

MARITIME SAFETY COMMITTEE  
87th session  
Agenda item 5

MSC 87/5/8  
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## **GOAL-BASED NEW SHIP CONSTRUCTION STANDARDS**

### **Comments on resource requirements and timing of GBS verification audits**

#### **Submitted by International Association of Classification Societies (IACS)**

#### **SUMMARY**

*Executive summary:* This document comments on resource requirements and timing of GBS verification audits submitted by the Secretariat (MSC 87/5/2), in particular on funding, implementation schedule of GBS verification audits and timing of verification of rule changes.

*Strategic direction:* 10

*High-level action:* 10.0.1

*Planned output:* 10.0.1.1

*Action to be taken:* Paragraph 15

*Related documents:* C 98/8; MSC 87/5/2 and MSC 87/5/6

#### **Introduction**

1 This document comments on resource requirements and timing of GBS verification audits as discussed in document MSC 87/5/2 (Secretariat) and is submitted in accordance with the provisions of paragraph 4.10.5 of the Guidelines on the organization and method of work of the MSC and MEPC and their subsidiary bodies (MSC-MEPC.1/Circ.2).

#### **Resource requirements for the implementation of the GBS verification scheme**

2 Unlike other companies that provide their services to the maritime community, originating from the IMO regulatory process, most classification societies are not-for-profit organizations. All income derived from services undertaken under either classification or statutory delegation is reinvested in research and development to keep the Rules at the level acceptable to society at large. Therefore, it would be incorrect to conclude that classification societies have an infinite disposable source of income to pay for the entire initial and ongoing implementation of IMO's GBS scheme.

3 It should be made clear that without a direct agreement – in effect a contract – between an Administration and a classification society no statutory work can be undertaken. In other words, a recognized organization (RO) does not exist until an Administration authorizes it; and classification society Rules become part of the statutory regime for cargo

ships only when an Administration decides to rely on these Rules by delegating the SAFCON survey and certification requirements to a classification society acting as an RO on its behalf.

4 There is no direct regulatory relationship, contractual or otherwise, between IMO and individual classification societies. If States decide to delegate to IMO the obligation to assess, at least in part, their ROs, then IMO will be providing a service under a separate contract.

5 Under the terms of such a contract, the scope of service will have to define in each case the fee that a submitter will have to pay for this service. In other words, the fee for the service cannot be a generalized figure that is not transparently derived, fully explained in each case and, if necessary, open to challenge. The fee should reflect the actual work undertaken by the IMO.

6 Moreover, with regard to the two funding options suggested in paragraph 17 of MSC 87/5/2, IACS objects in principle to Option 2. IACS believes that this option is inequitable and unfair considering the partnership that classification societies and Administrations, which recognize these organizations, almost invariably undertake in delivering the obligations that Member Governments have accepted by ratifying SOLAS. This partnership is recognized in the existing SOLAS regulation II-1/3-1 and will be further consolidated in the new SOLAS regulations and mandatory resolution that provides the five-tier GBS framework.

7 Regarding the funding of the anticipated GBS-related activities of the Secretariat, is there a precedent for such a proposal – that a non-Member of the Organization funds the staffing of the IMO Secretariat?

8 IACS would request the advice of the Director of the Legal Division on such an arrangement in the context of Article 55(b) of the IMO Convention i.e. "The Assembly shall apportion the expenses among the Members ...", noting that neither IACS nor individual classification societies are Members of the IMO.

9 IACS notes the estimation in paragraph 15 of document MSC 87/5/2 that up to 125 auditors may be needed to conduct the initial verifications. However, based on what we understand has been the IMO's experience of securing sufficient auditors for the Voluntary IMO Member State Audit Scheme (the "Audit Scheme"); IACS has significant concerns as to whether this number of suitably qualified and independent GBS verification auditors will be available in the time required.

10 For information, IACS notes after 18 months (the same period in which these GBS will enter into force after adoption) from the adoption of the "Audit Scheme" framework by resolution A.974(24); only 87 auditors had been nominated for inclusion in the roster of auditors – and not all of these had been through the Organization's auditors training course (paragraph 8 of C 98/8, Progress report on the implementation of the Audit Scheme).

### **Timing of GBS verification audits**

11 As mentioned in paragraphs 22 to 27 of document MSC 87/5/2, IACS fully recognizes the very challenging implementation schedule that the IMO faces (especially when recognizing the imperative of avoiding unfair competitive advantages being afforded to classification societies having their Rules considered before/after others). However, IACS would seek clarification as to the legal basis for audits to commence before the SOLAS regulations have entered into force (1 January 2012).

12 With regard to paragraph 25.2 of document MSC 87/5/2, IACS would request clarification that "combined" audits will only be undertaken with the consent of all the submitters involved; and that there would be an appropriate reduction in the verification fee.

13 In this connection, IACS understands the objective of considering the submission of a group of individual rule sets which are based on the IACS Common Structural Rules (CSR), of which large amounts of text will be the same, as means for both IMO and ROs of avoiding unnecessary duplication of work and saving time and money.

14 However, and notwithstanding the comments in document MSC 87/5/6 (IACS) regarding the development of IACS Harmonized Structural Rules (HSR), IACS would remind the Committee that each RO has to be treated individually from both a technical and financial viewpoint since the individual societies are appointed as ROs; not IACS or a grouping of classification societies. CSR is owned by individual societies, not IACS. Therefore, individual societies will present their individual Rules. Therefore, IACS proposes that this topic should be considered in conjunction with the proposal by the Secretariat in paragraph 25 of document MSC 87/5/2. Moreover, if such a proposal is accepted, IACS requests that the Working Group on GBS, which is expected to be established at MSC 87, be invited to consider in detail the aspects of the verification process if the submitter is a "group of individual ROs".

#### **Action requested of the Committee**

15 The Committee is invited to consider the comments provided above and take action as appropriate.

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