OECD WORKSHOP ON MARITIME TRANSPORT

FLAG STATE QUALITY CONTROL (FSQC) SYSTEM

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EFFECTIVE FLAG STATE QUALITY CONTROL

1. It is the paramount responsibility of every flag State to ensure full compliance with the applicable international and national regulations by the ships flying its flag. Unfortunately not all flag States take their responsibility seriously. Irresponsible ship owners are able to operate sub-standard ships only because certain flag States fail to discharge their responsibility properly. This paper provides advice on how to properly discharge this responsibility effectively based on our experience in Hong Kong.

2. It must be recognised that due to the international nature of the shipping business, it is nearly impossible for any flag State to exercise continuous supervision over the ships flying its flag. The traditional method adopted by nearly all flag States to discharge their responsibilities is to ensure periodical inspections of their ships either by their own surveyors or through the offices of certain classification societies authorised to conduct specified surveys on their behalf. More responsible flag States would ensure rectification of deficiencies noted during the inspections but some of them may not take any interest in the ships between the scheduled inspections. Although better than the totally irresponsible attitude of sub-standard flag States which are content to leave the enforcement of convention requirements to suspect classification societies, this approach may not be effective in ensuring acceptable standards on ships for the following reasons:

   (a) There is no assurance that the ships are maintained and operated properly between the inspections with the exception of occasional feedback from port State control inspections;

   (b) Many flag States exercise little quality assurance over the inspections carried out by the authorised classification societies;

   (c) As the ships may call at the ports where flag State surveyors are positioned only infrequently, the flag State surveyors may need to travel long distances to carry out flag State inspections. This is invariably very inconvenient both for the flag State and the shipowner, and also not very cost effective.

3. In Hong Kong, we had a critical look at our system of flag State control soon after the return of the territory to the People’s Republic of China in 1997. Although our traditional method of flag State control was effective in ensuring acceptable standards on our ships, it was neither proactive nor very user friendly. It also suffered from some of the drawbacks mentioned in paragraph 2 above. When looking for a more proactive approach to flag State control, we realised that the ISM Code then in the process of just being introduced provided us with an ideal tool for ensuring quality control over our ships. As the ISM Code makes the company responsible for the management of the ship a key player in the enforcement of applicable regulations, we decided to switch the focus of our attention from the ship to the company. Furthermore, we decided that it was much more user friendly to delegate all the survey and audit work to selected classification societies introduced by the ISM Code. As they are much better positioned than flag State to conduct periodical surveys and audits due to their world-wide network. In the place of conducting regular surveys and audits

1. To be authorised to conduct statutory surveys and ISM Code audits on our behalf, the concerned classification society, inter alia, must, (i) be a member of the International Association of Classification Societies (IACS) and, (ii) have a branch office in Hong Kong.
ourselves, we decided that our resources could be better utilised in more thorough monitoring of the
delegated functions and in the quality control of companies managing Hong Kong registered ships.

4. This is how our now proven Flag State Quality Control (FSQC) system came about. FSQC gets
away from reliance on regular inspections by our own surveyors for quality control on our ships. More
stress instead is placed on ensuring that the company discharges its responsibilities to manage the ships
properly and that the classification society carries out effective surveys and audits. We strive to create a
cooporative venture with our management companies and the authorised classification societies under the
principle that upholding of standards on our ships is the common goal of all the three parties. I am pleased
to tell you that our industry friendly approach has been welcomed by our shipowners and has proven to be
successful in maintaining or further improving the quality standards on our ships as demonstrated by our
good detention record under all the port State control regimes.

Table 1. Hong Kong registered ships – Detention record

<table>
<thead>
<tr>
<th>Year</th>
<th>Tokyo MoU</th>
<th>Paris MoU</th>
<th>USCG</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Detentions</td>
<td>Detention %</td>
<td>No. of Detentions</td>
</tr>
<tr>
<td>1998</td>
<td>11</td>
<td>4.06</td>
<td>3</td>
</tr>
<tr>
<td>1999</td>
<td>5</td>
<td>1.85</td>
<td>5</td>
</tr>
<tr>
<td>2000</td>
<td>8</td>
<td>1.98</td>
<td>6</td>
</tr>
<tr>
<td>2001</td>
<td>10</td>
<td>1.99</td>
<td>5</td>
</tr>
</tbody>
</table>

5. It must be noted that the improvement in quality standards of our ships has taken place against a
very healthy growth in our tonnage from 6.4 million in April 1999 to more than 16 million today. What is
also noteworthy is that, unlike many other shipping registers, we do not refuse registration of older ships,
and we do not believe in removing non-performing ships from our Register. What we strive to do is to
ensure that all our ships comply with the required standards.

