


DANISH MARITIME AUTHORITY

International Group of P&I Clubs
Peek House
20 Eastcheap
London EC3M 1EB
England

10 October 2005

Our reference:
Case 200510976
File 30.30.03

Dear Sir,

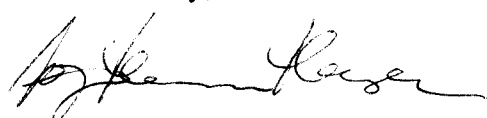
It is difficult to navigate in Danish waters, particularly in the narrow straits such as the Great Belt and the Sound. Hence, IMO has adopted MSC resolution MSC.138(76) on recommendation on navigation through the entrances of the Baltic Sea. However, a number of ships disregard the recommendation. Enclosed is a note highlighting the economic advantages of taking a pilot when passing through Danish waters.

In the period from 1 January 2002 to 30 June 2005 alone, 22 ships grounded in the Great Belt. None of the grounded ships had a pilot on board. The costs incurred by one grounding surpass by 375 times the cost of taking a pilot on board. Because of the risk of possible damage to the ship as well as possible damage to the environment, it is highly recommendable to take a pilot. The enclosed note demonstrates that this also makes sense commercially.

The shipping industry is dominated by quality minded people. However, groundings and other accidents involving ships disregarding the IMO recommendations on navigation seriously damage the image of the shipping industry, and the entire industry suffers. I would like to encourage industry partners to be aware of the difficulties of navigating the Danish waters and act accordingly, including always to take a pilot when recommended by the IMO or when it is otherwise suitable for safe navigation. I would appreciate if you would distribute a copy of the enclosed note to your members.

Our Division for Investigation of Maritime Accidents has conducted a safety study on groundings in the Great Belt. The study can be downloaded from the Danish Maritime Authority's homepage under Casualty Investigation – Safety Studies: www.dma.dk/sw8833.asp.

Yours faithfully,



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MINISTRY OF ECONOMIC AND
BUSINESS AFFAIRS

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Accidents in the Great Belt and associated costs as a consequence of not following MSC resolution MSC.138(76) on recommendation on navigation through the entrances to the Baltic Sea

The Great Belt is part of the Baltic Sea, which is recognised by IMO as a particularly sensitive sea area, thus highly vulnerable to oil pollution. Accidents involve risk of oil pollution, which is why the political and public attention is on the risk of groundings and collisions in Danish waters, particularly in the narrow straits such as the Great Belt and the Sound. Further groundings and collisions will continue to fuel the public's negative image of the shipping industry.

One way to significantly reduce the risk of groundings, collisions and consequently oil pollution is to ensure that all ships sailing through the Great Belt or the Sound follow IMO's recommendation on navigation through the entrances to the Baltic Sea. The recommendation pertains to the use of pilots and is attributable to the fact that the waters mentioned above are congested and difficult to navigate.

The advantage of taking a pilot – i.e. avoiding groundings as well as possible damage to the ship or the environment - should be enough to convince shipowners to always follow IMO's recommendation. Generally, most ships sailing along Route T follow the said recommendation and employ a pilot between the Skaw and the southern part of Denmark. However, there are still ships that disregard the recommendation despite the economic repercussions it may have for shipowners.

The purpose of this paper is to illustrate that it is highly recommendable to take a pilot and ensure safe navigation rather than saving a pilot fee. Hopefully, all parties involved – shipowners, charterers and insurers alike – will appreciate the need to ensure that IMO's recommendation is followed.

MSC resolution MSC.138.(76) on recommendation on navigation through the entrances to the Baltic Sea

The MSC resolution entered into force on 1 December 2003. The resolution recommends use of pilots on ships with a draught of 11 m or more, or ships irrespective of size or draught carrying a shipment of irradiated nuclear fuel, plutonium and high-level radioactive waste (INF-cargoes) following the established routing system through the entrances to the Baltic Sea (Route T). Furthermore loaded oil tankers with a draught of 7 m or more, loaded chemical tankers and gas carriers, irrespective of size,

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and ships carrying INF-cargoes, when navigating the Sound are recommended to use pilots.

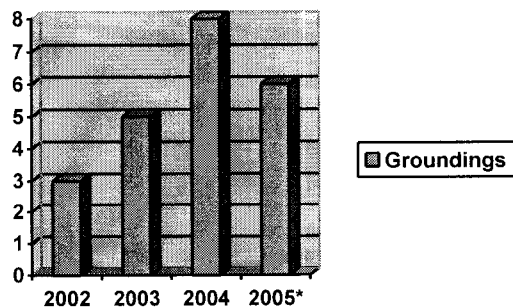
The international consensus on recommending use of pilots is attributable to the fact that the entrances to the Baltic Sea are congested and difficult to navigate, which increases the risk of collisions and groundings.

