

CAPTAIN'S



QUARTERS



January 2007

QUARTERLY NEWSLETTERS - Prepared for the interest of all members (Regular, Honorary and Associate) of the Marine Society of the City of New York in the State of New York, Suite 714, 17 Battery Place, New York, NY 10004. Office 212-425-0448 FAX 212-425-1117 Website: www.marinesocietyny.org

237th Annual Dinner Celebration

On Monday evening, 23 April 2007, The Marine Society of the City of New York will hold its Annual Dinner Celebration at The Marriott World Financial Center, 85 West Street, NYC at which time the formal presentation of the original George Washington Honorary Member acceptance letter will take place.

Mr Charles G. Raymond will be our honored guest and speaker. Mr. Raymond, is President and CEO of Horizon Lines, LLC, and a 1965 graduate of the United States Merchant Marine Academy, Kings Point.

NEW MEMBERS

Elected 26 October 2006

Captain Leonard K. Rambusch...Regular Member
Mr. Charles A. Licata.....Associate Member

Elected 18 December 2006

The Hon. John F. Lehman.....Regular Member
Captain Arthur C. Bjorkner.....Regular Member
Captain Owen F. Duffy.....Regular Member
Captain William H. Imken.....Regular Member

Total of 24 new members for 2006

6 Associate Members
2 Honorary Members
16 Regular Members

Missing Member

The last two mailings of *Captain's Quarters* to Captain Frank Oliver, a member since 11 February 1974, have been returned. His last known address was in Duncan, British Columbia. He also had a residence in Seattle, WA.

Will anyone with information about Captain Oliver please advise Ms. Karen Laino at the Marine Society office.

NEW EDITION OF BY-LAWS AND LIST OF MEMBERS

The November 2006 edition of By-Laws and list of Members has been mailed to all members. If any member sees a mistake or omission, please advise Ms. Karen Laino at the office. The address of The Marine Society of the City of New York is: Suite 714, 17 Battery Place, New York, NY 10004, Telephone 212-425-0448 e mail address is: marinesocietyny.org

NEXT QUARTERLY MEETING 22 JANUARY 2007

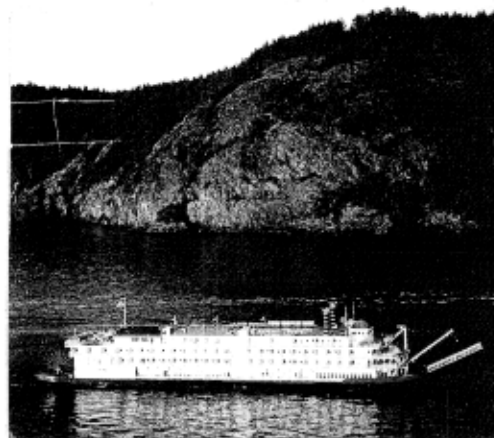
The next Quarterly meeting will take place 1230 hrs Monday 22 January at Giovanni's, 100 Washington Street New York City. at which time Associate Member Kurt Plankl will speak on "The History of American Ship Registration" -which registration of U.S. vessels began at the time of our adoption of the Constitution. Mr. Plankl was confirmed as member of the Standing Committee at the December Meeting.

TREASURER, CAPTAIN HAROLD A. PARNHAM, RETIRES

At the December meeting of the Standing Committee, the well respected Captain H.A. Parnham retired from his years of faithful service in the office of Treasurer of the Marine Society of the City of New York, and will continue to serve the Marine Society as a member of the Standing Committee. Captain Parnham, a teacher, mentor, leader and founding member of The Industry Museum at Fort Schuyler was recently honored for his many years of service there. Additionally, the Marine Society also presented a medallion to him in recognition of his influence on the lives of so many cadets at Fort Schuyler..

CAPTAIN THOMAS F. FOX, IS NEW TREASURER

At the same Standing Committee meeting, the recently retired Past President, Captain Thomas F. Fox was sworn in as Treasurer. Captain Fox, so well liked for his friendly and industrious nature, is certain to continue the high standards brought to this office by his predecessors.



EMPRESS OF THE NORTH

**MARINE SOCIETY
OF THE
CITY OF NEW YORK**

Officers

Captain Timothy J. FerriePresident
CDR Robert H. Pouch1st Vice President
Captain James McNamara 2nd Vice President
Captain Thomas F. FoxTreasurer
Captain Cynthia Smith.....Secretary
Captain James T. Shirley, Esq.....Attorney

Standing Committee

Captain Steven M. Bendo
Captain James C. DeSimone
Captain Robert A. Fay
Captain Herman E. Fritzke Jr.
Captain Harry Marshall
Captain Harold A. Parnham
Mr. Kurt Plankl
Captain George C. Previll PP
Captain Hugh M. Stevens
Captain Frank Zabrocky

Captain's Quarters

Mr. John R. Strangfeld, Editor

Office Administrator

Ms. Karen Laino

The Marine Society of the City of New York is a charitable and educational organization, the regular membership being comprised entirely of seafarers, all of whom must have been Captains or Officers of merchant vessels under the United States of America flag or of U.S. Naval /U.S. Coast Guard Officers of the rank of Commander or above. It was formed in Colonial days, formerly chartered in 1770 by King George III to "improve maritime knowledge and relieve indigent and distressed shipmasters, their widows and orphans." Among early members of the society was President George Washington.

By and large, the Marine Society of New York has performed its charitable service quietly through the years without fanfare, as becomes an organization of seafarers. It stands today as the watchdog of their interests and interests of American shipping as a whole.

Be sure and request your next of kin or a friend to notify the Society in case of illness or incapacity.

It is also important for regular members to let your next of kin know that they have the right of relief in case of future need.

Brophy opened the morning paper and was dumbfounded to read in The Obituary Column that he had died. He quickly phoned his best friend, O'Brian.

"Did you see the paper?" asked Brophy. "They said I died!"

"Yes, I saw it!" replied O'Brian. "Where are you calling from?"

International Herald Tribune
Thursday, November 23, 2006

Maritime cartels fear a diminished horizon

PARIS

Back in 1950, the Danish shipping company A.P. Moeller-Maersk was barred from the Far Eastern Freight Conference, one of several regular gatherings in which the mightiest players in the global shipping industry got together to exchange vital route and trade information — and to fix prices.

