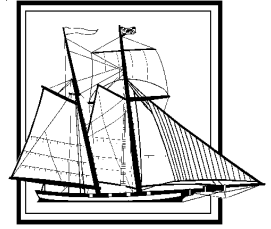


2006
3rd & 4th Quarters

THE CLIPPER

Corbett & Holt LLC, Gallagher Marine Systems Inc., Marispond Inc.

... Full-service technical support to the international maritime industry.



A MESSAGE FROM THE PRESIDENT...

I am pleased to present this edition of *The Clipper*, our second of 2006. We hope that you find the articles both informative and interesting. As always, we offer the Clipper to our readers with two goals. We want to provide you with timely and accurate information on current issues that affect our industry and keep you abreast of staff and services developments here at GMS.

The Regulatory Update in this *Clipper* focuses on recent changes in Washington State requirements affecting oil transfers. We also feature articles on Shipboard Environmental Compliance and Ballast Water Management, global issues that are receiving increasing regulatory scrutiny and tough enforcement. Other highlights of this edition include profiles of two of our excellent Plans Coordinators, Jenifer Cudrak (nee Collins) of our Nontanker group and Jennifer Reid of our Tanker group.

On another note, the winter holidays are rapidly approaching. Here at GMS, however, we measure these months by a different calendar. For us, this is the time of year known internally as "Drills Season". And although we are traveling worldwide conducting drills throughout the year, the majority of drills always seem to take place in the September through December timeframe as the 31 December deadline for completion of USCG and California drill requirements approaches. Since September, we have traveled to Japan, Korea, Singapore, Taipei, Hong Kong, and Greece conducting drills and client seminars and an intensive schedule is planned throughout the rest of "Drills Season" 2006. Although the pace can be hectic, we are grateful for the opportunity afforded us to meet personally with so many of our clients.

Please let us know if there is a particular topic or issue that you would like to see addressed in future issues of the Clipper. We welcome your questions or comments and look forward to being of continued service.

Sincerely,
David Barry

MAKE SURE YOU ARE ON OUR ELECTRONIC DISTRIBUTION LIST!

This is the last issue of *The Clipper* that will be sent by regular post. **Future editions of *The Clipper* will be sent out through email only!** Publishing our newsletter electronically will ensure that the newsletter reaches all recipients in a timely and efficient way. If you are on our Client Advisory list, you will automatically receive *The Clipper* by email. (If you are already on our electronic mailing list, you will continue to receive *The Clipper* by email.)

If you would like to add an email address or confirm that an email address is on our distribution list, please contact us at info@chgms.com

IN THIS ISSUE...

Regulatory Updates.....	Page 2
CA Increases Enforcement.....	Page 3
Plans Department News & Reminders	Page 3
Drills & Training Update.....	Page 4
Ballast Water Management Plans.....	Page 4
Environmental Compliance Program.....	Page 5
Shipboard Training & Inspections.....	Page 5
Introducing.....	Page 6

REGULATORY UPDATES

WASHINGTON

Contingency Plans

The Washington State Department of Ecology Spill Prevention, Preparedness, and Response Program has amended and consolidated existing vessel and facility oil spill contingency plan requirements into one rule. Specifically, these rules are Chapter 173-181 Washington Administrative Code (WAC), Facility Contingency Plan and Response Contractor Standards, and Chapter 317-10 WAC, Vessel Contingency Plan and Response Contractor Standard. The new rules have several effective dates depending upon the specific operation. We will continue to keep clients up-to-date with our client advisory program. To date Advisories 07-06 and 10-06 have been issued on this topic.

Oil Transfers

Starting in October 2007, booming of a vessel before an oil transfer occurs (pre-booming) will be the normal condition for transfers under the new rules. The burden for arranging for pre-booming during an oil transfer operation rests with the delivering unit. In other words, if a ship is loading at a facility, the facility must arrange for pre-booming. If the ship is discharging to a facility, the ship has the responsibility to arrange for pre-booming. Pre-booming, however, is not done under all conditions—or with all products being transferred. If it is determined that pre-booming would be neither safe, nor effective under existing conditions, the alternate compliance rules in the new regulations would come into effect. Alternate compliance is similar to, but not exactly the same as, the Federal AMPD coverage. The State of Washington has yet to come to grips with the simple fact that a vessel can be both a deliverer and a receiver on the same voyage at the same facility (e.g., deliver crude, receive product).

