

## HOW BLACK SEA PORTS CAN DEAL WITH SUBSTANDARD VESSELS AND OPERATORS?

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**ABSTRACT.** It is well known that in the Mediterranean and Black Sea area there are a lot of substandard small vessels and operators and despite the implementation of ISM and new STCW Convention these vessels are still obtaining employment. Most of these vessels are bought from second hand market, are classed with non IACS classification societies and in this way they are able to postpone forever serious repairs and maintenance work, they are operated without hull and sometimes P&I insurance being a real threat to the environment and innocent charterers. Due to their low operating expenses these vessels are able to offer very low freight rates which are sometimes not able to cover even financial expenses of a new vessel. This paper will try to assess what are the measures Black Sea Port Authorities have to take in order to force substandard ships and operators either to apply international recognised standards or to avoid calling at Black Sea ports.

## КАК ЧЕРНОМОРСКИТЕ ПРИСТАНИЩА ТРЯБВА ДА ОБСЛУЖВАТ НЕСТАНДАРТНИТЕ ПЛАВАТЕЛНИ СЪДОВЕ И ОПЕРАТОРИТЕ ИМ

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**РЕЗЮМЕ.** Добре известно е, че в средиземноморските и черноморските води плават много малки плавателни съдове и операторски дружества, които не отговарят на изискванията. Независимо от изпълнението на международните стандарти за мореплаване и новата конвенция тези плавателни съдове все още се използват. По-голямата част от тези плавателни съдове са закупени от пазари за втора употреба плавателни съдове като често при тях за дълго време да отлагат значителните ремонти и работите по експлоатационното поддържане. Обикновено не са застраховани нито плавателните, нито пътниците в тях, което представлява допълнителна опасност. Поради ниските си експлоатационни разходи много често тези плавателни съдове предлагат транспортни услуги при толкова ниски тарифи, че те не могат да покрият дори финансовите разходи по закупуване на нов плавателен съд. Този доклад предлага оценка на мерките, които трябва да предприемат властите в черноморските пристанища така, че или да накарат нестандартните плавателни съдове и техните оператори да съблюдават приетите международни стандарти или да не използват пристанищата в Черно море.

### Introduction

The term substandard ships means ships which are not in compliance with internationally agreed standards with respect to the hull, the main and auxiliary machinery, safety and pollution prevention equipment and the training and competency of the crew, thereby presenting a danger and risk to the life and property at sea and the marine environment. Substandard ships can originate newly built or later in operation when the operational standards may become lower than those set internationally. Presently it is estimated that about 15 to 20% of the internationally operating fleet could become substandard under different circumstances at any time.

The substandard ships exist mainly due to the shipowner going for short-term profits by unethical market competition and cutting corners on operational costs. An occasional and on-off deficiency discovered by Port State Control (PSC) inspectors otherwise operating with proper certification and manning should not place them under substandard category.

All the other players like the Flag State, Port States, Classification Societies, Insurers, Shipbrokers, Shippers, Shipyards, Ship-repairers and Ship Financiers also contribute

and are instrumental to a more or lesser degree to the substandard ships, despite unified international conventions, rules, regulations and guidelines being brought on by excellent efforts of the International Organizations like the International Maritime Organization, International Labor Organization, United Nations Convention on Law of The Sea, etc. Other Non-Governmental Organizations are also making constructive efforts in eliminating substandard ships, as these ships contribute to loss of life, loss of cargo, pollution and eventual economic loss. In order to eliminate the substandard shipping, it is clear that all the involved parties must play their roles effectively without prejudice and without vested interests.

Like any other Industry, Shipping is also a commercial venture. It is not expected of the shipowner to operate his ships without profit. Hence, unless he is able to operate in a competitive and profitable environment, the lure for reducing his operational cost for making a reasonable profit will make even a conscientious shipowner to at times bring down the standard of his ships. Further, though all the players in the scene, other than the shipowner, also contribute to the substandard ships, nobody other than the shipowner seems to be made accountable.