Essential features of Hong Kong FSQC system

6. Essential features of our FSQC system, which I can recommend to any flag State which wishes to
be more proactive, are the following:

(a) It is based on the principle that maintenance of proper standards is the joint responsibility of
the shipowner, ship manager, ships’ crew and the flag Administration. The most important
feature is on-going quality control over the authorised classification societies and the
companies managing Hong Kong registered ships.

(b) Quality of the surveys and audits carried out by the authorised classification societies is
continuously monitored through careful vetting of all survey and audit reports, frequent
participation in document of compliance (DOC) audits, and when practicable, safety
management certificate (SMC) audits, feedback from FSQC inspections and audits carried
out by our own surveyors, and evaluation of port State control record of our ships. Other
yard sticks used for measuring the quality of the classification societies are timely issue and accuracy of survey reports and certificates, and quality of their response to our enquiries.

(c) Quality control over the companies managing Hong Kong registered ships is exercised through participation in DOC audits, feedback from port State control and FSQC inspections, vetting of survey and audit reports submitted by the authorised classification societies, our impressions on the competence of the companies’ technical management from our interactions with them including in depth discussions whenever weaknesses in a company’s technical management system are noted or suspected.

(d) FSQC inspection by Government surveyors of about 7 – 10% of the ships on the register is carried out every year on a selective basis. Criteria for selection of ships for FSQC inspections includes our assessment of the performance of the company, port State control record of the ship, age and type of the ship, time laps since previous FSQC inspection of the same company ship, survey and audit record, our assessment of the crew quality based on previous inspections, casualty record of ships managed by the company, and our assessment of the classification society which is responsible for the surveys and audits.

(e) All FSQC inspections are followed up with in depth discussions with the company and the authorised classification society concerned. If the FSQC inspection indicates deficiencies in the technical management of the ship, a FSQC audit (similar to DOC audit) of the company is carried out and immediate improvements are sought in co-operation with the concerned authorised classification society and the senior management of the company.

(f) Port State control detentions are taken very seriously as they usually indicate weakness in the company’s technical management of ships. Every port State control detention is thoroughly investigated and may be followed up with FSQC inspection of the ship which in turn may lead to FSQC audit of the company.

(g) Regular seminars are organised in co-operation with the Hong Kong Shipowners Association when various issues relating to efficient operation of ships, avoidance of port State control detentions and other issues of common interest are discussed in depth. Most shipping companies managing Hong Kong registered ships, and the authorised classification societies, participate in these seminars. One regular feature at these seminars is presentation by the Marine Department on port State control detentions and how to avoid them. Presentations are also made on new developments of interest to ship operators arising from IMO and elsewhere. More successful management companies are encouraged during these seminars to share their experience with respect to the strategies adopted by them for maintaining good standards on their ships, avoidance of port State control detentions, training and motivation of their floating staff, and related matters.

(h) Several other avenues for interaction with the shipping industry are used such as appropriate Sub-Committees of the Hong Kong Shipowners Association2, and the Shipping Consultative Committee of the Marine Department. These avenues provide very open and informal forums for discussion of all relevant issues including upholding of quality standards on Hong Kong registered ships and active participation by Hong Kong at international forums such as IMO.

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2. viz. IMO Sub-Committee, Manning Sub-Committee, and Technical Sub-Committee.
(i) Healthy peer pressure is brought about on the shipping companies. Details of the Hong Kong registered ships detained under port State control and follow up action taken by the company and the Marine Department are publicised at appropriate forums. This naming and shaming tactic is very effective in helping to improve the standards of the concerned ship management companies.