Oil Transfer Facilities (fixed and floating) will still follow the Federal requirements with respect to AMPD coverage; but, will most likely only provide pre-booming when they are delivering oil to a vessel.

CALIFORNIA

Air Quality

The California Air Resources Board (CARB) have proposed regulations (found on the Internet at <http://www.arb.ca.gov/regact/marine2005/marine2005.htm>) for auxiliary diesel engines and diesel-electric engines operated on ocean-going vessels within California waters and out to 24 nautical miles of the California baseline. The new rules are anticipated to be effective 1 January 2007. The regulations will require the use

of cleaner marine distillate fuels or equivalent emission controls and have recordkeeping, reporting, and monitoring requirements.

These rules will be effective for vessels that meet at least one of the following criteria:

- ◆ A vessel with a “registry” (foreign trade) endorsement on its United States Coast Guard certificate of documentation, or a vessel that is registered under the flag of a country other than the United States;
- ◆ A vessel greater than or equal to 400 feet in length overall (LOA) as defined in 50 CFR § 679.2, as adopted June 19, 1996;
- ◆ A vessel greater than or equal to 10,000 gross tons (GT ITC) per the convention measurement (international system) as defined in 46 CFR 69.51-.61, as adopted September 12, 1989; or
- ◆ A vessel propelled by a marine compression ignition engine with a per cylinder displacement of greater than or equal to 30 liters.

Fuels Complying with the Requirements

Effective Date: January 1, 2007 (Anticipated)

Fuels: Marine gas oil (DMA*); or
Marine diesel oil (DMB*) at or below 0.5% sulfur

Effective Date: January 1, 2010

Fuels: Marine gas oil (DMA*) at or below 0.1% sulfur**

* DMA and DMB are marine grades of fuel as defined in Table I of International Standard ISO 8217.

** This standard will become effective in 2010, pending the results of a feasibility study.

Vessel owner/operators can comply with the regulation by paying a noncompliance fee under the following circumstances:

- ◆ Unplanned redirection to a California port;
- ◆ Inability to purchase complying fuel;
- ◆ Inadvertent purchase of defective fuel; or
- ◆ Inability to schedule vessel modifications in time for compliance.

The Noncompliance Fee Schedule follows:

<u>California Port Visits</u>	<u>Diesel-Electric Vessels</u>	<u>Other Vessels</u>
1st Port Visited	\$32,500	\$13,000
2nd Port Visited	\$65,000	\$26,000
3rd Port Visited	\$97,500	\$39,000
4th Port Visited	\$130,000	\$52,000
5th or more Port Visited	\$162,000	\$65,000

CALIFORNIA INCREASES ENFORCEMENT OF DRILLS & EXERCISES

In recent months, the State of California's Department of Fish & Game, Office of Spill Prevention and Response (CA OSPR) researched its inventory of drills and exercises and has found many planholders to be out of compliance because they have not conducted all of the required drills set forth in the California Code of Regulations. In response to their findings, the CA OSPR issued several warning letters to planholders who have not been completing all of their drills. The letters are not indicative of any penalties or fines that have already been assessed; however, the letters do set compliance dates allowing companies an opportunity to conduct the required drills without penalty. If these planholders do not fulfill these requirements, it is likely that they will receive a penalty.

Gallagher Marine Systems (GMS) strongly encourages all California planholders to remain in compliance with the California requirements by conducting all of the necessary drills and exercises set forth in California Code of Regulations, Title 14, sections 827 and 820. The CA OSPR has taken a very aggressive stance on drills and exercises. If a planholder is found to be out of compliance, they could be subject to various fines and/or plan revocation.

The following are all drills and exercises that must be conducted annually to satisfy your plan requirements:

- Conduct a Qualified Individual Notification Drill quarterly, or 72 hours prior to entering California waters,

whichever is less frequent.

- Conduct a Shipboard Emergency Drill quarterly, or 72 hours prior to entering California waters, whichever is less frequent. (One of these must utilize the on-board 7 barrel spill kit.)
- Conduct the annual Table Top Exercise with the GMS Spill Management Team. (California has found that this drill has been most commonly neglected.)

For more information about these drills and California's drill requirements, please contact GMS at info@chgms.com or by calling +1 856 642 2091.

