

CADWALLADER LECTURE: Social responsibility in shipping and aviation

Set safety standards----and stick to them

“In a consumer facing business, such as aviation or shipping for passengers, whether cruise liner or ferry boat, you basically live or die by your reputation. With very few exceptions, people don’t have to use your product or your services.

“If you have a good reputation, they will use your product. If you destroy your reputation, you pretty much go out of business. In the kind of industry where neither the provider of the service nor the buyer has a brand, reputation tends to matter less.”

Sir Stelios Haji-Ioannou, Chairman of easyGroup, was addressing the theme ‘the Ship and the Plane: are they the same?’ at the ninth Cadwallader Memorial Lecture in London on November 16th.

“Individuals are perhaps less choosy about which ships carry their cargoes. As a passenger on an aeroplane you buy a ticket for yourself typically, so you have a very strong interest in choosing well. The aviation industry realised that very early on. Airlines have gone out of business practically because they had an accident. That’s why aviation became very safety conscious.”

Sir Stelios was comparing shipping and aviation in the context of corporate social responsibility. The lecture was organised by the London

Shipping Law Centre and chaired by its Founding Director, Dr. Aleka Mandaraka Sheppard.

Drawing on his wide experience of the family shipping business, his own former company Stelmar, Easyjet with its “impeccable safety record,” and latterly Easycruise, Sir Stelios said comparisons should really be between passenger shipping and passenger aviation and cargo shipping and cargo aviation.

Early in his career, an accident to one of his father’s ships, the Haven, in Italy in 1991, acted as a very big lesson. “When things go wrong in oil tankers, it gets really messy and the compensation can be pretty big. If you think safety is expensive, try an accident.”

He felt that flag state delegation of regulation to classification societies amounted to a form of self regulation. In aviation, the more developed nations had authorities who regulated aviation directly. “They are basically the policemen, the people who can ground an airline if they believe it is unsafe. The whole system was set up differently. Shipping was always international and self-regulation developed.”

Sir Stelios drew attention to the practice of European governments regulating their national carriers to fly to each others’ countries being superseded by the EU’s ‘Open Skies’ policy.

“Technically, any airline licensed by any of the 25 states can fly within any other state. It sounds wonderful when you think of UK regulated airlines kicking up a fuss in France. You could have easyJet flying Paris/Nice, regulated from Britain. But I wonder whether it will create

safety issues because each of the 25 regulators will have to enforce standards to the same degree. We are entering an era where Europe is going to look slightly more like shipping in terms of safety in aviation.”

With Port State Control, someone boards the ship and carries out checks and has the power to prevent a vessel from sailing. Might we see the British Civil Aviation Authority boarding a plane at a British airport and deciding that it was not complying with the required standards, irrespective of the logo on the tail of the aeroplane?

Human error was the most common cause of accidents. In aviation, this had been addressed through ‘type rating’ pilots for particular aircraft. A pilot is not a Boeing pilot, He is a Boeing 737 pilot; sometimes he is only a Boeing 737 700 pilot, not a 200 pilot. You hold a license that only entitles you to fly a particular type of plane.

“You marry the human with the machine so the pilot doesn’t have to think where to go in an emergency. That’s one reason why aviation safety appears better.

“In shipping, with lack of standardisation and with tens or hundreds of manufacturers, it’s a lot more difficult to stick to that theory.”

Sir Stelios felt aviation and shipping interests should see how other transportation industries managed their safety. “I am also involved in bus transport. Fourteen people on a bus on the M1 having an accident would not be good for the brand or for the people. In Britain, railways have not had a very good record in the last 10 to 15 years yet it doesn’t make me think twice about getting on a train.”

As there were fewer individual reputations to protect in shipping, the industry needed to find broad safety standards. “How many lives per x thousand people going to sea can you really afford to lose? measuring safety is the beginning of improving it, so setting standards and trying to stick to them is very, very important.”

Sir Stelios maintained that neither industry could ignore environmental issues. In aviation, activists were arguing that low cost airlines were destroying the planet. One organisation has published a leaflet called ‘EasyClimate’ and argues that people should stop flying. They regard cheap flights around Europe as ‘binge flying,’ which is bad for the planet and should be taxed out of existence.

Power stations and cars accounted for nearly half the pollution while perhaps three per cent of global emissions came from aviation. “That’s when you lose the audience because people don’t believe you. But I don’t think the answer is to keep saying ‘it’s not me, it’s someone else!’ If they’re focused on us, we have to do something about it.”

As a plc, his company were considering “offsetting” the emissions produced during flight with environmentally beneficial initiatives such as tree planting.

“Flying is good for people at large in the sense that it is not an undesirable activity you need to tax out of existence, like smoking. Flying is good because it promotes economic activity and tourism, brings people together and promotes cultural understanding.”

For further information:

Dr. Aleka Mandaraka Sheppard

London Shipping Law Centre

Tel: +44 (0) 207679 1512

Mob: +44 (0)7721 374360

Email: shipping@ucl.ac.uk

alex.sheppard@btinternet.com