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TO MEMBERS OF THE ASSOCIATION

Dear Member:

PARIS MEMORANDUM OF UNDERSTANDING (MoU): NEW INSPECTION REGIME

Introduction

On January 1, 2011 a new inspection regime (NIR) under the Paris MoU entered into force. It is intended further to focus port state control inspections, and to reward quality shipping. The NIR was developed in cooperation with the European Union and involved a significant contribution from the European Maritime Safety Agency (EMSA) and the member authorities of the Paris MoU.

Under the NIR, quality ships will be rewarded with longer intervals between inspections. Vessels designated as “high risk” ships will be subject to expanded inspections at six monthly intervals. Ships with three or more detentions will be banned for a minimum period of three months.

Targeting for inspection using a ship risk profile

With the introduction of the NIR, the Paris MoU has changed its target of inspecting 25% of individual ships calling at each member state, to a shared commitment of achieving the inspection of all ships visiting ports and anchorages in the Paris MoU region as a whole.

The Paris MoU has adopted a new system using a “ship risk profile” that classifies ships as either a low risk ship (LRS) or a high risk ship (HRS). Ships which fit neither the LRS nor the HRS category are classified as Standard Risk Ships (SRSs).

The ship risk profile is based on the following criteria, using details of inspections in the Paris MoU jurisdiction in the last three years:

- type of ship;
- age of ship;
- performance of the flag of the ship, including those participating in the voluntary IMO member state audit scheme (VIMSAS);
- performance of the recognized organization(s);
- performance of the company responsible for safety management under the ISM Code;
- number of deficiencies; and
- number of detentions.

LRSs will be allowed longer intervals between inspections by port state control of up to 36 months, by comparison with only six months under the previous inspection regime. In order to qualify for LRS status, several criteria need to be met.

With regard to the ship's flag, it must appear on the "White List" published in the annual report of the Paris MoU. In addition, that flag administration must have informed the Paris MoU secretariat that a final audit report including, where relevant, a corrective action plan, has been drawn up in accordance with the framework and procedures for the voluntary IMO member state audit scheme (VIMSAS).

In practice this means that the flag administration has to write a letter to the Paris MoU secretariat stating the above and enclosing, as evidence, the "executive summary" of the final audit report. The secretariat will maintain, on the Paris MoU public web site, an up-to-date list of flag states which meet the flag criteria for an LRS.

All ship types, regardless of age, can qualify for a low risk ship designation. Other criteria are:

- a high performance recognized organization (RO), as listed in the Paris MoU annual report;
- the RO being recognized by one or more Paris MoU member states;
- recognition as a high performance company;
- five or less deficiencies found during each inspection carried out in previous 36 months; and
- no detention within the previous 36 months.

In principle, LRSs may be inspected after 24 months, and must be inspected when calling at a Paris MoU jurisdiction port after 36 months.

Company performance

The company performance criteria for the calculation of the ship risk profile is a new parameter in the Paris MoU in that it establishes a formula which takes into consideration the deficiencies and detentions in the last 36 months of the company's fleet, based on the IMO company number, and compares it to the average of all vessels inspected in the Paris MoU to determine a relative performance level. Companies will be ranked into very low, low, medium and high categories. Any cases of refusal of access (ban) will have a negative impact on the ranking of a company.

Inspections in general

Recognizing the rights of port states to inspect foreign flagged ships in their ports at any time, the Paris MoU has introduced the following regime. The NIR includes two categories of inspection, a 'periodic' and an 'additional' inspection. Periodic inspections are determined by the time windows mentioned above, and additional inspections are triggered by overriding or unexpected factors depending on the 'severity of the occurrence'.

Inspections: time frames

The intervals between inspections are set according to the ship risk profile as follows:

- HRS: between 5-6 months after the last inspection in the Paris MoU region;
- SRS: between 10-12 months after the last inspection in the Paris MoU region; and
- LRS: between 24-36 months after the last inspection in the Paris MoU region.

The time span for the next periodic inspection re-starts after any inspection.

Inspections: selection scheme

If the interval between inspections has been exceeded, a ship is designated as “Priority I” and will be selected for a periodic inspection.