PLANS DEPARTMENT NEWS & REMINDERS

New Questionnaires

All of the plan questionnaires were recently reviewed and updated. If you would like copies of the new questionnaires, please contact us at info@chgms.com.

Alaska NT Plans

The Alaska (AK) Department of Environmental Conservation (DEC) requires GMS to confirm 2007 Alaska plan status for all vessels by the close of 2006. If any of your vessels currently have an Alaska plan through GMS, please review the following plan options: Terminate- Vessels no longer calling and do not have a need for a plan. Active- Vessels *will* call in 2007. (OSRO fees need to be paid by the end of 2006.) Suspend- Vessels *may* call in 2007. (OSRO fees do not have to be paid until the vessel calls and the plan is reactivated.)

Chadux and Seapro have confirmed that their 2007 rates will be the same as the 2006 rates.

All GMS clients with NT Alaska plans will be receiving an email requesting desired 2007 plan status. If you do not want to wait for the email request to send your Alaska plan status updates, or if you have any questions about Alaska plans, please email Catherine Terhune (cterhune@chgms.com).

PCSOPEPs

On 24 November 2006, the Panama Canal Authority – Autoridad del Canal de Panama (ACP), issued their Advisory to Shipping No. A-36-2006 (<http://www.pancanal.com/common/maritime/advisories/2006/a-36-2006.pdf>). This advisory addresses resubmission of PCSOPEPs already holding Notices of Acknowledgement (NOA), existing PCSOPEPs with vessel additions and PCSOPEPs which are being submitted for the first time.

Requests for Information

Note, the ACP will only acknowledge or respond to requests for information regarding vessels (e.g. new plan submittals or new vessel additions to existing plans) within ten (10) days of the vessel's Estimated Time of Arrival (ETA) in Panama Canal waters.

PCSOPEP Resubmission

The PCSOPEP Notice of Acknowledgements, issued by the ACP starting January 2005, will begin to expire soon. (A Notice of Acknowledgement is good for 2 years from the date of issuance.) However, the ACP has announced that NOAs expiring between 1 January 2007 and 31 March 2007 will be extended through 31 March 2007.

GMS will automatically begin resubmitting PCSOPEPs as necessary. However, please note that the ACP will only issue new approvals for vessels when they have an ETA in Panama Canal waters.

(continued on page 4)

PLANS DEPARTMENT NEWS & REMINDERS

(continued from page 3)

NOA Expiration Dates

Finally, please note that NOAs issued after 1 January 2007 will be valid for four (4) years from the date of issuance.

Tanker VRP's

When adding a vessel to a Tank VRP, please note the following: The Coast Guard generally takes 30 days to issue approvals for vessels being added to existing VRP's. Approvals for new plans are now taking up to 45 days. So, it is very important that new vessel information is sent to us in a timely manner.

The Coast Guard now requires proof of a vessel's name and IMO number for new buildings before they will issue a VRP approval letter. If you are adding a new building to your VRP, please send GMS a copy of an official document showing the vessel's name and IMO number.

OSRO and Salvage Contracts

Please make sure that all of the vessels trading to the U.S. are covered by the Salvage and OSRO companies listed in your VRP or NT VRP. This is a requirement of the USCG.

USCG Database

Questions about the status of a vessel's VRP? The U.S. Coast Guard maintains a database website that lists all Tank and Nontank plans. The database lists the approval status of each vessel in the plan, along with dates of receipt. The website is available at the following address: www.e-vrp.com/vrp.asp

CANT Approvals

All nontank vessels calling California must have a California plan onboard. New approval letters have recently been issued due to the five year resubmission requirement. Make sure these are sent to the vessels to place as the first page in their plan. All planholders should ensure that the new approval letters are sent to the vessels with instructions to place them in the front of the CANT plan binder.

NT VRP Approvals

Most NT VRPs have now been approved and approval letters have been sent to most planholders. All planholders should ensure that the approval letters are sent to the vessels and placed in the front of the NT VRP binder.