At the time, Maersk was seen as a niche player, not offering enough services to join the table.

Much has changed since then: Maersk has become the No. 1 ocean shipper in the world, gaining it entry into this elite circle. Now, however, the days of these conferences may be numbered after European governments agreed in September to long-standing efforts by the European Commission to curtail them.

The conferences trace their roots back to the 1870s, when traditional shipping companies established cartels to safeguard important trade routes to and from Europe in the face of a challenge from the new, independent steam ships plying their trade to India and the Far East.

Today, there are around 150 shipping conferences from China to India to the United States, covering the main trading routes around the world.

Although the era of steam power has blown by, the shipping industry maintains that the conferences still offer an important service to exporters by ensuring that routes remain fully serviced, providing information on timings, offering capacity-sharing services and, up until the 1990s, providing guidance to exporters on rates for freight and port services. In short, they argue, shipping cartels offer needed efficiencies, much as a utility monopoly does, and should not be judged in the same light as classic industrial cartels.

In 1986, European governments granted the shipping conferences an exemption to antitrust norms on the basis that the system yielded benefits for consumers.

But the European Commission, which is charged with enforcing European antitrust laws as the executive arm of the European Union, was not happy. For it, the fact that the world's shipping giants gathered on a regular basis to regulate their market was clearly anti-competitive.

"Shipping lines meet in conferences to fix prices, regulate capacity and other conditions of carriage," the commission's competition spokesman, Jonathan Todd, said in an e-mailed response to questions. "This resulted in market distortion as rates were not negotiated freely on the basis of supply and demand."

The economy, exporters and consumers, the commission argues, will benefit from lower transport prices and newfound competition that will arise if the conferences are abolished.

Vernon Rolls, a former manager of the Far Eastern Freight Conference, disagrees.

"We had a benevolent cartel," he said, "but that could never enter the closed minds of the Brussels bureaucrats and their hangers-on, whose knowledge of shipping was as small as their arrogance was great."

The cartels perceive themselves as benevolent because they offer certainty on rates to and from European ports and accept the obligation to cover berths, even when ships are chartered at inflated rates of hire.

Conference members argue that they have already given up many of their rate-setting functions and now have only price agreements for costs like bunker, terminal fees and currency charges. Nonetheless, after a report by the Organization for Economic Cooperation and Development in 2002 recommended the abolition of antitrust immunity for shipping cartels, the European Commission in 2005 formally proposed a repeal of the exemption.

But Hercules Haralambides, director of the Center for Maritime Economics and Logistics at Erasmus University Rotterdam, said the system produces much-needed certainty for shippers. The commission's contention that prices would fall for shippers after the rules take effect is "nonsense," he said, predicting that rates would instead rise as carriers consolidate further. Logistics costs would also rise, he said, while exporters may consider a return to the use of smaller vessels as capacity-sharing declines.

"The European officials are making a big blunder," he added. "They are looking inside themselves when their competitors are thinking globally."

E-mail: freeflow@iht.com

**A shipping
monopoly
argues that
it is like
a utility
monopoly.**

Calls on stolen cell still charged to phone owner

Providers: Covering calls by thieves would encourage criminals

BY DAVID LAZARUS

SAN FRANCISCO CHRONICLE

Let's say your cell phone gets lost or stolen. And let's say somebody runs up some serious charges on your account.

What happens next?

Alameda, Calif., resident Rich Saskal received his monthly bill from T-Mobile recently and discovered more than \$600 in charges to Colombia in a nearly 24-hour period after his cell phone went missing in October.

"I was stunned," he told me. "My heart almost stopped beating when I saw this."

Saskal, 38, can consider himself lucky.

Some wayward cell phones result in charges of as much as \$50,000, said Jeff Brown, a member of the California Public Utilities Commission.

"It's a big problem," Brown said. "Some cases we've seen have been just extraordinary."

But here's the kicker: Unlike lost or stolen credit cards, for which issuers will typically eat most if not all fraudulent charges, calls rung up on lost or stolen cell phones will usually be the responsibility of the account holder.

In other words, if you accidentally leave your phone somewhere, and somebody then makes thousands of dollars in calls, you're stuck.

In Saskal's case, he didn't immediately know that his phone was missing. He figured he'd just misplaced it and that it would turn up. After a day, though, he decided to call T-Mobile and see if there was a problem.

"I asked a representative if there'd been any calls in the last day or two," Saskal recalled. "They said no."

In any case, he said he told the rep that he couldn't find his phone so he'd be getting a new one, using the same phone number. The rep said his missing handset would be disabled.

Then the October bill arrived in the mail. Usually, Saskal said, his monthly wireless bills are about \$60. This one was for \$708.18.

Saskal said he counted at least 20 calls to Colombia between 4:30 p.m. on the day he lost his phone and about 2 p.m. the next day, about the time the handset was disabled. "They took a break to sleep between 12:30 a.m. and 9:30 a.m.," he observed. "Then they got up and kept calling."

Saskal said that when he called T-Mobile again, he was informed by a service rep that the company's contract is clear: Customers are responsible for all calls made before they officially report a phone missing.

Most wireless carriers have similar policies.

Joe Farren, a spokesman for CTIA, the leading wireless-industry trade group, said he couldn't comment on individual cases.

But generally speaking, he said cell phone companies can't make a practice of writing off allegedly fraudulent calls.

Farren said this could prompt some unscrupulous people to give their phone to a friend for a day or two of expensive calling and then claim it was stolen.

"We don't want to invite this kind of behavior," he said. "If the cell phone industry had to reimburse customers every time a phone is lost or stolen, you'd be inviting fraud."

Farren added, "There has to be a little personal responsibility here. There has to be an incentive for the consumer to know where his phone is."

He's got a point.

But where does that leave Saskal?

He said he and his wife

worked their way through multiple service reps and supervisors and were told repeatedly that there was nothing T-Mobile could do to help them.

He finally tracked down

the name of a vice president of customer care and wrote to say that he intended to publicize his case. "He told him that I'd seek some attention and that this wouldn't reflect well on

them," Saskal said. And what do you know? He found out that T-Mobile will credit his account for \$620.07 to cover all the calls to Colombia.