When the time window for inspection opens, a ship is designated as ‘Priority II’. The ship can be selected for a periodic inspection. If an “overriding factor” is logged against a ship, it becomes Priority I irrespective of the time window and the ship will be selected for inspection. If an unexpected factor is logged against a ship it becomes Priority II irrespective of the time window, and the ship can be selected for inspection.

Before the window opens for any risk profile, or if no overriding or unexpected factor is logged, the ship has no priority status and member states are not obliged to perform an inspection on such ship but, if they deem it appropriate, may still choose to do so.

Inspection types: initial, more detailed and expanded inspection

The Paris MoU has not changed the inspection types, but extends the expanded inspection to all ship types. In case of a periodic inspection, every ship with an HRS profile and every bulk carrier, chemical tanker, gas carrier, oil tanker or passenger ship older than 12 years will have to undergo an expanded inspection.

Each ship with an SRS and LRS profile which is not one of the above mentioned ship types, must undergo an initial inspection or, if clear grounds for doing so are established, a more detailed inspection.

Any additional inspection shall be, at least, a more detailed inspection. If the ship has an HRS profile or is of one of the above mentioned ship types, the Paris MoU member state may decide to perform an expanded inspection instead.

Refusal of access (banning)

Under this new scheme, the Paris MoU has widened the ambit for the banning for multiple detentions from certain ship types to all ship types, and has extended the flag qualification from those on its black to those on its grey lists. The banning criteria for the first and second ban will be amended as follows:

- if the ship flies a black listed flag, it will be banned after more than two detentions in the previous 36 months; or
- if the ship flies a grey listed flag, it will be banned after more than two detentions in the previous 24 months.

Any subsequent detention after the second banning will lead to a ban, regardless of the flag. Furthermore, a time period until the banning can be lifted will be introduced. This is as follows:

1. 3 months after the first ban;
2. 12 months after the second ban;
3. 24 months after the third ban; and



4. a permanent ban for any additional bans.

To lift the third ban, more stringent conditions will be applied. These will need to be fulfilled before the 24 months has elapsed.

Reporting obligations under the NIR

Under the NIR, the Paris MoU has broadened arrival notification procedures. Formerly, there was a 72 hour pre-arrival (ETA72) requirement. However, this was only relevant for a few ship types and only in case these were eligible for an expanded inspection. By contrast, the newly implemented ETA72 is now required for all ships with a HRS profile and also to each bulk carrier, chemical tanker, gas carrier, oil tanker and passenger ship older than twelve years eligible for an expanded inspection.

The provisions regarding eligibility for expanded inspection can be found at the Paris MoU website at www.parismou.org. Furthermore, as previously, it is required that all ships provide a pre-arrival notification at least 24 hours in advance (ETA24) of arrival. Both the ETA72 and ETA24 notifications are obligations for the ship, and must be made to the port state in accordance with their national arrangements.

A new reporting requirement which is introduced with the NIR is the notification of the *actual time of arrival* (ATA) and the *actual time of departure* (ATD) of all ships calling at all ports and anchorages in the Paris MoU region.

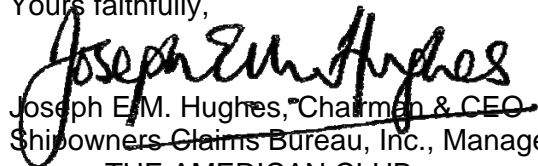
Implementation of new information system

In conjunction with the start of the NIR on January 1, 2011, the Paris MoU launched a new information system, THETIS, to facilitate planning of inspections. The new system is linked to the port call information systems of the Paris MoU members. This includes the SafeSeaNet (SSN) system for the EU member states. This information from the port call information systems provides information on ships in, or expected at, all ports of the Paris MoU.

THETIS will indicate which ships have priority for inspection and will allow the results of inspections to be recorded. These reports will be made available via THETIS to all port state control authorities in the Paris MOU.

THETIS will also interface with a number of other maritime safety-related databases including those of the recognized organizations, national information systems and other port state control regimes so as to exchange data and provide a full picture for the inspector. Inspection results will also be available through the Paris MoU website. The European Maritime Safety Agency is responsible for the development, hosting and management of the system.

Yours faithfully,


Joseph E.M. Hughes, Chairman & CEO
Shipowners Claims Bureau, Inc., Managers for

THE AMERICAN CLUB