of Club representatives in Karachi during a major pollution case, obtaining access to key local officials and generally 'smoothing' their itineraries and alleviating concerns about personal security. On a more down-to-earth level, a recent case which involved Pakistani stowaways saw the entire Indemnis team setting off into the night, at short notice, into a notoriously dangerous quarter of Karachi, in search of the stowaways' families in order to obtain the identity papers urgently required for their repatriation. Not a pleasant experience, as Capt. Mujtaba recalls, but the job was completed on time.

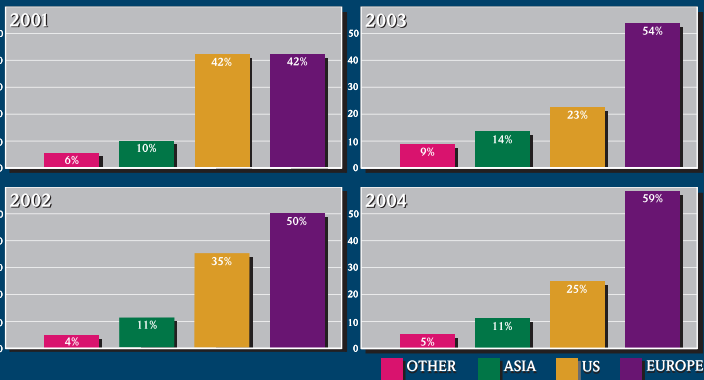
Meanwhile, the economic future for Pakistan is looking bright, with imports and exports showing record growth and the country profiting from its position as the traditional gateway to the resurgent economies of Central Asia. In 2003, the port of Karachi handled in excess of 12.5 million tons of dry cargo, including 738,500 containers, and 13.35 million tons of liquid cargo. In this fast-growing but volatile market, Capt. Mujtaba believes that Indemnis can offer shipowners, charterer and other transport operators a safe pair of hands. 

# American Club Fleet 2004

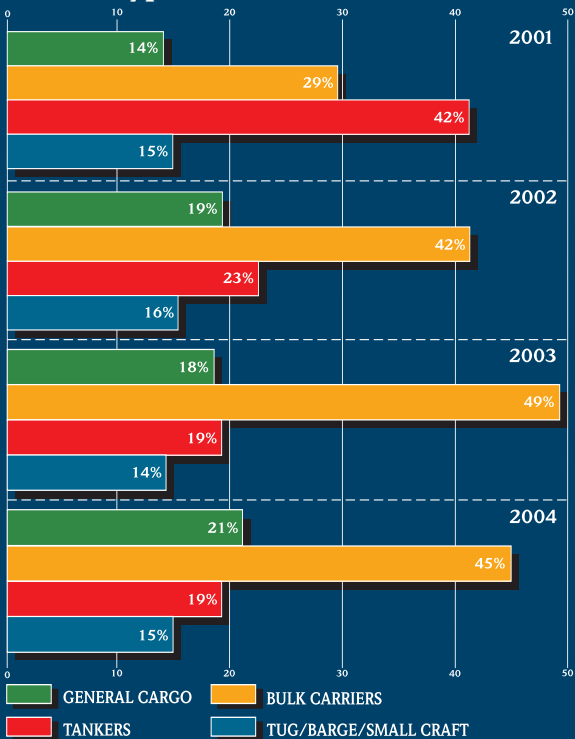
## Owned and Chartered Entries



## Owned and Chartered Tonnage by Management Domicile



## Owned and Chartered Tonnage by Vessel Type



**THE AMERICAN STEAMSHIP OWNERS MUTUAL  
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