WALL STREET JOURNAL TUESDAY, NOVEMBER 28, 2006

How Orient Overseas Landed Its Price Deal for North American Terminals Shows Good Ports Are Hard to Find and Dear to Own

By BRUCE STANLEY
And LAURA SANTINI

Hong Kong

BY RAKING IN \$2.35 billion for four of its North American container terminals, Orient Overseas (International) has set a valuation benchmark in the ports sector.

Late last week, the shipping operator said it agreed to sell the terminal rights to Ontario Teachers' Pension Plan of Canada. The sale price, which one industry executive called "outrageous," far exceeded analysts' expectations.

Orient Overseas' share price jumped the past two sessions to an all-time high after being suspended from trading for the previous two days—rising 22% Friday and nearly 12% yesterday to close at 50.45 Hong Kong dollars (US\$6.49).

So, why did Ontario Teachers pay that price? And why the fuss about ports?

For one thing, a good port is hard to find, and these terminals—two in Vancouver, British Columbia; one in New York; and one in New Jersey—are in prime locations. Orient Overseas, a Hong Kong ports-and-shipping group, is selling space at gateways into the voracious North American market for merchandise shipped from factories in Asia.

In addition, Orient Overseas owns the New Jersey terminal outright and leases the other three but is the only operator at all of them. Ontario Teachers isn't buying a share in a terminal owned by many other parties. This sole ownership makes the sale "clean and simple" and enhances the assets' appeal, says Gideon Lo, an analyst at DBS Vickers in Hong Kong.

Another virtue is that while ports require substantial upfront investments, they often generate steady and predictable income streams. Jim Leech, senior vice president of Teachers' Private Capital, the Ontario Teachers' Pension Plan's investing arm, says the terminals could withstand economic volatility and offer "the long-term cash flow we look for."

Most important, perhaps, is the fact that opportunities to invest in North American ports are scarce. Resistance from labor unions and environmentalists has long made it difficult for port operators to expand facilities or build new ones. "There are a limited number of existing terminals in North America, and new facilities take quite some time to develop. So...buying into existing facilities is the fastest way to do it," says Richard Nicholson, head of A.P. Moller-Maersk's ports business in China.

Orient Overseas hasn't committed ships from its container-shipping arm, Orient Overseas Container Line, to keep calling at the four terminals after the sale. One person knowledgeable about the deal says Orient Overseas is "highly unlikely" to transfer its shipping business elsewhere in Vancouver, New York or New Jersey as long as the Ontario fund charges competi-

tive fees.

Another factor underlying the price for port assets is the changing nature of the pool of potential buyers. The involvement of Ontario Teachers' Pension Plan, a retirement fund for the Canadian province's 163,000 current teachers and 101,000 retirees, marks a significant broadening of the investor base.

Until now, port operators have been the main acquirers. Two such deals were DP World of Dubai's \$6.8 billion purchase in January of Peninsular & Oriental Steam Navigation, of Britain, and the US\$4.4 billion Singapore's PSA International paid in April for a 20% stake in Hutchison Whampoa's Hutchison Port Holdings unit.

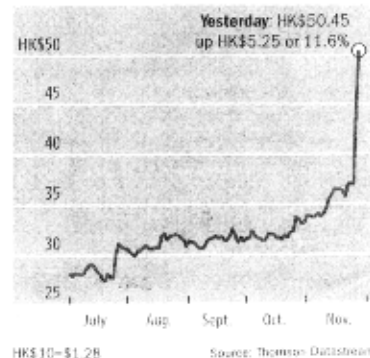
Private-equity funds and other institutional investors also are showing interest in ports, which adds a huge new pool of cash. The Ontario fund says it has US\$84 billion to invest, more than 14% of it marked for infrastructure, private equity and venture-capital investments.

The price the Ontario fund is paying works out to 32 times the figure reached when the enterprise value of Orient Overseas assets is divided by its financial year 2005 earnings before interest, taxes, depreciation and amortization, according to a Goldman Sachs note issued Friday. For the P&O assets that DP World purchased, the same valuation metric was 16; for the Hutchison stake PSA bought, according to Goldman, it was 13.

In July, Orient Overseas hired UBS to help it shop the four terminals while the market was buoyant. From an initial field of 16 bidders, Orient Overseas narrowed the competition to four: the Ontario fund; Brookfield Asset Management of Toronto; Deutsche Bank's real-estate-investment

Sold!

Orient Overseas' daily closing share price, in Hong Kong dollars



arm RREEF; and a joint bid by Goldman Sachs Group and Macquarie Bank of Australia. The bidding was close, said a person familiar with the deal.

—Kate Linebaugh
contributed to this article.

Billions Later, Plan to Remake The Coast Guard Fleet Stumbles

Cost Overruns and Cracked Hulls Plague Project

By ERIC LIPTON

WASHINGTON, Dec. 8 — Four years after the Coast Guard began an effort to replace nearly its entire fleet of ships, planes and helicopters, the modernization program heralded as a model of government innovation is foundering.

The initial venture — converting rusting 110-foot patrol boats, the workhorses of the Coast Guard, into more versatile 123-foot cutters — has been canceled after hull cracks and engine failures made the first eight boats unseaworthy.

Plans to build a new class of 147-foot ships with an innovative hull have been halted after the design was found to be flawed.

And the first completed new ship — a \$564 million behemoth christened last month — has structural weaknesses that some Coast Guard engineers believe may threaten its safety and limit its life span, unless costly repairs are made.

The problems have helped swell the costs of the fleet-building program to a projected \$24 billion, from

\$17 billion, and delayed the arrival of any new ships or aircraft.

That has compromised the Coast Guard's ability to fulfill its mission, which greatly expanded after the 2001 attacks to include guarding the nation's shores against terrorists. The service has been forced to cut back on patrols and, at times, ignore tips from other federal agencies about drug smugglers. The difficulties will only grow more acute in the next few years as old boats fail and replacements are not ready.

Adm. Thad W. Allen, who took over as Coast Guard commandant in May, acknowledged that the program had been troubled and said that he had begun to address the problems. "You will see changes shortly in the Coast Guard in our acquisition organization," Admiral Allen said. "It will be significantly different than we have done in the past."

