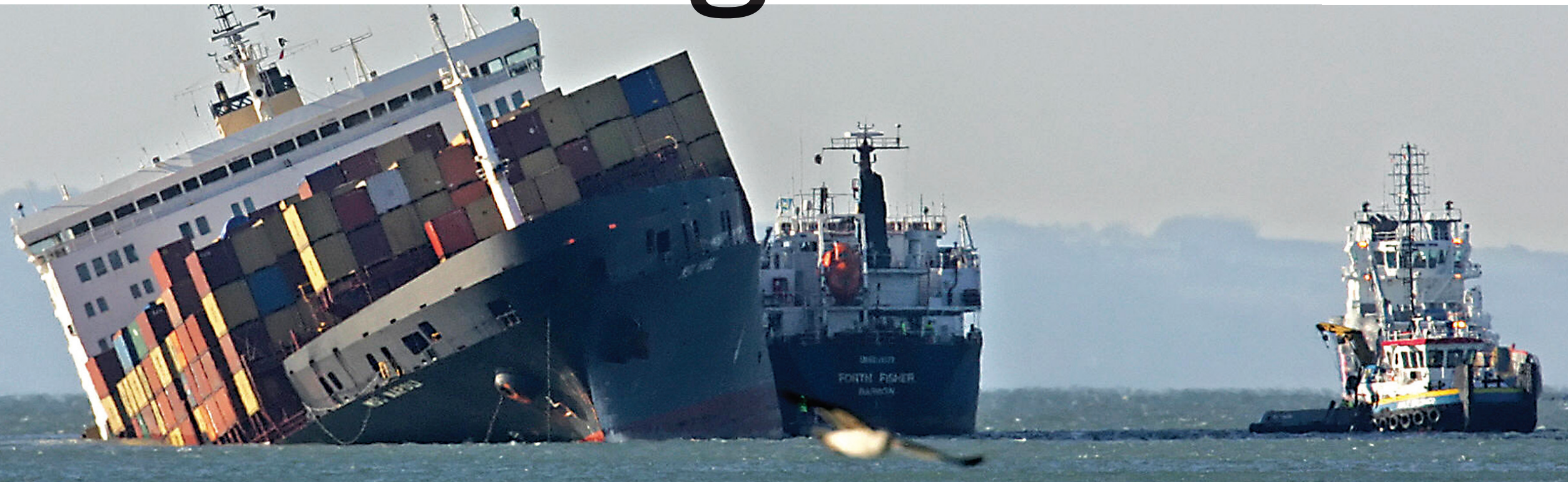


# Peril on the high seas



Ever bigger cargo ships means that when maritime disasters occur, we all end up paying – even in New Zealand. Gavin Riley looks at recent shipping incidents that are an insurance nightmare.

**A** holed British container ship en route to Portugal from Belgium, and carrying more than 40,000 tonnes of merchandise, is deliberately run aground on England's Devon coast to stop it sinking during a storm in the Channel.

Under cover of winter darkness hundreds of crafty local folk descend on the scene and, ignoring warnings from both constabulary and coastguard that they are breaking the law, scurry off with whatever they can prise from the beached cargo – motorcycles, car parts, disposable nappies, dog food and even Bibles.

This recent and astonishing event is a scene reminiscent of the famous 1949 British comedy film, *Whisky Galore*, a true story of Scottish islanders who spirited away thousands of bottles of booze from a stricken ship.

But in reality major maritime disasters are no laughing matter. The financial costs are enormous and have significant repercussions globally for both client and insurer.

What may turn out to be the biggest commercial shipping catastrophe in history occurred in March last year when a Korean ship carrying 8100 containers caught fire in the Gulf of Aden after an explosion in the

aft section. Hundreds of containers were destroyed or blown overboard.

With more than 7000 bills of lading to review, it may be several years before the total loss to underwriters and ship, container and cargo interests is known. But it could be as high as US\$400 million, a figure that will impact on global cargo and hull insurance rates.

The full costs in the Devon grounding will not be known till next year. However, they have been rising almost daily and will be considerable. On top of hull and cargo damage, expensive recovery gear such as helicopters, tugs, floating cranes, flat-bottomed barges and contractors' diggers, dump trucks and cutting equipment have been, or are being, used in the clean-up process.

The clean-up, taking several months, involves hauling the ship further on shore, offloading 2000-plus containers, handling

hazardous cargo such as battery acid and flammable materials, and pumping more than 3000 tonnes of leaking oil from the fuel tanks.

What do such commercial-shipping catastrophes mean for New Zealand, given we are a maritime nation with no shipping line of our own and therefore little in the way of hull insurance, except for smallish vessels sailing to and from the islands?

"In isolation it [the Devon incident] would have no impact," says Vero Marine manager Burke Butler. "But we've had a series of these sorts of losses over the years and they all contribute indirectly towards the cost of insurance for importers and exporters in New Zealand."

He says the global trend towards ever-bigger container ships is a worry for this country as a primary exporting nation. Whereas until now three ships might have called at our ports to pick up produce, soon

there might just be a single much larger one with a consequent concentration of the insurance risk.

Butler says there are very large ships plying the world's oceans today that can carry 10-11,000 containers. Ships calling here are capable of transporting 2500

"Double handling is generally where the problems of cargo insurance lie," Butler says.

"The type of damage we pay for is handling damage. We don't know where it happens and why – it just gets to the other end in a damaged state. Obviously the more handling there is, the greater the chance of damage – more cranes, fork trucks and straddle carriers."

Butler agrees with recent insurance-industry advice to Australian shippers to make certain they insure with a reputable company with first-class security and, preferably, local offices.

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containers, but dredging is currently taking place off Auckland to accommodate 4000-container vessels.

Another worrying trend for our maritime insurance industry is the move internationally towards a small number of hub ports served by a network of feeder ports. Thus a 2000-container ship could leave New Zealand for Singapore or Hong Kong, where the cargo would be transferred to an 11,000-container ship. The double handling involved has the potential to push up insurance rates.

"Absolutely. The Insurance Council would give that advice through its marine committee," he says.

"Far better for our exporters to talk to our brokers here than to some nameless individual based in Hong Kong. It's very important.

"What we're trying to do here is charge as little as possible and to have as few claims as possible – that's in everybody's interests. Client, broker and insurer need to work very closely, and local offices are the answer," he says.

"Also, they need to insure with offices in New Zealand that have good representation throughout the world, so they have a network of setting agents and surveyors that can be called upon if there are any problems overseas – which does happen."

New Zealand's Insurance Council is currently calling for legislation requiring all foreign ships entering our waters to carry a minimum level of liability insurance.

The council says many port authorities round the country support its view and adds that these vessels pose a threat to the environment because of the risk of pollution, and high clean-up and salvage costs. Such costs are currently met by the New Zealand taxpayer.

Burke Butler says the Maritime Safety Authority is especially careful about not allowing a visiting foreign ship to leave our waters if it is found to be sub-standard.

"If a ship came in here and was found to be sub-standard in some way, it wouldn't be allowed to leave again. That happens from time to time.

"The MSA arrests/detains ships and they're not allowed to leave because they don't meet the MSA's strict criteria. It doesn't happen generally to big cargo ships but to 'tramp steamers'.

"The Crown ends up halting the vessel, which can have dire consequences for operators existing on a shoestring." 