

SENATE BILL REPORT

ESB 5938

As Passed Senate, March 17, 2003

Title: An act relating to financial responsibility requirements for vessels.

Brief Description: Updating financial responsibility laws for vessels.

Sponsors: Senators Finkbeiner and Esser.

Brief History:

Committee Activity: Highways & Transportation: 3/4/03, 3/6/03 [DPS].

Passed Senate: 3/17/03, 49-0.

SENATE COMMITTEE ON HIGHWAYS & TRANSPORTATION

Majority Report: That Substitute Senate Bill No. 5938 be substituted therefor, and the substitute bill do pass.

Signed by Senators Horn, Chair; Benton, Vice Chair; Swecker, Vice Chair; Esser, Finkbeiner, Haugen, Jacobsen, Kastama, Mulliken, Oke, Prentice and Spanel.

Staff: Kelly Simpson (786-7403)

Background: Current law establishes financial responsibility requirements for certain vessels that transport petroleum products, either as cargo or as fuel. The required documentation of financial responsibility must demonstrate that owners or operators of the vessels can cover the actual costs for removal of oil spills, for natural resource damages, and necessary expenses. The financial responsibility requirements for the different types of vessels are as follows:

- (1) Barges transporting hazardous substances: the greater of \$1 million or \$150/gross ton (Department of Ecology (DOE) may lower the financial responsibility requirement for smaller barges based on the quantity of cargo the barge can carry);
- (2) Tank vessels carrying oil: \$500 million (DOE may lower the financial responsibility requirement for tank vessels meeting certain standards); and
- (3) Certain cargo, fishing, and passenger vessels: the greater of \$500,000 or \$600/gross ton.

Owners or operators of tank vessels satisfy the financial responsibility requirement if they are members of an "international protection and indemnity mutual organization," commonly referred to as a "P&I club," with coverage up to the amounts required by statute.

DOE must deny entry to the waters of the state to any vessel that does not meet the state's financial responsibility requirements.

Summary of Bill: The definitions of "hazardous substances" and "oil" are updated and the definition of an "inland barge" is removed and replaced with a definition of "barge."

Fishing vessels are defined, and a specific financial responsibility requirement for these vessels is created as follows: (1) for vessels carrying predominately nonpersistent product, the greater of \$133.40 per incident, for each barrel of oil storage capacity, or \$1,334,000; and (2) for vessels carrying predominately persistent product, the greater of \$400.20 per incident, for each barrel of oil storage capacity, or \$6,670,000.

The financial responsibility requirements for other vessels are revised as follows:

- (1) Barges transporting hazardous substances: the greater of \$5 million or \$300/gross ton
- (2) Tank vessels carrying oil: \$1 billion, after January 1, 2004
(DOE may lower the financial responsibility requirements for smaller tank vessels based on the cargo the vessel can carry); and
- (3) Certain cargo or passenger vessels: \$300 million.

Owners or operators of cargo or passenger vessels that are members of a P&I club with coverage up to the amounts required by statute satisfy the financial responsibility requirement.

It is unlawful for vessels that do not meet the financial responsibility requirements to enter Washington waters, except when there is a risk of injury to the crew or passengers.

Appropriation: None.

Fiscal Note: Available.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: Legislators and stakeholders have been working on this issue for some time. This bill is an attempt to update Washington's laws regarding the financial responsibility requirements that apply to certain classes of vessels. The requirements applicable to fishing vessels under the bill are very similar to Alaska's requirements, and the requirements applicable to certain cargo, passenger, and tank vessels are similar to California's requirements. Tank vessel owners and operators continue to enjoy an exemption under the bill if they are members of a "P&I club" with levels of coverage meeting the Washington requirements.

Testimony Against: None.

Testified: Senator Finkbeiner (pro); Kevin Smith, Water Quality Insurance Syndicate (neutral); Dale Jensen, Dept. of Ecology (neutral); Randy Ray, Pacific Seafood Processors Assoc. (pro); Greg Hanon, WA State Petroleum Assoc. (pro on sections); Ed Owens, Coalition of Coastal Fishers (pro with a concern).