The modernization effort was a bold experiment, called Deepwater, to build the equivalent of a modest

navy — 91 new ships, 124 small boats, 195 new or rebuilt helicopters and planes and 49 unmanned aerial vehicles.

Instead of doing it piecemeal, the Coast Guard decided to package everything, in hopes that the fleet would be better integrated and its multibillion price would command attention from a Congress and White House traditionally more focused on other military branches. And instead of managing the project itself, the Coast Guard hired Lockheed Martin and Northrop Grumman, two of the nation's largest military contractors, to plan, supervise and deliver the new vessels and helicopters.

Many retired Coast Guard officials, former company executives and government auditors fault that privatization model, saying it allowed the contractors at times to put their interests ahead of the Guard's.

"This is the fleecing of America," said Anthony D'Armiento, a systems

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Some Deepwater Projects

The Coast Guard's \$24 billion effort to replace or rebuild nearly all of its planes, helicopters and large ships, a plan called Deepwater, has had many problems since it began in 2002. Here are projects that are in production or that have been tested.



Maritime Patrol Aircraft

2002 \$37
2006 \$47

Transport and surveillance craft, including search and rescue. Would be a logistical workhorse of the Coast Guard fleet. Would have chemical, biological and nuclear detection capabilities.

First plane is being tested. The plane is based on a proven and widely used design.

*Adjusted for inflation.



High-Altitude Endurance Unmanned Air Vehicle

Being leased; no final cost

Plane would provide long-range surveillance over large areas for extended periods of time.

Tests in Alaska, where the Coast Guard has large patrol areas, were repeatedly canceled because it could not operate in bad weather.



HV-911 Eagle Eye Unmanned Air Vehicle

2002 \$7
2006 \$11

Surveillance craft would take off and land vertically and would not need a runway.

This year, the prototype crashed when the engine unexpectedly shut off during testing. The advance radar system has not materialized as promised. Delayed till 2013.



HH-65C Multimission Cutter Helicopter

2006 \$7.3

Replace failing engines in this workhorse Coast Guard helicopter. Upgrade electronics and surveillance systems and add weapons.

Half of the 96 helicopters have been upgraded with new engines, giving them 40 percent more power. Program is behind schedule and over budget.

Some Troubled Projects



425-ft. National Security Cutter

COST ESTIMATE IN MILLIONS
2002 \$299
2006 \$431

THE GOAL To be the flagship of the Coast Guard fleet, with features found in Navy fighting ships, including a helicopter landing pad.

THE TROUBLE Structural design problems may cause cracks in the ship, requiring repairs within 10 years, it is promised 30-year life.



123-ft. Patrol Boat

COST ESTIMATE IN MILLIONS
2002 \$7.8
2006 \$12

THE GOAL To extend and upgrade 110-foot patrol boats into 123-foot ships with improved electronics and a rear boat launch.

THE TROUBLE After hull breaches formed, the conversion program was canceled. The eight converted ships were taken out of service, returning the Coast Guard's patrol boat fleet by 16 percent.



147-ft. Fast-Response Cutter

2002* 2006
\$20 \$57
COST ESTIMATE IN MILLIONS

THE GOAL To replace the 110- and 123-foot patrol boats. Was to have an innovative glass-reinforced hull, that would last for 40 years, instead of the 20 years of the ships it is replacing.

SUCCESSES/TROUBLES Construction of the proposed ship by Northrop Grumman has been suspended because it was too heavy, consumed too much fuel and would have potential propulsion problems.



25-ft. Short-Range Prosecutor

2002 2006
\$0.3 \$0.6

High-speed boat would be launched from cutters with a range of 20 miles. Would be used for intercepting and boarding suspect vessels.

The Coast Guard ended up paying too much because it bought the boats through four layers of contractors. Radars on the boats were not properly waterproofed at first.

Lawmakers Say Coast Guard Withheld Warning of Flaws in Cutter Design

By ERIC LIPTON

WASHINGTON, Dec. 13 — The Coast Guard withheld from Congress warnings raised more than two years ago by its chief engineer about structural design flaws in its new National Security Cutter, a \$564 million ship now near completion in Mississippi, Democrats and Republicans said in interviews this week.

The lack of full disclosure about that and other problems in the Coast Guard's \$24 billion modernization effort, known as Deepwater, has created a credibility gap that some members of Congress say now jeopardizes the endeavor.

"The Coast Guard clearly does not understand that transparency and accountability are essential to a program of this magnitude," said Senator Olympia J. Snowe, Republican of Maine, the chairwoman of the Senate panel that oversees the service's operations.

Ms. Snowe and other Congressional leaders said they were unaware until this past week that the Coast Guard's chief engineer, Rear Adm. Errol Brown, had written in March 2004 to the Coast Guard official in charge of the Deepwater program, Rear Adm. Patrick M. Stillman, to warn him that the design for the National Security Cutter had "significant flaws" and that construction should not begin until they were addressed.

"Importantly, several of these problems compromise the safety and viability of the hull, possibly resulting in structural failure," said the letter, a copy of which was posted on The New York Times Web site last Saturday as part of reporting on the Deepwater project.

Admiral Stillman, who has since resigned, declined to comment.

Representative Harold Rogers, Republican of Kentucky, who heads the House panel that oversees the Coast Guard budget, said the lack of full disclosure was distressing.

"Withholding information leads to poor decisions for the nation, as we are witnessing now with this cutter modernization initiative," Mr. Rogers said. Coast Guard officials said Wednesday that they have tried to keep Congress fully informed about progress on the Deepwater project, which is replacing or rebuilding almost all of the service's ships, planes and helicopters. "The Coast Guard takes very seriously its obligation to keep its authorizers and appropriators informed," a spokesman, Cmdr. Jeffrey Carter, said.

Representative Bob Filner, Democrat of California, said the shortcomings in the Deepwater program are so severe that the contract should be terminated. Two military contractors, Lockheed Martin and Northrop



Nicole LaCour Young for The New York Times

The Bertholf, the first of the Coast Guard's National Security Cutters.

Grumman, were hired in 2002 to design the ships, build them and oversee most of the other project details.

"This has now threatened our national security," said Mr. Filner, the ranking Democrat on the House panel that oversees the Coast Guard. "After four years and billions of dollars, we have nothing to show for it."

