

Vetting

Concept of vetting or ship approval systems becomes increasingly important nowadays, especially in oil and petroleum trades. It would be correct to generalise that results of inspections under approval schemes significantly affect the vessel's tradability. On the other hand such inspections are outside of scope of either legal readiness or seaworthiness requirements¹⁶.

The basic idea of vetting concept was to screen and detect substandard vessels, thus promulgating higher safety and management standards within shipping industry. For example SIRE (Ship Inspection Report Programme) was originally launched in 1993 to specifically address concerns about sub-standard shipping¹⁷, RightShip (<http://site.rightship.com/>) was set up in 2001 by the three major players in the coal and iron ore markets, B.H.P. Billiton, Rio Tinto Shipping and Cargill Ocean Transportation as a ship vetting information system with the aim to identify those vessels that are suitable and safe for the carriage of iron ore or coal cargoes¹⁸.

Element of advancement of safe standards was, however, deeply undermined by sinking of tanker Erika in December 1999 and tanker Prestige in 2002, which had recent major's approvals at the moment of disaster. As a result of these incidents all oil majors reviewed their monitoring systems and removed from it any basis for liability under existing legislation. Consequently majors' approval in its original form ceased to exist. Instead oil industry develops a process of screening which includes results not only vetting inspection reports, but port and flag state inspection as well. A final outcome of this process, i.e. a basis of rejection or acceptance of tanker is, however, largely concealed from the owners and charterers since it becomes known on fixture to fixture basis and largely influenced by marked conditions. Thus vessel accepted and fixed in January can be rejected for next fixture in February same year. (see - [Oil Major's Approval Effective cause of major's rejection](#)). Moreover negative vetting decisions are normally communicated to the party proposing the business without reasons, leaving the owners in the dark what was an [effective cause of major's rejection](#). In tough market conditions no safety considerations but economic reasons make provisions related to vetting approvals a useful tool in hands of the charterers to escape hard bargain as [Dolphin Tanker Srl v Westport Petroleum Inc \(The Savina Caylyn\) \[2010\] EWHC 2617 \(Comm\)](#) shows.

Legal issues related to oil majors' approval discussed in details here:

[Major's approval - is a matter of status rather than condition](#)

[Meaning of an 'Oil major' and Recognised Oil Majors'](#)

[Inspection initiated by Charterers' nomination](#)

¹⁶ *Seagate Shipping Ltd v Glencore International AG* [2008] EWHC 1904 (Comm)

¹⁷ OCIMF, SIRE Introduction

¹⁸ *Seagate Shipping Ltd v Glencore International AG* [2008] EWHC 1904 (Comm)

[Effective cause of major's rejection](#)

[Conclusion – Majors' approval and Off-hire](#)

[Voyage Charter: Approval Clause](#)

Basically extent of parties' exposure will depend on:

1. Express language of relevant provisions, see for example decision of Steel J in *Seagate Shipping Ltd v Glencore International AG* [2008] EWHC 1904 (Comm), where it was found that there was no obligation on owners to obtain Rightship approval and [*Transpetrol Maritime Services Ltd v SJB \(Marine Energy\) BV \(The Rowan\)*](#) [2012] EWCA Civ 198, where it was held that the owner were not in breach of the charterparty because there was no any evidence that at the date of the charter the owner knew anything about the vessel that would cause the named oil companies to "disapprove" the vessels or alter the terms of the letters which they had given in relation to the vessel.
2. Factual background and particularly the owners' knowledge of deficiencies and corrective actions they undertook to regain approval and improve vessel's tradability.
3. Exact number and specific names of approvals required under charterparty in question.

An oil industry experience shows that invocation of off-hire clause for lack of majors' approval would put the owners in a permanent mercantile limbo, because no approval can be obtained for unemployed vessel. Unfortunately the judge in *Dolphin Tanker Srl v Westport Petroleum Inc* [2010] EWHC 2617 (Comm) left this issue without consideration.