

Hong Kong Shipowners Association  
47<sup>th</sup> Annual General Meeting

Thursday, 20<sup>th</sup> November 2003

### Managing Director's Annual Review 2003

Mr. Chairman, Members of the Executive Committee, Members of the Association.

Without wishing to sound repetitive, we have had another busy year despite, or perhaps because of, SARS and its effects on the travel plans for overseas visits and visitors and the scheduling of events.

As in past years, I will use this report to discuss some of the initiatives we have been involved in.

#### Quality

I discussed in my report last year the common misconception about the meaning of the word 'quality'. Quality is conformance to requirements, whether those requirements are derived from regulation, customers or the demands of the trade. Anything less than mere conformance earns sanction and anything better is not compensated, much to the disappointment of many in the industry who complain that their 'better than mere conformance' does not generate a premium. The premium is earned, as we are finding out, by becoming more customer-centric, and thereby raising the level of compliance to meet the resulting increased customer expectations.

Our Deputy Chairman, Robert A. Ho, in a speech delivered at the Seatrade Convention (available for download from our website), made an interesting point about 'true quality'. His thesis was that despite the increased regulation presently burdening us, there were those, thankfully a minority, who continued to flout that regulation and discover loopholes to the discredit of the entire shipping community. Companies that displayed 'true quality' were those whose senior management displayed integrity, that is, honesty and incorruptibility.

As Robert said "It is not only public accountability through regulation, but also consistency in the individual's and company's character. It is commitment, perhaps to an ideal. And this includes respect, for his employees, seafarers, the environment and the customer, but not in that order. They are all equally important." Robert concluded by saying that he was "...cautiously, even quietly, optimistic that the industry was moving towards true quality standards" as a result of the increased transparency and public accountability being brought in as a result of the new security requirements.

#### Unilateral Regulations

Is it impatience with the international system, or is it legislative arrogance? I would like to think it is the former, but suspect it is the latter. The regulation recently introduced by the European Union (not us, say the Commission, but the Council of

Ministers!) on the phasing out of single hull tankers is disappointing for several reasons.

Firstly, the European Union seems to have taken on the twin roles of protecting European Shipping and producing legislation that affects global shipping. A true conflict of interest that is demonstrated most clearly in the banning of tankers carrying heavy oils from European ports while allowing European flag tankers to carry heavy oils elsewhere in the world.

Secondly, it introduces a clear conflict with international regulation. The European countries, by and large, have ratified MARPOL, but the new regulations are in obvious conflict with that regulation. A ship complying with MARPOL is no longer permitted to trade into, out of or through the waters of MARPOL signatories. Is this the end of global regulation? Or will those European countries that have ratified MARPOL be forced to denounce their ratification?

Thirdly, it shows the very obvious arrogance of the unilateral threats displayed by the European Commission towards the IMO. 'Do what we say, or we will go unilateral'. A total disregard for the opinions of other countries and administrations, and a belief that they know what is wrong with the industry and only they know how to fix it (actually said to me in so many words by a high-ranking EC official in Piraeus last year!).

Now that the 'golden bullet' has been spent, our hope is that the IMO will refuse to consider making any further amendments to MARPOL. EU regulations are already in conflict with MARPOL and any change to MARPOL will not bring the regulations into line. So there is no effect left in the EU threat to go unilateral, and the IMO member states should be urged to refuse to consider any further amendment both in order to show that it is not cowed by European threats and also that global regulation (achieved through global discussion and respect for the opinions of other IMO member administrations) is essential to avoid our industry being plunged into chaos.

### United States

We have criticized the United States for negotiating without authority in the IMO and ILO. While taking a lead position on the development of much of the legislation affecting our industry, it seems to find it difficult to ratify the final text in its unamended form. There are many examples of this, but perhaps the most striking is the debate on Seafarers' Identification Documents at the ILO.

We were therefore pleased to hear a senior United States Coast Guard official speak at the BIMCO General Meeting in Barcelona. He stressed the importance of discussion and consultation with the industry, and told us that, despite the difficulty of ratification of international regulation and subject to the final decisions of the US Congress and the Senate, the USCG would write regulations that embodied the requirements of that international regulation so as to encourage a global regulatory environment.