A spokeswoman for Lockheed and Northrop declined to comment.

The uproar over the National Security Cutter follows the suspension of two earlier projects under the Deepwater modernization: a plan to renovate 49 of the Coast Guard's 110-foot patrol boats, and construction of a new class of ship called the Fast Response Cutter.

Details about the problems with the two earlier programs had been provided to Congress, but the leaders of the subcommittees that oversee the Coast Guard budget and operations said they should have also been informed, more than a year ago, that the design questions extended to the National Security Cutter.

Construction of the first new National Security Cutter, a 425-foot vessel slated to be the flagship of the Coast Guard fleet, started in September 2004, before most of the issues identified by Admiral Brown were addressed, Coast Guard engineers said in interviews this month. The admiral has since retired.

Unless structural modifications are made, the ship will be susceptible to buckling of its superstructure, premature cracks in its hull and decks, and, in an extreme case, the possible failure of the hull girder, which is a ship's backbone, said Chris Cleary, a senior naval architect at the Coast Guard.

An independent analysis by Navy engineers early this year has confirmed that the ship, as designed, may be susceptible to premature fa-

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THE NEW YORK TIMES,
THURSDAY, JANUARY 4, 2007

U.S. Requiring Port Workers To Have ID's And Reviews

By ERIC LIPTON

WASHINGTON, Jan. 3 — More than 750,000 port workers will be required to have criminal background and immigration checks in an anti-terrorism program that the Homeland Security Department announced on Wednesday, and industry leaders say the effort could disrupt port traffic nationally.

Since shortly after the Sept. 11, 2001, attacks, work has been under way on a tamperproof card, the Transportation Worker Identification Credential, that workers will receive after passing the reviews.

The Homeland Security Department this week issued 469 pages of final rules for the program, which is intended to make it harder for terrorists to sneak into secure port areas.

Starting in March, workers like longshoremen and truck drivers will have to apply for the card, which will include a fingerprint and a digital photograph.

The applicants will have to prove that they are legally working in the United States. They also cannot have been convicted of any terrorism-related crimes like spying, sedition or treason, as well as other charges like murder, improper transport of hazardous materials or illegal possession or purchase of explosives.

Anyone convicted in the past seven years of a much longer list of crimes like possession of illegal firearms, bribery, arson, robbery or extortion will have to seek a waiver before obtaining a card. People involuntarily committed to mental health centers because of drug or alcohol addiction will have to prove that they have successfully completed rehabilitation.

Industry officials say the restrictions may disqualify thousands of workers, particularly truck drivers, based on estimates that a significant segment of the drivers may be working here illegally.

Union leaders have said workers with criminal records who have served their time or paid fines might lose their jobs.

"We don't want to keep people who are not a terrorist risk to be kept from doing their job," said Steve Stallone, a spokesman for the International Longshore and Warehouse Union.

Kip Hawley, assistant secretary of the Transportation Security Administration, said in an interview Wednesday that he was confident that the effects would be modest. Drivers of trucks carrying hazardous materials have similar back-

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ground checks, with 1 percent disqualified, Mr. Hawley said.

"We do not anticipate this will be a huge issue," he added.

The government has expanded the appeals process so workers with criminal histories can present their cases to an administrative law judge.

The cards will first be issued at a few ports and then expand over 18 months until they cover the nation's estimated 770,000 maritime workers.

Applicants will have to pay up to \$159 for the card, which will be good for five years. Over all, the government estimates that the program will cost \$1.8 billion over the next decade, factoring in related costs like paying escorts required for people without cards who need to enter secure port areas.

THE WALL STREET JOURNAL
TUESDAY, DECEMBER 5, 2006

Shipper APL Adapts Fuel Use For California Ports

By DANIEL MACHALABA

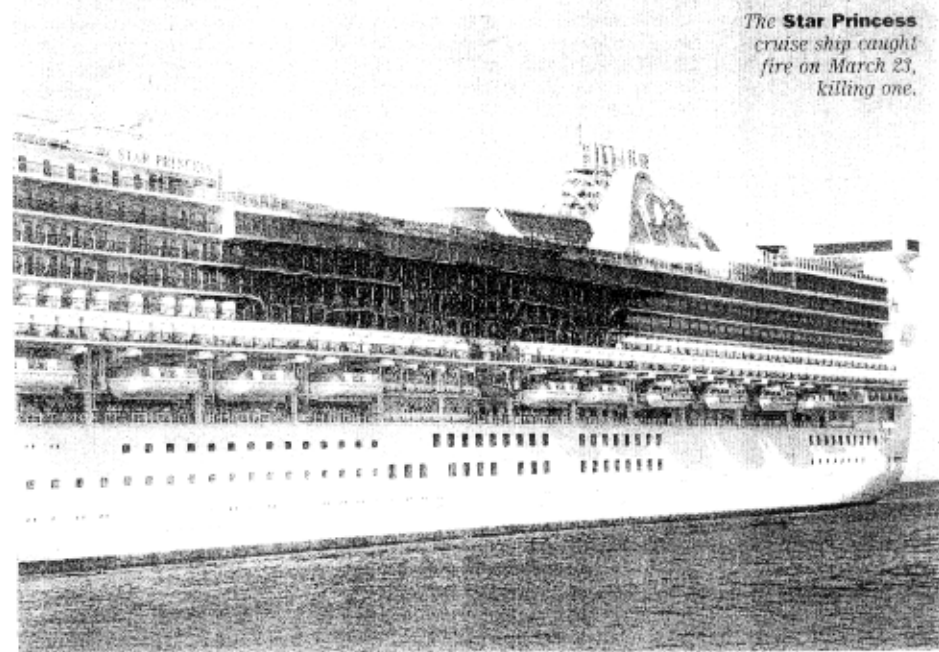
Container-shipping company APL said it has begun using cleaner-burning, low-sulfur diesel fuel when its ships are in California ports and is preparing to test engine technologies that could further cut pollution from its ships.

The moves by the unit of Singapore-based Neptune Orient Lines Ltd. appear aimed at getting APL out in front of new antipollution measures being adopted by the ports of Los Angeles and Long Beach, Calif. The two largest container-shipping ports in the U.S. by volume are implementing a harborwide plan to reduce emissions 45% to 55% over the next five years. Fierce environmental and community opposition to increased pollution from the ports has slowed or stalled expansion of docks, terminals, roads and rail lines to keep up with the onslaught of cargo from Asia.

