FLEET/SAFETY LETTER 05075.GEN

RE: BEGINNING OF THE YEAR SAFETY LETTER

As we leave 2004 behind and enter 2005, we would like to wish everyone a happy and healthy New Year! We would also like to take a moment to extend our deepest condolences to all those who are suffering from losses, whether they be human or otherwise, in the wake of the recent South East Asian tsunami. It is easy to sit in a part of the world that was not affected and put words to paper. However, in a sense, the catastrophic events affect us all and we must not forget to appreciate what we do have while we have them.

Moving on, the registry topped 600 vessels on the registry during the year, adjusting to 590 at year end, and we continue to focus our attention on operating a quality and safety conscious registry.

Over the Past Year -- 2004:

- Port State Control detentions of Vanuatu vessels remain low, albeit higher than we would like.
- Safety inspections increased 13% from 2003 levels.
- We have signed 87 agreements under STCW 95 to recognize, by endorsement, certificates issued by other administrations.
- We have again been audited to ISO 9001-2000 standards with no nonconformities.
- The number of natural cause and injury related deaths increased over last year: there were 14 in 2004 and 10 in 2003.
- The registry lost 3 fishing vessels, 1 derrick barge, 1 offshore supply vessel, and 1 MODU during the year as the result of groundings, fires, or capsizing.
- False EPIRB alerts decreased but remain a concern. Unidentified alerts continue to plague the registry.
- We moved through the ISPS deadline virtually without problem, although we did have 5 minor security related incidents.

Looking Ahead:

Registry News and Reminders

- Vanuatu will be exhibiting at the Connecticut Maritime Association's "Shipping 2005" in March and the Offshore Technology Conference (OTC) this May.
- A processing fee for false EPIRB alerts will continue to be assessed.
- Annual tonnage taxes are due no later than March 31, 2005.
- Report of Ship's Officers (Form A7) must be submitted no later than January 31, 2005.

- Vanuatu vessels are subject to safety inspections at any time. Vessels may be boarded at any time by any flag state or port state authority.
- Owners must notify us immediately if vessels are detained or are alleged to have violated IMO Routeing Schemes, Collision Regulations, ITU Radio Regulations, or fishing treaties or conventions. Casualties, injuries, deaths, groundings and oil spills must be reported in accordance with Chapter 7 of the Maritime Regulations.
- Each vessel must have a Minimum Safe Manning Certificate. For self-propelled vessels these must be updated if they do not already address GMDSS or STCW 95 requirements. All deck officers on GMDSS equipped vessels must have General Operator's (or higher) Certificates.
- All ISPS "mandatory" vessels must now hold valid ISSCs and have CSRs.

Regulatory Updates

The Safety of Life at Sea Convention (SOLAS), the International Convention for the Prevention of Pollution from Ships (MARPOL) and the International Load Line Convention have been updated.

SOLAS

Chapter III, Regulation 19, now requires that each lifeboat, other than free-fall types, shall be launched without its assigned operating crew but maneuvered in the water with the crew. Regulation 20 now gives more detail on operational readiness, maintenance and inspections. Regulation 32 requires immersion suits for every person on board and any watch or work stations which are located remotely: the requirement for thermal protective aids is deleted. Date of entry into force is 1 July 2006.

Chapter IV, Regulation 15, amended the annual EPIRB maintenance requirement from "frequency stability, signal strength and coding" to "emission of operational frequencies, coding and registration". Date of entry into force is 1 July 2006.

Chapter V, Regulation 33, includes a new paragraph 1-1 regarding a master's treatment of rescued survivors and obligation of contracting government. Date of entry into force is 1 July 2006.

Chapter XII includes new requirements for ingress water systems for bulk carriers regardless of vessel construction date. Deadline 1 January 2005.

Chapter XII also requires the installation of a pumping system and drainage for dry space bilges and ballast tanks forward of the collision bulkhead.

The Maritime Transportation Security Act of the United States is closely linked to the ISPS Code now in force, but the US Act applies to both US and foreign vessels (minimum 100 gt) calling in US ports.

A revised Chapter II-1, Parts A, B and B-1, was to have been submitted with a proposal for adoption mid year, covering damage stability requirements.

MSC/Circ.1114 was issued for periodic testing of immersion suits and anti-exposure suits. MSC/Circ.1115 was issued for prevention of accidents in high free-fall launching of lifeboats and was in force as of 24 May 2004

Vessels of 300 gt to 5000 gt must be equipped with AIS as of 31 December 2004.

Finally, the IMO's Maritime Safety Committee has proposed adopting the following timeline for VDR, or S-VDR, implementation:

- Cargo Ships of 20,000 gt and greater built before 1 July 2002, at the first scheduled dry-docking after 1July 2006 but not later than 1 July 2009.
- Cargo Ships of 3000 gt but less than 20,000 gt constructed before 1 July 2002, at the first scheduled dry-docking after 1 July 2007 but not later than 1 July 2010.
- Ships that will be permanently out of service within 2 years after the implementation specified are allowed to apply for exemption from the Administration

Fishing Vessel Safety Code

A revised Code has been finalized and all fishing vessels are encouraged to carry it as quidance.

