

it offended against the principle of mutuality in that all members would be asked to share in an absolute and unlimited risk assumed, in practice only by shipowners trading to and from the United States. The group would have to restrict its coverage to an amount for which it could reasonably burden its own resources, supplemented by its reinsurances. This figure overall is perhaps between \$10 million and \$15 million, with respect to each vessel involved in any single accident. My colleague, Mr. Miller, will give evidence on this point.

The position, therefore, would be that shipowners would be uninsured in respect of liabilities in excess of, say, \$10 million to \$15 million. It is possible that the shipowning subsidiary companies of the major oil companies might be able to assume liability for claims exceeding such a sum; quite frankly, I doubt it. But it is certain that the independent shipowning companies could not do this, and consequently, they would be unable to trade to and from the United States, unless they were prepared to do so partially uninsured.

I would like to point out that at the present time the P. & I. associations customarily give guarantees, in U.S. dollars, for any amounts demanded in order to avoid the judicial seizure of their members' vessels in legal proceedings brought in the United States in respect of liabilities insured against. If H.R. 14000 were to be enacted in its present form, this facility would be limited to providing a guarantee for an amount no greater than the amount of the restricted coverage which the associations would then be willing to provide.

The fact that legal liabilities are based on the concept of fault is a most important factor both in the cost of liability insurance and the amount of coverage which can be provided. Section 19(e) of H.R. 14000, which would impose absolute liability, without fault, save only when the spillage was caused by an act of God, would lead to a very heavy burden of increased cost to shipowners trading with your country, with all the concomitant disruptive effects on such trade.

LIABILITY WITHOUT FAULT PATENTLY UNFAIR

Moreover, I should like to point out that it is patently unfair that H.R. 14000 would impose absolute and unlimited liability on a shipowner to the U.S. Government, because certain circumstances could arise where the owner whose ship was the source of the oil pollution, while being absolutely innocent in respect of the damage, would nevertheless be liable for it, without any adequate right of recovery against the party at fault.

For example:

(a) A properly anchored tanker may be damaged in collision by another vessel. The cleaning up expenses might involve a catastrophic sum if the tanker was a large one. In these circumstances, the tanker owner would be compelled to pay the cost of the cleanup to the U.S. Government, but he would have a right of recovery from the offending ship only to the extent of that vessel's limit of liability. Under the present U.S. legislation this might be virtually nothing—a situation which could not arise if the United States were to adopt legislation along the lines of the Brussels Limitation of Liability Convention of 1957.