DRILLS & TRAINING UPDATE

Gallagher Marine Systems' Drills & Training Department has completed another successful series of Table Top Exercises and Training Seminars in the Far East. In addition to attending the offices of various operating companies in Japan, Korea, Taiwan, China, and Singapore, GMS representatives Mr. Thomas Wiker and Mr. Howard Hile presided over seven very successful Focus Training Seminars; all of which assisted operators in achieving TTX PREP compliance in the United States. Our drills department is now in the midst of an extremely busy Autumn Season, with exercises being conducted worldwide. **Please note that if you currently hold a Federal and/or California VRP you must conduct a Table Top Exercise before the end of 2006 to remain in compliance.** If you are a NTVRP and/or California NT Plan Holder you may comply by either conducting a Table Top Exercise or by attending one of our Focus Training Seminars.

To schedule a Table Top Exercise or make reservations to attend one of the Seminars, please contact the Drills & Training Department by writing to info@chgms.com.

CLASS-APPROVED BALLAST WATER MANAGEMENT PLANS

Marispond (Hellas) Inc. prepares Ballast Water Management Plans according to MEPC.127(53) and to the "International Convention for the Control and Management of Ship's Ballast Water and Sediments" which was adopted in February 2004 by IMO. Our plans have already been approved by various classification societies and/or flag authorities.

The Convention will require all ships to implement a Ballast Water and Sediments Management Plan. All ships will have to carry a Ballast Water Record Book and will be required to carry out ballast water management procedures to a given standard. The Convention is applicable to new and existing vessels that are designed to carry ballast water.

In July 2005, eight countries (Argentina, Australia, Brazil, Finland, Maldives, The Netherlands, Spain and Syrian Arab Republic) signed the Ballast Water Management Convention, subject to ratification. The Convention will enter into force 12 months after ratification by 30 States, representing 35% of world merchant shipping tonnage.

To learn more about our Ballast Water Management Plans, contact us at maris@forthnet.gr.

ENVIRONMENTAL COMPLIANCE PROGRAM

As we have all seen, MARPOL Annex I related violations are being pursued and investigated vigorously by Port State Control (PSC) authorities all over the world. In the U.S., the USCG has stepped up the initiative of enforcing MARPOL Annex I requirements during PSC examinations. Several advisories, directives and circulars have been promulgated by the USCG, advising the PSC inspectors and the entire shipping fraternity of the USCG initiative in this regard. Some of the pertinent information is contained in:

- Navigation and Inspection Circular (NVIC) No. 8-83, “Guidance for Compliance with Annex I, MARPOL 73/78”
- NVIC No. 6-94, Change I, “Guidance for Issuing IOPP Certificate under Annex I of MARPOL 73/78”
- MOC Policy Letter 04-13, “Guidance for the Inspection of Oily Water Monitor and Separator Systems”
- Procedures for Port State Control, 2000 Edition, IMO Sales Number IA650E
- 16711 G-PCV Policy Letter “Guidance for the Enforcement of MARPOL Annex I during PSC Examinations” Dated 20 January 2006

In the recent past, USCG PSC Examinations with regards to MARPOL Annex I have led to several warning letters being issued, detentions being imposed and even criminal prosecution by the US Department of Justice (DOJ). Associated fines imposed by the DOJ have gotten progressively higher, reflecting the need for all vessels to strictly comply with the requirements. Some reported cases of contravention have led to prosecution, with some guilty Chief Engineers serving time in prison.

Typically, if a shipping organization has been found guilty of a violation, a plea bargain is entered into to mitigate fines and reduce jail time. In these instances, the DOJ directs the organization to undergo a DOJ supervised Environmental Compliance Program (ECP). An ECP is detailed and exhaustive, requiring that the organization appoint a DOJ approved Environmental Consultant who conducts the audits and oversees the program. An ECP usually mandates that the entire fleet of the organization undergo EC annual audits for several years, implement a training program for the crew both on board and ashore to prevent recurrence, and to develop and implement an approved Environmental Compliance policy. Such a policy may be required to exceed ISO 14001:2000 requirements and may not be substituted by the ISO requirements.

Obviously, strict compliance to MARPOL Annex I is much cheaper and much less taxing!

GMS has acted as the Environmental Consultants to some of our clients. Also, GMS runs a voluntary ECP for clients wishing to assess their fleet for compliance from an independent 3rd party auditor perspective. Organizations wishing to know more of this program should contact GMS at waypoints@chgms.com.