MARPOL

A revised Annex I was adopted and is expected to enter into force on 1 January 2007 with the inclusion of revised Regulations 22 and 23.

A revised Annex II was also adopted and is expected to enter into force 1 January 2005 with the inclusion of a new 4 category system for noxious and liquid substances.

The new regulations for the Prevention of Air Pollution from Ships, contained in MARPOL Annex VI, will enter into force on 19 May 2005 highlighting SOx and NOx emissions control.

Load lines

New rules went into force on 1 January 2005, specifically to Annex B of the 1988 Load Lines Protocol and include revisions to strength and intact stability of ships, superstructure and bulkheads, hatch coamings and covers amongst numerous other items.

Also entering into force on 1 January 2005 are amendments to the enhanced program of inspection during surveys of bulk carriers and oil tankers (Resolution A.744(18)).

Included is a new Appendix 3 to Annex 12 of Annex B to the guidelines relating to the sampling method of thickness measurements for longitudinal strength evaluation and repair methods.

Other Items of Note

The European Union (EU) instituted a regulation that required fire protection and fire extinguishing systems containing Halon to be decommissioned before 31 December 2003 on all EU flagged vessels. Vanuatu requires that no new installations be allowed and strongly recommends that vessels with Halon systems on board seek to replace the Halon systems with alternative fire extinguishing systems.

There were 3 casualties this year involving crane, cargo or flare booms, two on MODUs and one on a fishing vessel, resulting in 4 fatalities. One MODU flare boom fell overboard carrying along with it 3 persons, 2 of whom were killed. On another MODU, a crane boom fell during an unsuccessful test: luckily no one was injured. A fishing vessel cargo boom fell killing 2 crew members instantly. Booms should be tested annually and their SWL clearly posted. In addition, please note that any change to the structure of the boom, including its rigging, affects the boom's SWL and should be reviewed by a structural design firm or the manufacturer prior to installation.

A reminder to all vessel owners and seafarer document applicants: there are significant consequences if licensed mariners are found without Vanuatu endorsements onboard Vanuatu vessels. These can range from monetary penalties, to possible suspension or deletion of the vessel from the registry, to port state control intervention, detention and delay to the vessel.

I've included a complete list of EPIRB alerts in the year (see Attachment 1). EPIRB alerts can be very costly. Please take action to ensure the units are not set off unintentionally and that they are properly programmed. In addition, please ensure that you have completed and returned to this office FSL 04073.GEN, verifying that the EPIRB's assigned MMSI and Hexadecimal ID are correct.

I have taken the liberty of enclosing a comparison of incidents, other than casualties occurring over the last few years (see Attachment 2). Note the increased number of incidents in 2004 over 2003, a number of which were oil spills or leaks.

Lastly, I am enclosing a comparison of our fleet safety statistics (Attachment 3) for the last several years. Please review them and note where improvements need to be made.

Happy New Year!

Donald J. Sheetz Executive Vice President

Website: <u>www.vanuatuships.com</u>

ATTACHMENT 1

FALSE EPIRB ALERTS 2004:

EPIRB	VESSEL NAME	EPIRB	VESSEL NAME
ALERT		ALERT	
04EPIRB001 04EPIRB002 04EPIRB003 04EPIRB004 04EPIRB005 04EPIRB006 04EPIRB007 04EPIRB008 04EPIRB009 04EPIRB010 04EPIRB011 04EPIRB011 04EPIRB013 04EPIRB014 04EPIRB015 04EPIRB015 04EPIRB016 04EPIRB017	UNKNOWN OIL TRACER GSF RIG 127 PALMAS SERVICE PACIFIC GAS RICHARD A PHILIPPI OSTERTOR KIKORI TIDE MISS FRIEDA GSF BALTIC NICO RASHIDYA SEEKER SOZIDANIE (REAL) WILLIAM R CROYLE CANYON HORIZON RED FOX C8122F3911E9C74/576	04EPIRB018 04EPIRB019 04EPIRB020 04EPIRB021 04EPIRB022 04EPIRB023 04EPIRB023 04EPIRB024 04EPIRB025 04EPIRB026 04EPIRB027 04EPIRB028 04EPIRB029 04EPIRB030 04EPIRB031 04EPIRB033 04EPIRB033	GSF ADRIATIC IV (REAL) GSF RIG 135 PRINCESS TIDE GRANDE TIDE EL ZORRO GRANDE II UNKNOWN/NOT EZGII C80DD39534017DA/5764E54DO GSF JACK RYAN PRIDE NEVADA C80D411F0C001AD/57600183371 PRIDE NEVADA MORECAMBE DIVER C80D00D83497C5/5760013837 ATLET 7 GSF PARAMESWARA SUPREME HARVEST GULF FLEET 70