

**Sixth Cadwallader Annual Memorial Lecture**  
**“Challenges for the Shipping Industry in the 21<sup>st</sup> Century”**

**London, 15 September 2003**

**Short Keynote Speech**

**By William O’Neil, Secretary-General,  
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Good evening ladies and gentlemen,

I am pleased to be here this evening to chair the sixth in this series of annual lectures given in the memory of the distinguished Professor F.J.J. Cadwallader, especially when the theme for this session is titled challenges for the shipping industry in the 21<sup>st</sup> Century.

The organisers have certainly selected a thought-provoking subject, one which I am sure your panellists this evening will relish the chance to consider, each from their own unique viewpoint. While the title is broad, I have no doubt that it will provoke discussion on a range of diverse yet inter-related topics.

Whether we like it or not, it is a fact that we now live in a global economy, where decisions made in any of the world’s major cities can affect the lives and livelihoods of people literally on the other side of the planet. Advances in the communication and transport sectors have effectively negated the ages-old barriers of time and distance. Geographical proximity to raw materials and to markets, the factors that, above all others, shaped the world’s economy and the major trade patterns and shipping routes, no longer count. Today, just about anything is available somewhere in the world, provided the wherewithal to pay for it is also available, and the same brands are recognised and valued universally.

The shipping industry is effectively the facilitator for this global economy and, as there is no sign of any new technology on the horizon that will replace shipping as the most cost-effective means of transporting goods, components and raw materials in bulk around the world, it seems reasonable to assume that, as the 21<sup>st</sup> century progresses, shipping will continue to have an impact on the lives of more and more people.

And so, in very broad terms, the overall challenge that faces shipping is to continue to supply what the people of the world want from it. People have always looked for a shipping industry which is inexpensive, which is efficient and which is timely. And in the last 30 years or so, they have increasingly demanded that the industry should also improve its environmental credentials. To my mind, it goes without saying that you cannot achieve those characteristics unless you have an industry which is also safe. And that concept of safety must extend beyond the oil tankers which when in difficulty capture the public imagination to encompass the bulk carriers, general cargo vessels, passenger ships and all the other ship types which rarely appear in the headlines.

On a more detailed level, a key challenge will be to find an acceptable balance between the diverse demands made on the shipping industry when they sometimes appear to be contradictory. Measures to make ships safer and more environmentally friendly entail certain costs, which will inevitably be reflected in the price paid for goods and materials transported by

sea. The world wants quality. It wants an end to foundering tankers and polluted coastlines, but it does not want a significant hike in transportation costs. These are both reasonable demands and I do not believe they are by any means mutually exclusive. But I do think that achieving them both concurrently will be quite a challenge.

We must seek to find some intermediate solution whereby those within the shipping industry who do recognise the importance and the value of quality in their operations and who are prepared to go that extra mile to deliver a safe and clean service to their customers are not financially disadvantaged by operators who do not take on their responsibilities and are able to undercut their prices by cutting corners.

That is why in the future, the role of the IMO, as the international body responsible for establishing the regulatory framework through which those goals can be achieved, will grow in importance. I think this is now widely acknowledged, and a good example is the way that IMO is dealing with the fall out from the sinking of the Prestige. The EU countries have brought the proposals they developed in the wake of the sinking of the oil tanker **Prestige** to IMO, and the next step in this process will be taken in December this year when an extra session of the Environmental Committee will decide what is to be done, which again demonstrates the urgency with which IMO can address pressing issues and the realistic, pragmatic and well-balanced approach that can be achieved within the framework of a truly international forum.

As we moved from the last millennium into the new, IMO took the conscious decision to switch its emphasis onto the human element in shipping in pursuit of the Organization's aims of a safer, cleaner and more secure industry. It was recognised that, while technical improvements would always be possible, the opportunity for major advances in the future will lie with the people in shipping. In this context, I think one of the big challenges for shipping in the 21<sup>st</sup> century is the creation of a genuine safety culture within the industry.

Logically, the most important pre-requisite in the creation of a safety culture will be the human resource itself. Which means that recruitment, retention, training and education of the industry's manpower base must become a top priority. Shipping must attract people of the right calibre and it must make sure that they are treated in a way that encourages them to make their career in the industry – which is especially difficult when so many choices are now available. With a serious shortfall in the number of properly trained officers in the industry widely predicted, the whole question of human resources for shipping will be a major challenge in the years ahead.