The shipowner alone can not be expected to fight his lone battle against all the odds in eliminating substandard ships. This must change and all connected players must be made responsible and accountable for their respective areas of work. There can not be any disinterested player in the total chain. In order to run their industry safe and efficient, the shipowners must organize themselves and cooperate on national, regional and international level to achieve a safe and profitable shipping industry. Seafarers have to play their important role. Without them ships can not move.

## The Freight Market In The Black Sea Area

Black Sea Area is an important region for world maritime cargo transportation with a significant proportion of cargoes going to short sea destinations. While there are a lot of serious shipowners and ship operators on the market we have to admit that most of the substandard vessels operating in Europe can be found in this area.

On [www.steminorder.com](http://www.steminorder.com), one of the up to dated chartering platform can be noticed that over 60 percent of ships operated under flag of Black Sea countries are over 20 years old and only 10 percent are between one and ten years old. Even if we can not consider every ship over 20 years as being substandard we have to admit that most substandard vessels can be found in this category.

It is well know that freight market is passing one of the best periods in the entire history of maritime transportation with main market indicators triple then they used to be one year ago. It is not a surprise for an observer of the market for Inter Mediterranean and Black Sea - Mediterranean destinations that freight has only increased with 20-30 percent depending on cargo type, size and destination. The only reasonable explanation is that on this market there are many old and usually substandard vessels accepting whatever freight charterers are able to pay.

The market is dominated by small orders belonging to small trading houses and due to the fact that they don't know very much about shipping they always tend to give high importance to freight considering that on such short voyages nothing can happen with their cargoes. Recent cases investigated by International Maritime Bureau shows that there are situations where ship operators are offering to shippers bargain freight rates and instead of discharging the cargoes at the original discharging ports, change the name of the vessel and sell the cargo at other discharging ports.

The fact that many exporters are trading low value cargoes makes them dependent on low freight rates in order to remain competitive on the market. Usually we hear in the port of Constanta that if substandard vessels are forced out of the market Romanian traders will not be able to sell their cargoes and traffic in the port of Constanta will be further decreased conducting to job losses. This idea is not to be ignored as long as other countries in the region allow substandard vessels to call their ports and by doing so they offer a competitive advantage to their exporters.

As some ports have a stricter enforcement of international standards we can say that we have a market for vessels able (without risking detention) to call all ports in the area for which the level of freight is maintaining at a reasonable level and a market for substandard vessels loading in the Black Sea and

Turkish ports for East Mediterranean and North African ports were standards are not very strictly enforced and consequently freight is much more lower. It is usually heard on the market that some vessels can not call Italy, Spain or France and there is no need ask further what is the reason for vessel not being able to call these ports as it is obvious that it is about fear of detention for non compliance with international standards.

## Role Of Shipping Market Players In Eradicating Substandard Shipping

The Flag State and the Port States have the collective responsibility for the maintenance of the internationally accepted standards at sea. While it is the responsibility of the Flag State for implementation of the internationally agreed conventions, rules and regulations for the vessels under its Register, the Port State has the responsibility of checking and policing the foreign tonnage while they are in its jurisdiction. Thus the Port States augment and support the efforts of the Flag State in identifying and eliminating substandard shipping. Success and efficiency of this collective responsibility depend on unified interpretation and application of the international conventions, rules and regulations without partiality and prejudice. For eliminating substandard shipping, the States should have adequate resources for policing not only ships under their Registers, but also the foreign ships calling at their ports. Flag States should have a possibility to get assistance from IMO for training and improving their maritime administration and surveyors in order to be aware of the recent quality standards and practices in the marine field and technological & regulatory developments. Enhancing the regional cooperation of Flag states by sharing information on training, experience and expertise will pave the way for effective Flag State Implementation and Port State Control. Unbiased and uniform regulatory treatment to all ships, whether their own or foreign, is the only way to maintain the credibility of the Port States.