APL said it has started using low-sulfur diesel fuel in the auxiliary engines of its 23 ships that regularly dock in Los Angeles and Oakland, Calif. Auxiliary engines provide power to ships when they are in port. APL also plans a three-year, \$1.3 million demonstration project on one of its ships to test new emission-cutting technologies. "We have a responsibility to address the impact we have on the environment," said John Bowe, president of APL in the Americas.

The comprehensive plan by the two big ports could cost about \$2 billion, and require using lower-sulfur fuels on ocean-going vessels and vessel-speed reductions to cut down on emissions. The most costly part of the plan is the replacement of about 16,000 older polluting trucks that frequently call at the ports to pick up or drop off containers. So far, the ports have lined up only a small share of the \$2 billion.

While APL says its vessels are using cleaner-burning diesel fuel while docked in California, the antipollution plan for the ports of Los Angeles and Long Beach would require ships at dock to eventually plug into special electrical systems rather than run their diesel engines.



The **Star Princess** cruise ship caught fire on March 23, killing one.

Cruise Lines Scramble To Replace Fire Hazard

Deadly Blaze Exposed Danger Of Plastic Balcony Partitions Used on Dozens of Ships

By STEPHANIE CHEN

SHORTLY AFTER 3 A.M. on March 23, a loud alarm jolted passengers and crew on the *Star Princess* cruise ship as it was heading to Jamaica from Grand Cayman. The emergency: a raging fire that took 1½ hours to extinguish, spread to five decks and damaged or destroyed 283 cabins. Richard Lifford of Locust Grove, Ga., on a getaway to celebrate his 72nd birthday, was killed by smoke inhalation, and 13 other people were injured, according to

the Marine Accident Investigation Branch, a British agency investigating the fire.

While a cigarette is believed to be the likeliest cause of the fire, it spread because the partitions used for balconies on the ship were made of plastic that burns easily and produces thick, black smoke.

Before the blaze, cruise lines liked the material because it is durable and lightweight, helping them satisfy growing demand from passengers for cabins with a balcony view.

Since the *Star Princess* fire, though, cruise companies have begun scrambling to replace as many as 80,000 plastic balcony dividers, which industry officials now acknowledge poses greater risks than previously thought. "It fell under our radar screen and the experts throughout the world," says Ted Thompson, executive vice president of the International Council of Cruise Lines, a trade group that is encouraging its members to make the changes.

The affected cruise lines include large operators such as *Royal Caribbean Cruises Ltd.*, *Carnival Corp.*'s *Carnival Cruise Lines*, *Princess*

Cruises and *Holland America Line* units, and *Walt Disney Co.*'s *Disney Cruise Line*, with a total of 36 ships being fixed. The 2,600-passenger *Star Princess*, for example, returned to service in May with aluminum balcony partitions. Most of the replacement work is expected to be done by next year. "Our goal is to make sure we have the highest level of fire protection on board our ships," says Julie Benson, a spokeswoman for *Princess Cruises*.

The overhauls, likely to cost cruise lines tens of millions of dollars, deepen the woes facing the cruise industry, which is having its most challenging season since 2003, when Iraq war fears and post-9/11 jitters hurt bookings. Recently, the industry has been hit by a series of bizarre incidents—including virus outbreaks, mysterious disappearances and even a pirate attack—that have spooked some passengers. This year, worries about hurricanes have pushed prices on *Carnival* and *Royal Caribbean* cruises lasting less than a week down by at least 10%, *Timothy Conder*, an analyst at *A.G. Edwards & Sons Inc.*, calculated in a report last month. For 2006, cruise-ship passenger volume in North America is expected to rise 5%, the smallest increase since 2001, according to *Cruise Lines International Association*.

Travel agents and cruise lines insist the *Star Princess* fire and industrywide balcony problems haven't caused passengers to cancel or postpone trips. Cabins with balconies still are highly popular and often sell out far in advance, says *Anita LaScala*, vice president of *CruiseBrokers.com*, a Tampa, Fla., travel agency specializing in cruises. The *Star Princess* incident is the only balcony-related fire so far, according to the *ICCL*.

"We are more concerned about hurricanes," says *Shelli Friedman*, 39, of *Oak Park, Calif.*, whose family took a week-long cruise last month in the Bahamas on *Royal Caribbean's Navigator* of the Seas ship. They stayed in a balcony room.

Still, it's obvious to passengers that life aboard a cruise ship isn't as care-free as it used to be. Because balconies usually can't be reached by sprinklers that are required for ship interiors, *Princess* now is stationing two crew members on each side of its ships for a 24-hour-a-day "fire safety watch" of balconies. Some cruise lines have replaced plastic balcony furniture with items made of aluminum.

Carnival has told housekeepers to remove any clothing and towels from balconies so they can't be accidentally set on fire by cigarettes, says spokeswoman *Jennifer de la Cruz*. The cruise line also

Cruise Safety Tips

- Don't leave towels or clothing outside.
- Don't throw any items overboard.
- Review emergency exits and response procedures.
- Don't bring electrical heating coils, candles or mug warmers.
- Report any illegal usage or fire hazards to crew.

banned candles and mug warmers.

Oceania Cruises, with three 684-passenger ships, imposed a zero-tolerance policy on smoking in balconies and cabins the day after the *Star Princess* fire, says *Tim Ruback*, a company spokesman. Before boarding, passengers are told that anyone caught smoking away from a section of the pool deck or corner of the observation lounge will be dropped off at the next port of call. No one has been expelled yet, he says.

Stephen Prisco, 45, of *Wilton, Conn.*, who took his 65th cruise in June, says he now is more conscious of where he smokes while onboard, making sure his cigarette is out completely before throwing away the butt and never tossing it overboard.