(j) Similarly, annual reports on our assessment of performance of the authorised classification societies are prepared and shared with the classification societies. These are discussed at annual meetings held jointly with all the authorised classification societies. In addition, several informal functions with the classification societies are arranged with a view to promoting closer co-operation with them. An atmosphere of free and frank exchange is maintained from which the Administration as well as the Classification Society benefit.

(k) A comprehensive computerised database is maintained on each ship, company and classification society. It includes results of our FSQC inspections and audits, port State control records, survey records and other relevant details. This database forms the backbone of selection criteria for FSQC inspections and audits.

(l) More attention is paid to older ships, ships transferring to our register from suspect flags, ships changing classification societies, ships previously detained under port State control, and certain types of ships such as bulk carriers requiring greater attention.

(m) Previous history of all ships applying for Hong Kong Shipping Register is very carefully vetted. In the case of doubtful history, a full survey before registration is insisted upon which may also be followed up with a FSQC inspection. The classification society conducting the surveys on our behalf is requested to pay special attention to the areas of concern identified from our analysis of the ship’s history.

7. As can be readily seen, the ongoing dialogue with our shipowners, ship management companies and the authorised classification societies forms a very important component of our FSQC system. Furthermore, we constantly strive to improve our FSQC system in consultation with the industry. The resulting frequent interaction with our shipowners, ship-management companies and the authorised classification societies has generated an atmosphere of co-operation, openness and trust to the benefit of all parties concerned. It also helps to promote safety culture and discourages sub-standard companies unwilling to uphold highest standards from joining our Shipping Register. In this atmosphere the Administration does not need to use authority to uphold proper standards. The greatest incentive that we offer is the assurance of good reputation and friendly professional service, and the stick applied is the fear of losing the respect of fellow shipping companies and the customers. Provisions are of course available for penalising ships which do not comply with required standards, the most important being withdrawal of relevant trading certificates.

8. One key to the success of our FSQC system is our requirement of Representative Person who must be a resident of Hong Kong. This provides us with a genuine link with the shipowner and results in effective control over the management of most of our ships from Hong Kong itself. As the FSQC system relies on continuous dialogue with our shipping companies and the authorised classification societies, Hong Kong based effective control over ships on our Register is an important feature for the success of our FSQC.
Features of an efficient and customer friendly flag state

9. In the end I would like to give my views with regard to the essential features of an efficient, customer friendly, relevant and effective flag State. As a start, every responsible flag State must carry out regular self assessments as stipulated in the IMO Assembly Resolution 881(21) and be able to demonstrate that it fully meets the criteria set in the Resolution to give clear indication of the effectiveness of the flag State Administration in fulfilling all its obligations under UNCLOS and IMO instruments to which it is a party. A more proactive, customer friendly and efficient flag State would in addition meet the following criteria:

(a) Properly qualified, experienced, customer friendly and sufficient in numbers professional staff to provide prompt and reliable service and professional advice to the shipping companies and the classification societies, and to ensure effective quality control over their operations relating to management and surveys of ships;

(b) Effective control over manning of ships in order to ensure sufficient and properly qualified manning;

(c) Convenient and reliable channels of communication with the Administration when any service or professional advice is needed by a company or other interested party;

(d) World-wide friendly consular service to assist masters and officers when problems arise at distant ports;

(e) Dissemination of lessons learnt from independent casualty investigations and publication of casualty investigation reports in accordance with the IMO Code for the Investigation of Marine Casualties and Incidents (Assembly Resolution 849(20))

(f) Proper quality control over all the training and examination systems recognised by the Administration;

(g) Compliance with more significant ILO Conventions and Recommendations with a view to ensuring effective regulation of working, living and service conditions of seafarers including effective avenues for resolution of any employment related disputes;

(h) Effective participation in IMO meetings in order to ensure influence over, and familiarity with, the regulations formulated at IMO;

(i) Effective dissemination of advice, particularly relating to latest developments, to the shipping companies through regular notices and other avenues;

(j) Completion and submission of the Flag State Performance Self Assessment Form at regular intervals as recommended in the IMO Resolution 881(21); and

(k) Support for external audits that may be introduced under the model audit scheme for flag State performance currently under consideration by IMO.

What is needed most of all however is an effective Flag State Quality Control.