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CLIENT ADVISORY LETTER 2002-02

June 22, 2002

**RE: Washington State Maritime Cooperative (WSMC), OPA 90 Salvage
Regulations & Maritime Security**

Dear Client:

We write to advise you about several issues of recent interest. Of particular note is a matter that arose between the Washington State Maritime Cooperative (WSMC) and the State of Washington Department of Ecology (DOE) in reaction to this cooperative's response during a spill in Port Angeles, WA on May 19, 2002.

We are closely monitoring this matter on behalf of our clients and have been assured by both the DOE and WSMC that even vessels that utilize WSMC's services may continue to trade in Washington State waters, while DOE and WSMC resolve their differences. We will, of course, advise you of any changes that could be of concern to our clients.

The issue arose last week when DOE found WSMC led a delayed spill response that may have caused greater environmental damage than necessary. DOE noted that an over flight did not occur until eight hours after the spill. DOE further stated that the spill response was slowed because WSMC was late in reaching locally available equipment and people. And lastly, DOE concluded that WSMC did not effectively organize the incident command structure.

As previously noted, there is no current concern of voyage delays or other disruption of commerce in the region as a result of this issue. We bring this issue to your attention, however, to highlight the ongoing disconnect between regulatory expectations and industry support. We have seen continued movement toward performance based standards and increased equipment levels from regulators. At the same time, we have seen industry, particularly new breed oil companies, move away from financially supporting such requirements on the basis that the volume of spills is way down. As a service provider, we are here to serve our clients and are prepared to move in whatever direction we are instructed. Unless there is some change in the current thinking, however, we fear the industry is headed for a situation where fewer resources will be available at a higher cost than necessary.

Salvage & Marine Firefighting Requirements

As a further example of the increasing regulatory expectations, we continue to monitor the USCG's proposed Salvage and Marine Firefighting regulations, which we previously advised had been temporarily suspended. The USCG finally issued their proposed regulation in draft form last month for industry comment by July 9, 2002. We urge you to submit your comments



either directly to the USCG or through your QI or NRC. If submitted through NRC, we will incorporate your comments under our name in our formal comments to the USCG.

With the knowledge that these regulations were being drafted and the increasing regulatory expectations, there were some significant changes within the ranks of the OPA 90 salvage providers last fall. In our Advisory Letter, dated January 14, 2002 we advised you about the consolidation of Titan Marine with the Marine Response Alliance (MRA) and updated you about the formation of the National Fire Fighting & Salvage Team. In addition to these companies, Resolve and Donjon Marine Co. are also providing salvage and firefighting services, but Smit Americas formally announced they were withdrawing from the OPA 90 compliance business as a result of unrealistic regulatory expectations.

NRC continues to study the proposed regulations and is looking for ways to provide our clients with the most streamlined and cost effective services. In fact, a few of our clients have suggested that NRC should provide the OPA 90 salvage services directly. We would be pleased to hear your views on this idea as well.

Maritime Security

Following September 11th, NRC was asked by a number of our clients to provide security-related services to U.S. shoreside facilities and vessels trading in the US. In response to post 9/11 concerns about security, NRC is pleased to announce that we have signed an agreement with the Wackenhut Corporation, an internationally recognized company specializing in security services. Through our alliance with the Wackenhut group, NRC can provide clients with physical security, security audits, plan drafting and security review of your operational security procedures. Please let us know if you would like to receive more information about the types of security service NRC and Wackenhut Corp. can provide your company.

In closing, we will continue to keep you informed on these and any other regulatory changes affecting our industry.

Thank you for your continued support. We look forward to working with you throughout the year.

Best regards,

A handwritten signature in black ink, appearing to read "Steve Candito", written in a cursive style.

Steve Candito
President