Denmark has launched a procedure where all vessels entering Danish waters without ordering a pilot in accordance with the IMO recommendation will be called on in order to draw the attention to the recommended use of pilots. When a ship does not comply with the recommendation, the master of the vessel will be informed that Denmark finds it inconsistent with safe navigation practices and procedures to neglect an IMO recommendation. Ships not following the IMO recommendation will be reported to the maritime authority in the flag state of the ship.

Groundings in the Great Belt

The latest oil pollution in the Great Belt took place in January 2005, when a ship's bottom was penetrated for more than 40 metres when the ship touched the seafloor en route. The oil polluted the coast in five municipalities along the Great Belt and more than 4,000 sea birds died or had to be put down.

In the period from 1 January 2002 to 30 June 2005, 22 ships grounded in the Great Belt. None of the grounded ships had a pilot on board.



*2005 includes only the months January to June.

Since 1 December 2003 when IMO's recommendation entered into force, 10 ships with a gross tonnage of 10,000 or more have grounded in the Great Belt. Four of the ships had a draught of 11 metres or more, and should therefore have taken a pilot on board in accordance with IMO's recommendation.

The Danish authorities detain all grounded ships until it is considered safe for the ships to proceed. A detained ship has to await the authorisation of the authorities before it may be set afloat or continue its journey. Typically, it is the relevant classification society - on behalf of the flag state - that determines the criteria for the ship's further navigation.

It is often necessary to discharge a part of the cargo into a lighter before tugboats set it afloat. Lightering of a grounded ship may last up to one week. The maximum period of time that a ship grounded in the Great Belt has had to wait before it could be set afloat was 30 days.

When a ship grounds, a pollution response vessel is sent to the position of the grounding. It is standard procedure for the pollution response vessel to remain standby until the grounded ship has been set afloat and there is no longer any risk of pollution.

A recent grounding in the Great Belt

The Danish Maritime Authority has estimated the costs for the shipowner and the insurance company of a grounding. The example is based on an actual incident, which recently occurred in the Great Belt. The parties involved have declined to provide the actual figures.

The ship in question was a new double-hulled oil tanker, with a gross tonnage of approximately 40,000 and a dead weight tonnage of approximately 72,000.

The tanker loaded with more than 60,000 tonnes of gas oil grounded as it was about to make a turn in the deepwater route at Hatter Reef in the Great Belt. The grounding was caused by a combination of lack of planning of the navigation and miscalculation of the situation, and the ship's ability to turn.

It was daylight and visibility was good. There was almost no current at the time of the grounding. The ship did not have a pilot on board, even though the draught was 13,2 metres and the ship was subject to the recommendation on navigation through the entrances to the Baltic Sea. The ship grounded on sand bottom and there was no oil pollution.

After discharging a part of its cargo, the ship was set afloat and shifted to a safe anchorage where divers examined the ship. Five days after the grounding, the ship was released on the condition that it should proceed to a shipbuilding yard after discharging the remaining cargo. The ship was out of commission for an additional 30 days before being able to leave the shipyard.

Expenses and losses

The ship was out of commission for 35 days. When the average freight rate in 2004 – USD 41,900 a day - is used, the total off-hire loss amounts to approximately USD 1,450,000.

In the given example it is estimated that 50 tonnes of steel were replaced. Repair expenses are thus approximately USD 1,000,000, including expenses spent on tank cleaning and gasfreeing.

Salvage expenses including discharging of approximately 10,000 tonnes of oil and tugboat assistance amounts to a figure between USD 300,000 and USD 400,000.

It costs USD 7-30,000 for each day a pollution response vessel has to be standing by. In the given example, the expenses spent on environmental protection amounts to USD 30,000.

In this particular incident, there was no oil pollution and thus no expenses with regard to combating oil pollution. However, experience has taught us that cleaning up approximately 2,000 tonnes of oil costs more than USD 12 million. Larger oil spills will evidently cost significantly more than this.

Expenses and losses in the actual example:

Off-hire loss	USD 1,450,000
Repair expenses	USD 1,000,000
Salvage expenses	USD 350,000
Environmental protection	USD 30,000
Total	USD 2,830,000

As these calculations are based on cautious estimates, the actual expenses and losses may have been much higher and in connection with this grounding there were no expenses for combating oil pollution. In addition, where the grounding entails a spill of polluting substances there is a risk of facing criminal charges, ranging from fines to imprisonment.

Use of pilot

In comparison, a pilot - all the way through Danish waters from Bornholm in the Baltic Sea to the Skaw in Skagerrak - costs USD 7,500 for a ship such as the one used in the example. As demonstrated, it is common economic sense to use pilot through Danish waters. In this case, the grounded ship could have taken pilot more than 375 times for the amount that was spent on the grounding.

It is difficult to navigate in Danish waters, and particularly in the Great Belt. Many groundings occur in these waters. However drawing on the expertise and local knowledge of a pilot may substantially reduce the risk of grounding.

The Danish Maritime Authority strongly advises large ships always to take pilot on their way in and out of the Baltic Sea, and as a minimum, to follow IMO's recommendation on navigation through the entrances to the Baltic Sea.