One further challenge which, in the current climate of international uncertainty, simply has to be faced is that concerning the vulnerability of the international transport network to terrorist attack, which has been clearly recognised and all-too-shockingly demonstrated. Save for a few isolated incidents, such as the **Limberg** attack off Oman last year, shipping has rarely been in the forefront of such activity. Nevertheless, the need to establish a proper international security regime for ships and ports is clearly paramount. IMO has begun this process with the adoption of a raft of new measures, the most far-reaching of which is the International Ship and Port Facility Security Code (ISPS Code), which will be implemented through a new chapter of the SOLAS Convention.

However, all the hard work and dedication that has been put into creating this regulatory framework in such a short space of time will be of little value if the same level of commitment

and expertise is not brought to bear on its implementation. I have already said, and I repeat it here, that because of the worldwide escalation of acts of terrorism, all parties concerned should start putting in place as soon as possible, if they have not already done so, all the legislative, administrative and operational infrastructure these measures require without waiting until the entry-into-force date of 1 July 2004. That is a major challenge that simply cannot be shirked.

Finally, before I hand over to our first speaker, I would like to add a few words about the changing climate within IMO itself. While the Organization continues to display all its traditional strengths to develop and maintain a pragmatic and equitable regulatory regime for the shipping industry, it is also going through a period of transformation, and to recognise and respond to new circumstances is clearly a significant challenge for IMO and all its members.

IMO was established as a technical body, with politics and economics officially outside its scope. But, in recent years, there has been a discernable shift in emphasis and now we have to acknowledge that the decisions made in IMO are becoming increasingly influenced by political factors. It is no longer always the technical experts whose opinions hold sway in the end; their political masters in the capital cities around the world are becoming increasingly important players in the work of IMO as they themselves come under pressure, often from public opinion that may not be as well informed as we might like it to be.

The same shift can also be identified in the growing influence of economic considerations in the Organization's work. Take, for example, the post-**Prestige** proposals from the EU that I referred to earlier, and indeed the post-**Erika** proposals which preceded them; in both cases, the impact studies, which I commissioned so that IMO members would have all facts at their fingertips as they discussed the proposals, were unashamedly designed to assess the economic impact of the proposed changes. And I have repeatedly called for similar thinking to be applied concerning the new security measures that were adopted by IMO late last year. It is important that the proper balance between their rigorous implementation and reduction in risk on the one hand and the facilitation of maritime trade on the other should be achieved.

We must acknowledge the fact that decisions affecting international shipping simply cannot be made without reference to, and a full understanding of, the economic context in which they are taken. IMO has embraced this concept in its new theme, or mission statement, which is safe, secure and *efficient* shipping on clean oceans. I think this new emphasis on efficient shipping reflects a reality that has actually been with us for some considerable time.

The same can be said of the expansion in the influence that the developing countries, and particularly those offering open registry services, are having within IMO. Countries like Panama, Liberia, Cyprus, Malta, the Bahamas and others are increasingly taking the lead on important issues, and I believe they have earned the right to do so. There is no doubt that these countries have joined the ranks of the major players in world shipping, both through the size of the fleets in their registries and the ever increasing importance of the marine service industries that are springing up as a consequence. IMO is unique among UN agencies in that, because of the funding arrangement which sees members' contributions assessed according to the size of their shipping fleets, many of the biggest contributors to the Organization's budget are from the developing world.

This is a natural consequence of the shifting political and economic realities in the shipping world and, through its technical co-operation efforts, IMO has indeed been able to help many of the developing countries build up the necessary capacities, in terms of skills, expertise and manpower, to play their new roles effectively. Another major challenge will therefore be for the developed countries to recognise and acknowledge this shift, and to play their part in supporting the continued efforts of IMO's technical co-operation activities. It is ultimately in

their interests to do so, because, as I said at the beginning, shipping underpins the global economy from which we all benefit.

Ladies and gentlemen, having provided some general comments which I hope may set the views of your distinguished panellists in some kind of context, I should now like to introduce the first speaker, Mr Chris Horrocks [present his c.v.]. The second speaker is Mr. Fotis Karamitsos [present his c.v.]. And the third speaker is Mr. Peter Swift [present his c.v.].

I now invite Mr. Chris Horrocks to take the floor.

Thank you.