This is refreshing news, especially in view of the rather shuttered view of the world from Europe, and it is our hope that the US Congress and the Senate can be persuaded of the sense of this argument.

### Premature Regulation

Our industry is presently being bombarded with new regulation in what seems to be a legislative zeal that must be unmatched in any other industry. The result, as I pointed out to the BIMCO meeting, has to be “..unenthusiastic resigned acceptance. Tell me what I have to do and I will do it”.

There are two issues that arise. The first is that much of what is being adopted requires the supply of equipment or processes that are undeveloped, untested, and for which no standards exist. The attitude of our legislators seems to be that the industry will find a solution, and the less entry into force time the quicker a solution will be found. Of course, as we are finding out, the solution might be impracticable, expensive and dangerous to the ship and seafarers.

One such requirement is for Permanent Means of Access. The joint working group trying to find a unified interpretation for practical application of the regulations adopted has found that the fitting of so many walkways, ladders and other fittings will prove inherently detrimental to the surrounding structure and will be avoided by inspectors who prefer a safer access to the structural problem areas. We are now trying to obtain the agreement of a sufficient number of IMO administrations to delay the regulation so as to find a more suitable and effective solution.

Secondly, prescriptive regulation, as we know, creates loopholes. More regulation is then adopted to fill those loopholes, creating more loopholes. The answer, as we have argued for some time, has to be the introduction of goal-based regulation, so that prescriptive regulation is pushed down to the lower levels of the policy chain. We are therefore very pleased with the present debate at IMO MSC and the active interaction in that debate by IACS. We will continue to lend our support to the process, with the hopes that a great deal of prescriptive regulation can be moved out of the IMO and given to IACS and the industry to develop in accordance with the goals set by the IMO.

### Awareness

As our Chairman has reported, we have been quite busy this year with several initiatives to increase the visibility of our industry both in Hong Kong and abroad.

The international shipping industry is essentially a private industry employing fewer and fewer people, and is only seen by the general public when there is an accident that involves environmental damage to a developed country's coastline. We have tried to spread the 'good news' about our achievements, but as we all know well, good news doesn't sell. The work of Intertanko in publishing the statistics of the oil trade, the work of ITOPF in showing how little of that oil is split by the industry, especially in comparison with land-based pollution sources and the work of Intercargo in showing how few bulk carriers suffer accident resulting in the loss of seafarer lives all are

largely ignored by a media intent on digging up 'goss' (gossip, for those non-Australians amongst us!) on the latest superstar love affair.

While we can debate the best way to show our accomplishments, and go through heavy media training so as to respond proactively in the event of a casualty, it is essential to continue our efforts to increase general awareness of our industry. This is not necessarily to advertise opportunities for the better qualified graduate, nor is it to obtain Government attention and become part of its vision of the future of our island, although results in both of these areas would be very welcome.

It is to ensure that when something does happen, we are talking to a better, even slightly better, educated audience that might be more receptive to the strength of our arguments. We might not be able to persuade politicians (especially in the West) determined to win an upcoming election but we can create a simple awareness that will know when political 'spin' is being created.

Our local Maritime Week, our presence at the Seatrade Convention and Posidonia, are all a part of our awareness efforts, and we would like to sincerely thank all those who contribute through sponsorship or other forms of assistance that make these initiatives possible.

### Conclusion

Again, I would like to thank all those who have freely and energetically given up their time to assist us with the various events and initiatives. In particular, the members of our Executive Committee and our various Sub-committees have been extremely active and supportive this year. I am only sorry that our small secretariat has not always been able to set meeting dates as often as the committee Chairmen would like.

I would also like to thank the members of the Secretariat, who have taken on greater responsibilities with the reduction in staff; their dedication to the Association is tremendous. In particular, a special word of thanks to Capt. P.H. Lam, who has voluntarily been assisting us with placing cadets with Hong Kong owners.

Please let us know how you think we should be responding to the increasing number of issues that surround us. This is your Association, and we should reflect your views to a world that is increasingly seeing Hong Kong as Asia's Premier Maritime Centre.

Arthur Bowring  
Managing Director

20<sup>th</sup> November 2003