GMS SHIPBOARD TRAINING & INSPECTIONS

Led by *Technical Services Director*, Mr. Clarence Santos, Gallagher Marine Systems continues to embark on a wide array of shipboard training and inspection programs. Some of the areas in which we offer onboard crew training are: Vessel Response Plans, California Initial Response Activity Manuals, Oil Spill Notification and Mitigation Procedures, Vessel Drill Requirements, Bunkering Requirements, and general updates on regulatory authorities and their recent changes and expectations. Gallagher Marine Systems’ onboard technical services also include a wide variety of vessel inspections and preparatory audits for Oil Major and U.S. Coast Guard Inspections; these services can be tailored to meet your request. Many ship operators and managers have found these technical services to be extremely beneficial and rewarding, which we attribute to the knowledge and expertise of our highly qualified and experienced technical department.

If you would like to schedule a boarding or wish to inquire about any one of our boarding services, please write to info@chgms.com.

ENSURE A QUICK RESPONSE TO YOUR EMAILS!

Please copy our general office email account, info@chgms.com on all important emails. This account is checked daily, and due to travel and emergency response, personal email accounts may not be checked as frequently.

INTRODUCING...

Mrs. **Jenifer** (yes, it's spelled with one 'n') **Cudrak** (nee Collins) joined Gallagher Marine Systems, Inc. in the Spring of 2005. She was hired to assist with the production of the new Nontank VRP's and played a vital role in the success of the NT VRP initiative. Jenifer graduated from Rowan University with a B.A. in Communications and a minor in Spanish. While attending Rowan, she enjoyed a semester abroad in the city of Salamanca, Spain's University City. She spent the next four years sharing her love for Spanish language and culture as a Spanish teacher in a southern New Jersey elementary school. Jen also has an incredible love for animals. From childhood, she was known to bring home all sorts of creatures, from stray cats to wounded birds and even snakes. She volunteers at a local animal shelter, helping spread love and care to homeless animals. Jen has become an integral part of the Plans Department, and continues to learn about the maritime industry, while employing her communication skills and indirectly advocating for animals and their natural habitats.

Jennifer Reid joined the Tanker Group in the Fall of 2005. She graduated from the University of Maryland Eastern Shore in May 2004 with a BS in Computer Science. After working for Cendant Mortgage Company for a year as a Document Management Specialist processing Deed Packages for customers, she found her way to Gallagher Marine Systems. Jennifer has taken a lot of interest in the maritime industry since becoming an employee. She says that she enjoys working for Gallagher because she appreciates the opportunity to learn something different each day.

Published by:
Gallagher Marine Systems, Inc.
Mt. Laurel, New Jersey

STAFF DIRECTORY

Gallagher Marine Systems (GMS)
100 Century Parkway, Suite 130
Mount Laurel, NJ 08054

Telephone: +1 856 642 2091 (Office)
+1 703 683 4700 (24 hr)

Facsimile: +1 856 642 3945

Email: info@chgms.com

David Barry- dbarry@chgms.com

Compliance Services

Tom Wiker- twiker@chgms.com

Plans Department

Catherine Terhune- cterhune@chgms.com
Kate Gribbin- kgribbin@chgms.com
♦Eunice Cadorette ♦Tom Coin
♦Jenifer Cudrak ♦Jennifer Reid

Training and Drills

Fletcher Duddy- fcduddy@chgms.com
Kevin Perry- kperry@chgms.com

Regulatory Compliance

Tony Adams- aadams@chgms.com

Technical Services

Clarence Santos- csantos@chgms.com
Kuldeep Singh- ksingh@chgms.com

Finance/Administration

Viraf Ranji- vranji@chgms.com
Nancy Gudonis- ngudonis@chgms.com
♦Bill Carlin ♦Ibrahim Ezzo

Marispond Hellas Inc. (Greece)

81 Akti Miaouli, 6th Floor, Ste. 6
185 38 Pireaus, Greece

Telephone: +30 210 428 7713-5

Facsimile: +30 210 428 7716

Email: maris@ath.forthnet.gr

Irena Veroni- iveroni@chgms.com
Froso Saridis- fsaridis@chgms.com

Anastasia Vallianatou- avallianatou@chgms.com

GMS Japan LLC

Takeda House, 13-5 Sumiyoshi, 1-chome
Koto-Ku, Tokyo, Japan 135-0002

Telephone: +81-3-3846-0066

Facsimile: +81-3-3846-9730

Capt. Yas Sensui- sensui_gms@ybb.ne.jp
Neo Takeda- nn.takeda@nifty.com