The plastic used in the balconies, called polycarbonate, is highly flammable because, like most plastics, it's derived from crude oil, says *Tom Chapin*, general manager for the North American fire and safety sector at *Underwriters*

New Balconies

Here are some of the cruise lines and the number of ships that need flammable balcony dividers replaced:

<i>Princess Cruise Lines</i>	13
<i>Holland American Lines</i>	10
<i>Carnival Cruise Lines</i>	8
<i>Royal Caribbean International</i>	3
<i>Oceania Cruises</i>	3
<i>Disney Cruise Lines</i>	2

Source: the companies

Laboratories Inc., a product-safety testing-and-certification organization. The composition causes the material to melt quickly into liquid form and accelerate the burning process, he says.

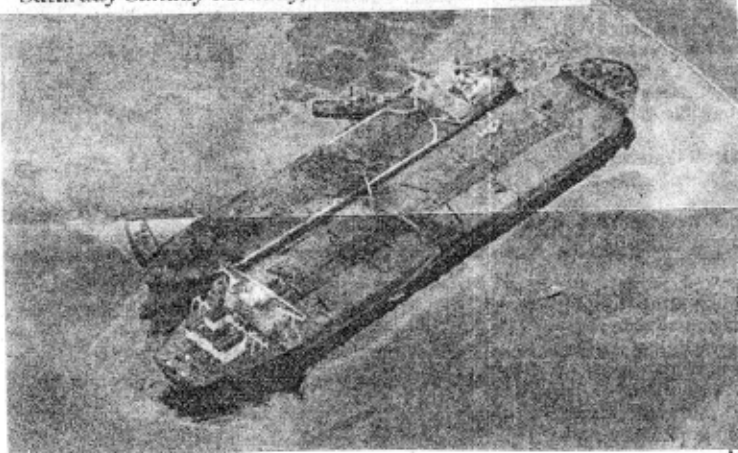
The balcony-replacement push under way isn't required, so not every cruise-ship operator is ripping out its old balcony dividers. The *International Convention for the Safety of Life at Sea*, a maritime treaty, includes no provisions

C,t,d on p. 7

Exxon's fine for Valdez halved

International Herald Tribune

Saturday-Sunday-Monday, December 23-24-25, 2006



The Associated Press

The ruling was the third time that Exxon had its \$5 billion jury award reduced for the 1989 wreck of the Valdez oil tanker along the Alaska coastline.

The Associated Press

SAN FRANCISCO: A federal appeals court on Friday cut in half a \$5 billion jury award for punitive damages against Exxon Mobil in the 1989 Valdez oil spill that smeared black goo across roughly 1,500 miles of Alaskan coastline.

The case, one of the U.S.'s longest-running, non-criminal legal disputes, stems from a 1994 decision by an Anchorage jury to award the punitive damages to 34,000 fishermen and other Alaskans.

Their property and livelihoods were harmed when the Valdez oil tanker struck a charted reef, spilled 11 million gallons of crude oil.

It is the third time the appeals court ordered the Anchorage court to reduce the \$5 billion award, the U.S.'s largest at the time, saying that it was unconstitutionally excessive in light of U.S. Supreme Court precedent.

This time, in its 2-1 decision, the court ordered a specific amount in damages, while its previous rulings demanded a lower court to come up with its own figures.

"It is time for this protracted litigation to end," the court said.

U.S. District Judge H. Russel Holland of Anchorage begrudgingly complied in 2002, reducing damages to \$4 billion. Exxon, which is based in Irving, Texas, again appealed.

The following year, the appeals

court ordered Holland to revisit his decision, this time balancing it against a new 2003 Supreme Court ruling that said punitive damages usually could not be more than nine times general damages.

The Anchorage jury awarded \$287 million in general damages — and issued punitive damages that were 17 times that amount.

Holland, appointed by President Ronald Reagan in 1984, declared Exxon's conduct "reprehensible" and set the figure at \$4.5 billion plus interest, ruling that the Supreme Court's precedent did not directly apply to the case.

Exxon again appealed, and argued that it should have to pay no more than \$25 million in punitive damages, which are meant to punish a company for misconduct.

The company, whose \$36.1 billion in earnings last year were the highest ever by any U.S. corporation, said it has spent more than \$3 billion to settle federal and state lawsuits and to clean the Prince William Sound area.

The company earned about \$5 billion a year when the spill occurred.

In October, Exxon Mobil reported earnings of \$10.49 billion in the third quarter, among the largest quarterly profits ever recorded by a publicly traded U.S. company.

International Herald Tribune

Saturday-Sunday-Monday, December 23-24-25, 2006

"Cruise Lines Scare" C't'd from p.6

regulating fire safety on the external areas of ships. Mandatory sprinklers and alarms and restrictions on using combustible materials apply only to ship interiors.

In April, the U.S. Coast Guard issued a statement criticizing the treaty as failing to adequately address external fire protection. The federal agency also encouraged cruise lines to replace their balcony partitions made of polycarbonate plastic.

Royal Caribbean is spending \$1.5 million on three ships to replace plastic balcony dividers with glass and aluminum. The work will be finished by the end of the year, says company spokesman Michael Sheehan. Holland America Line has finished retrofitting balconies on its Maasdam and Ryndam ships, according

to Rose Abello, a Holland America spokeswoman.

In May, the maritime-safety committee of the International Maritime Organization, a United Nations agency, approved draft treaty changes that would extend fire-safety rules on ship interiors to balconies and other exterior areas. Final approval is expected in November. The changes likely would include mandatory replacement of all plastic balcony partitions.

But relatives of Mr. Liffbridge, the passenger killed in the March fire, say more needs to be done. "We're campaigning to have smoking banned on all cruise ships," says daughter Lynnette Hudson, who has formed a cruise-ship fire safety awareness group. The family is also planning to file a wrongful death lawsuit. Says Ms. Hudson: "This should have never happened."

Submarine Incident With U.S. Stirs Anxiety About China's Navy

THE WALL STREET JOURNAL.

By GORDON FAIRCLOUGH

WEDNESDAY, NOVEMBER 15, 2006

SHANGHAI—A Chinese submarine came close to a U.S. aircraft carrier during exercises in the Pacific Ocean last month, in an episode that could have escalated into an "unforeseen" incident, a senior U.S. Navy officer said.

The encounter between the submarine and the USS Kitty Hawk, which the Defense Department hadn't previously disclosed, highlights growing concern in the U.S. and among China's Asian neighbors about China's rapidly expanding navy and the potential change in the region's balance of power.