The classification societies provide the resources and knowledge for the enhanced safety and efficiency of the shipping industry. They have contributed to a large extent in bringing safety to ships and environment. Not only the underwriters, but also the Flag States rely on them for carrying out effective control on the ships on their behalf. They have an important role to play in eliminating substandard ships. For this they have formulated unified rules through IACS. But it is not to be forgotten that they have also competition among themselves for increasing their size which sometimes seem to affect their classification standards. Investigations of the accidents do bring out, on occasions, the lapses and failures of the classification societies. Commercial interests from classification societies are to be removed by more or less uniform classification fees. IACS should take steps in this regard as they have a major role to play in eliminating substandard shipping.

Substandard shipping can be made transparent and accountable by making publicly available relevant information on substandard ships by all concerned on inter-net web site. Registers and classification societies need to be transparent so that all concerned parties like charterers, PSC's, insurers, shippers etc can identify substandard shipping.

Organizations like IMO and ILO have made a positive and lasting contribution towards the international conventions on Maritime Safety, Marine Environment Protection, Ships' Crew Training Standards and on board working and living conditions. Some of requirements of these conventions do show certain vested interests on the part of developed countries to promote their allied industries. Complicated rules and regulations involving high costs are a deterrent to effective implementation of these conventions. Hence, simple, effective and enforceable regulations can only be successful in eliminating substandard shipping. The present regulations seem to be in order and sufficient for a safe and pollution free shipping industry and further regulations should be deferred until the existing conventions are digested by the shipping industry. The success of these conventions lies not in increasing the dosage of the same medicine in a different bottle repeatedly, but in increasing the level of accession/ratification of these conventions and regulations by the States. The decreasing number of ships detained at various ports can measure the effectiveness of the success of these regulations.

The crew unions also have a part to play in eliminating substandard ships. The demands of crew unions and thus the crew costs are increasing year by year and it is getting unrealistic and unbearable for the shipowner. The crew costs by means of their wages and training and living facilities on board take a major share of the ship operating costs. This causes the shipowner resorting to cut corners on safe-manning and in employing non-union crew. Cooperation from the crew unions in this regard is a must for strengthening the shipowners hands for operating a safe and quality ship. The crew unions should identify shipowners who operate quality ships and be more active in protecting the financial and welfare interests of the crew by long-term agreements with these shipowners.

The shipowner must get a viable finance for acquiring and operating quality ships. It is the responsibility of the Flag State to provide this in its own national interest. The financier should have access to relevant information from classification societies, insurers and Flag & Port States to encourage their role. Thus they also keep a watch on the shipowner who is operating substandard vessels so that subsequent financial assistance can be denied to the erring companies.

The shipbrokers and the shippers can also contribute to the elimination of substandard ships. A code for 'chartering only quality ships' must be introduced among the shipbrokers. In the same way, the charterers must follow uniform vessel-vetting procedures and avoid commercial advantage by chartering substandard ships. Both these parties must have a better information sharing between the Flag States and the

classification societies for eliminating substandard ships. Similarly the Insurers should insist on ISM certifications and work through Flag Administration for better information-sharing.

Substandard ships can be discouraged with penalties for violation of conventions, rules and regulations. They can be levied higher port charges and taxes. Similarly quality and new tonnage must be given incentives by way of reduction of charges in these areas.

## Conclusion

The most important need is to have a healthy shipping industry where the shipowner can work in a competitive and reasonably profitable environment. Every party connected with shipping other than the shipowner - the Flag State, Port States, Classification Societies, the Crew unions, the Insurers, the Shipbrokers, the Shippers, the Ship-financiers - all want their pound of flesh from the shipowner. All these parties must understand that they exist because of the shipowner. All market requirements should allow the shipowner to operate in a competitive and reasonably profitable environment and so he resorts to substandard shipping as a means to cut down his operating costs and, may be, also financing costs. Hence all concerned parties must ensure that the shipowner can remain healthy enough to operate a safe and environmentally friendly shipping industry. Otherwise substandard ships are bound to exist, if not in an international level, at least in a national level.

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