

General Steamship Agencies Inc

Who is responsible?

In today's highly litigious world, any well-run organisation should have finely honed risk-management policies in place. In shipping, where large sums of money regularly change hands, there is an even greater requirement to understand where the risks might lie and to take steps to reduce the effect they might have.

Shipagency is an area often overlooked in the risk-management process, but as a largely unregulated industry where barriers to entry are almost non-existent, there is always the chance that a less-than-scrupulous operator might default. A recent spate of high-profile bankruptcies amongst US agents – involving some owners losing millions of dollars – has now focused the spotlight on the need to retain quality agency services. Although a shipowner is responsible for appointing an agent, the recommendation often comes from the charterer

– either directly or through their broker. This clouds the discovery process in the event the agent defaults. If there is a severe problem, the owner will be asked to demonstrate that they took reasonable care in appointing an agent and it is possible – when the chips are down – that some culpability will find its way to the charterer and, perhaps, the broker.

This conundrum has been exercising Scott Jones of General Steamship Agencies – a leading US shipagency – for some time. He believes that giving an agency the opportunity to demonstrate their commitment to quality will give the owner and charterer some comfort that due diligence has been satisfied. And that might result in any future liabilities being diverted from their doorstep.

Championing quality

As well as president and ceo of General Steamship Agencies Inc, Scott is also chairman of the agency affairs committee within ASBA – the Association of Shipbrokers and Agents – a membership trade association bringing together companies and individual shipbrokers and ship agents conducting business in the United States and Canada. It is through his involvement in ASBA that they have been able to push through much more stringent membership criteria. This has resulted in ASBA-certified agents now having to prove annually that they hold a minimum level of insurance including errors and omissions, automobile (to cover an agent travelling to and from a vessel by car) and US Longshoreman and Harbour Workers (covering the agent whilst on board). These additional insurances effectively safeguard the shipowner in the event the agent is involved in an accident whilst working on his behalf. In addition, ASBA agents' financial



Scott M Jones, president and ceo

and accounting procedures must be robust and these are checked and reviewed annually by an independent third party. All vessel boarding personnel must pass a web-based proficiency test to demonstrate that they are capable of operating to the required high standards. But perhaps the most significant improvement is the introduction of peer-led self-regulation. Taking a lead from the Baltic Exchange in London, ASBA members are now required to sign up to a strict code of ethics within which they must operate. ASBA's ethics and grievance committee ensures that the high standards are achieved and maintained, and ejects any member found wanting. This, of course, means that customers of ASBA-certified agents can take comfort in the fact they are appointing a company that is working to a defined standard and, in the unlikely event a problem occurs, can request that ASBA steps in to help them reach a resolution.

These new membership requirements clearly show that an ASBA agent subscribes to the quality ethos. They also serve to separate the wheat from the chaff. The more committed and quality-orientated agents will agree to abide by the new rules whilst others will decline to be governed in this way. It's a telling indictment to the success of this initiative that more than half the non-liner agency business conducted in the major US ports is now undertaken by ASBA-accredited agents.

ASBA's agent members have been pushing to see its agency work replicated in other countries through the auspices of FONASBA – the Federation of National Associations of Ship Brokers and Agents – which represents similar national bodies of agents in 40 countries around the world. FONASBA has witnessed the success of the ASBA initiative and has used it as a template, together with elements from other organisations such as the Institute of Chartered Shipbrokers, to devise and implement its own set of quality standards for agents.

A separate, but related issue with the potential to compromise the provision of quality agency services, is the current agency clause to be found in many charterparty agreements. Most charterparties provide for the appointment by owners of a charterers' nominated agent as long as their fees are "competitive". But "competitive" is not defined, nor is a minimum or maximum fee ever included in an agreement. This anomaly has led to some less-scrupulous owners disputing or beating down an agent's fee based on a loss-led quote from a bargain-basement operator. According to Jones, reducing fees in such a way effectively strips out the quality element and opens the doors to low-grade agents who will eventually disappoint or even defraud the client. Jones and his fellow like-minded agents are working through ASBA to have a standard clause inserted into



charterparties which will address this problem. This additional clause could stipulate an agent's fee in the same way that cargo quantities are provided for in the widely accepted "minimum/maximum" clause. It is, he believes, a matter of educating charterers and owners to the importance of using a pedigree agent and also another step to introducing quality at every stage in the logistics chain.

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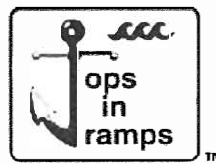
Scott Jones is passionate about quality and believes that only companies with a similar attitude can truly serve the needs of their clients. In his book, knowledge, experience and qualifications speak volumes. There is little future in employing a cohort of inexperienced agents and selling a back-office service at rock-bottom prices. The agency's talent pool must be nurtured in order to retain the continuation of vital knowledge and experience. Although he understands the need to offer value for money, quality of service, according to Jones, is as important as price.

Quality and customer service runs through Scott Jones's entire organisation. General Steamship Corporation sits under the General Steamship Agencies umbrella to provide independent vessel husbandry to tramp services. Founded in 1920, the company originally operated solely on the west coast of the United States handling both liner and tramp vessels. Following the growth of containerisation, their liner activity was dropped in 1985 and a strategic decision was made to concentrate on tramp business. Since then, General Steamship Corporation has become a nationwide company servicing all types of non-liner vessels including dry and wet bulkers, break-bulk vessels, self-unloaders, reefers and cruise-ships. Its 30 offices and a genuine willingness to travel to more distant ports has established the company as a comprehensive provider of quality

ships' husbandry throughout the United States. The company serves most North American ports spanning from Vancouver, Canada to the coasts of the United States' lower 48. Two sister companies (Alaska Maritime Agencies covering the Alaskan coastline, and Empire Shipping Agency covering Canada) ensure that General Steamship Agencies is able to provide a comprehensive network of cover throughout the North American continent. In addition, a more specialised branch of the company – Quay Cruise Agencies – is dedicated solely to providing high-quality agency service to the cruiseship industry as well as servicing the various needs of super yachts whilst in port.

A good agent will protect its principal's interests – even if that involves additional costs which cannot be passed on. The extra insurance cover and third-party financial checks required by ASBA demonstrate a willingness by quality agents to do just that. There are other examples. Certain ports in the US Gulf hold an agent responsible if the vessel for which they are acting damages a berth whilst manoeuvring or loading. Late vessel-related filings have the potential to expose both agent and owner to penalties – exacerbated by the need to have a form physically stamped by a government official. The good agents will be adequately insured against the majority of these eventualities thus affording a level of protection to their principal. Another worry involves emerging practice by US Customs to raise overtime costs (against the agent for time its officials spent on-board a vessel) relating to inspections dating back four years or more. The agent's insurance will cover part of these costs but it is likely that some will have to be passed on to the owner. Unfortunately, in a dynamic industry like shipping, it is not always easy to trace vessels and owners' which leaves the agent with the possibility of a large bill.

Shipagency is a vital link in the maritime logistics chain and, like all chains, the failure of the weakest link will cause problems to all participants. Sacrificing quality for cost has the potential to expose the principal to a range of potential problems, many of which can be avoided by retaining an ASBA agent. Leading by example, Scott Jones continues to maintain high standards in his own company and has been instrumental in raising standards throughout the shipagency sector. This can only be good news for the shipping industry.



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