The commander of U.S. forces in the Pacific, Adm. William Fallon, who has championed efforts to improve ties between the U.S. and Chinese militaries, confirmed the incident yesterday, although he declined to give details. The event was reported in Monday's Washington Times.

A spokeswoman for China's foreign ministry, Jiang Yu, said she was unaware of any incident.

China's expanding armed forces have become more assertive in recent years. Tokyo says it has scrambled fighters

more than 100 times this year to intercept suspected Chinese spy planes. China's submarine activity also has picked up in the waters near Taiwan.

China's growing military strength and American doubts about its intentions have fueled a sharp debate among U.S. policy makers about the nature and extent of the potential threat posed by Beijing—and how the U.S. should handle it.

Defense Secretary Donald Rumsfeld and other civilians at the Pentagon have argued that China's buildup already has shifted the military balance in Asia. Washington has begun increasing its own military presence in the Pacific. The U.S. plans to station another aircraft-carrier battle group in the region during the next couple of years.

But some top U.S. officers, such as Adm. Fallon, argue it will be a long time before China is a genuine threat. These officers say engaging China now—and building stronger ties between the two sides' militaries—could help prevent future problems or misunderstandings. A step in that direction, Adm. Fallon said, is a search-and-rescue drill involving the U.S. and Chinese navies set for Sunday.

"Design Flaws" C't'd. from p.5

tique cracking, although top Coast Guard officials said they had been assured that the problems would not present a safety hazard for the ship, which is to start sailing next year.

Coast Guard officials in the last year did tell some Congressional committees that the service was addressing contractual issues with Northrop that might require additional work to the first ship, staff members on the House and Senate committees said.

During a June 2006 hearing on the Deepwater program, the Coast Guard commandant, Adm. Thad Allen, briefly mentioned the difficulties, telling a House panel that "there are some technical issues associated

with the construction that we will address in subsequent hulls."

The Coast Guard intends to reinforce the first two versions of the National Security Cutter and to change the design of the remaining six versions, a plan it notified Congress of last week. The service has not disclosed how much the repairs to the first two ships will cost or who will be responsible for the bill.

Coast Guard leaders said in interviews that any new class of ship has design challenges that must be resolved. Given that the start of the National Security Cutter construction had already been planned in 2004 — and that any delays would add to the ship's cost — they decided to allow the first ship to be built, while continuing to investigate their engineers' reports of design flaws.

"Billions Later" C't'd from p.4

engineer who has worked for Northrop and the Coast Guard on the project. "It is the worst contract arrangement I've seen in all my 20 plus years in naval engineering."

Insufficient oversight by the Coast Guard resulted in the service buying some equipment it did not want and

ignoring repeated warnings from its own engineers that the boats and ships were poorly designed and perhaps unsafe, the agency acknowledged. The Deepwater program's few Congressional skeptics were outmatched by lawmakers who became enthusiastic supporters, mobilized by an aggressive lobbying campaign financed by Lockheed and Northrop.

GREENWICH: CRUISE LINE SETTLEMENT A cruise ship line has agreed to pay more than \$1 million to the estate of a Connecticut man who vanished from his honeymoon cruise in the Mediterranean in 2005, according to court papers. The cruise line, Royal Caribbean Cruises, will pay \$950,000 to the estate of the man, George Allen Smith IV, and reimburse his widow, Jennifer Hagel Smith, for legal costs up to \$110,000, according to papers filed in Greenwich Probate Court. The body of Mr. Smith, 26, of Greenwich, has never been found. (AP)

What a drag

With bunker fuel rates climbing more than 17 percent in the past three months a vessel operator has to have efficient ships. That's why having dead whales as bow ornaments is not a good idea — it cuts into that all-important knots-per-gallon.

But how long should it take a crew to realize its vessel is plodding, rather than cutting, through the sea?

Apparently a day or two for the crew of Mediterranean Shipping Co.'s *Johannesburg*, which impaled a 35-foot endangered sei whale on the stabilizing bulb that juts out from the bow and, dragged the carcass through the Atlantic Ocean and up the Chesapeake Bay on its journey from Boston to Baltimore.

The crew finally discovered it was carrying extra cargo when the vessel dropped anchor to wait for a berth, according to the *Baltimore Sun*. At the Seagirt Marine Terminal, tugboats with ropes pulled the 17,000-pound mammal off the vessel's bow. It was then lifted onto a flatbed truck and driven to a landfill, where it was dragged off the truck by bulldozers with chains.

The incident could have some reverberations for carriers and shippers. Accidental whale killings have led environmentalists to push for shipping lanes to be moved out of critical habitat waters. And the National Oceanic and Atmospheric Administration is expected this summer to propose speed limits of 10 to 14 knots for vessels traveling within a designated port zone.

Depending on how far the safety cone is extended, the rules could slow delivery and receipt of cargo. (Eric Kulisch)

AMERICAN SHIPPER: JUNE 2006

Piloting without a map

Imagine telling pilots to fly airplanes into Denver, but not giving them accurate maps that show how tall the surrounding mountains are. Sounds nutty, but William O. Gray, a maritime consultant who once managed Exxon's oil tanker fleet, said an analogous situation exists today for mariners. Gray is on an advisory board to a branch of the National Oceanic and Atmospheric Administration, and he complains the agency hasn't been getting enough cash for hydrological surveys for years.

More than a decade ago, the government identified 43,000 square miles of navigationally critical coastal waters that need to be charted with modern technology, and he said the job is still only half done. It isn't all nice muddy goo in the Gulf of Mexico. He said there are rocky coastal waters in Alaska plied by cruise ships that need mapping. He doesn't hold out much hope for increased funding in the coming year.

There is a similar problem with ship channels around the country that are maintained by the Army Corps of Engineers but which Gray said could benefit from better surveying with more modern equipment.

As an example of what can go wrong when channel depth isn't correctly recorded charts, he points to a 2004 oil spill by the tanker *Athos I* in the Delaware River, which he said was caused when the ship's hull was punctured by debris in the channel. The cost of the spill was \$240 million.

Projects like these and NOAA's Physical Oceanographic Real Time System — souped up tidal gauges — could be a boon to safety if they were installed in more ports. But they probably won't get more funding in the coming year. (Chris Dupin)

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