

Department of Justice

Office of Public Affairs

FOR IMMEDIATE RELEASE

Tuesday, April 12, 2011

Shipping Conglomerate Pleads Guilty to Concealing Deliberate Pollution in “Magic Pipe” Case

Repeat Offender Banned After Being Netted Violating Probation

WASHINGTON – Four corporations involved in owning and operating a fleet of vessels regularly visiting New Orleans pleaded guilty today and agreed to pay a \$1 million penalty and be banned from doing business in the United States for the next five years under the terms of a proposed plea agreement.

Stanships Inc. (Marshall Islands), Stanships Inc. (New York), Standard Shipping Inc. and Calmore Maritime Ltd., collectively the owners and operator of the *M/V Americana*, a Panamanian registered cargo vessel, each pleaded guilty today in New Orleans before U.S. District Judge Carl J. Barbier to a total of 32 felony counts for violations of the Act to Prevent Pollution from Ships, Ports and Waterways Safety Act and obstruction of justice.

According to the plea agreement, subject to approval by the court, the four corporations will be prohibited from further business in the United States during the maximum five year period of probation. The plea terms also require personal banning of the owner of the companies who is also a corporate officer in some of the companies owning or technically managing vessels during the probationary period. Of the \$1 million penalty, \$250,000 will be devoted to community service payments to help conservation, protection, restoration and management projects to benefit fish and wildlife habitats and resources in the Eastern District of Louisiana.

The government’s investigation of the *M/V Americana* started when a crew member told the U.S. Coast Guard during an inspection of the ship on Nov. 29, 2010, that the ship was illegally dumping sludge and oily waste overboard using a so-called “magic pipe” to bypass required pollution prevention equipment. The crew member provided the Coast Guard with cell phone photos taken at sea showing the use of the bypass. According to an agreed upon factual statement filed in court, the defendants have admitted the following:

- Sludge and oily waste from the vessel’s engines was transferred to a fuel tank and then deliberately pumped overboard.
- The ship had an unreported leak between a ballast and fuel tank that led to overboard discharges of oil contaminated waste from both tanks.

- A black “comet streak” stain of apparent oil was visible on the outside of the ship in the immediate vicinity of the overboard valve when the ship was in New Orleans in December 2010.
- The metal bypass pipe used to dump oily waste overboard was hidden from view when the ship was in port.
- A false Oil Record Book was created to conceal the illegal discharges. Ships are required to keep an Oil Record Book in which internal transfers and overboard discharges are fully recorded. The log is regularly inspected by the Coast Guard to assure compliance with U.S. and international law and to make sure ships are not a threat to U.S. ports and waters.

The defendants also were charged with violating the Ports and Waterways Safety Act because they failed to report a hazardous situation that threatened U.S. ports and waters, involving the failure of the ship’s generators. After a voyage in which the ship had lost power for several days at sea, the ship arrived at the Southwest Pass, La. The master, who opposed proceeding to port until the problem was corrected, was directed by a shore-side manager to write an email indicating that the ship had two generators. This was communicated to the Coast Guard which then allowed the ship to enter the Mississippi River. However, the agency was not told that neither of the two generators was fully operational or able to power the ship, and that there was no backup since a third generator was completely inoperable. Because of the hazardous situation, the master ordered tug boats to guide the ship into port.

Stanships Inc. (Marshall Islands) is a repeat offender. It committed new crimes after it was sentenced on Sep. 29, 2010, for deliberate discharges in U.S. waters and concealing illegal pollution in falsified ship records from the *M/V Doric Glory*. In that case, U.S. District Judge Helen G. Berrigan ordered the defendant to implement a comprehensive environmental compliance plan and pay \$700,000 in criminal fines and an additional \$125,000 as community service payments. In pleading guilty, Stanships Inc. (Marshall Islands) admitted that it violated the terms of its probation. The *M/V Doric Glory* prosecution was also initiated by crew members. The court issued an award to the two whistleblowers under the Act to Prevent Pollution from Ships which provides that up to one-half of a criminal fine can be awarded to those providing information that leads to conviction.

“Together with our partners at the Coast Guard, Environmental Protection Agency, and United States Attorney’s Office, we are sending the message that we will vigorously prosecute deliberate violations of environmental and safety laws,” said Ignacia S. Moreno, Assistant Attorney General for the Environment and Natural Resources Division of the Department of Justice. “As a consequence of their violations of the law, Stanships’ vessels and related corporations will pay a substantial fine and be barred from doing business in the United States for the next five years.”

“The endangerment of our environment and quality of life resulting from repeat offenders is simply unacceptable and will not be tolerated. We will work aggressively with our partners in the U.S. Department of Justice Environment and Natural Resources Division, U. S. Coast Guard and EPA Criminal Investigative Division to ensure that our water, our rivers and wetlands remain safe for our citizens and for future generations,” said Jim Letten, U.S. Attorney for the Eastern District of Louisiana.

“The outcome of this case clearly demonstrates the Coast Guard's commitment to work with our interagency partners to aggressively enforce all maritime anti-pollution laws. These federal laws are in place to protect the marine environment and America's waterways. It is especially disappointing to see a repeat offender violate these laws. This case is a testament to the dedication of all persons who were involved in resolving this matter including my legal staff, Coast Guard Investigative Service, Coast Guard Sector New Orleans, the U.S Department of Justice Environmental Crimes Section and U.S. Attorney's Office for the Eastern District of Louisiana,” said Rear Adm. Mary E. Landry, Eighth District Coast Guard commander.

“Today’s action demonstrates that neither the government nor the public will tolerate the flagrant and repeated violation of U.S. laws,” said Ivan J. Vikin, Special Agent in Charge of EPA’s criminal enforcement program in Louisiana. “The government contends that the defendant not only failed to carry out the terms of its probation, it knowingly released oil into our oceans after the sentence was passed. The oceans must be protected from shipping companies that look to cut corners by dumping waste improperly.”

“No matter how vast they seem, aquatic resources are still finite and the Coast Guard Investigative Service remains committed to their preservation,” said Damon Rodriguez, Coast Guard Investigative Service Gulf Region special agent in charge.

This case was investigated criminally by the U.S. Coast Guard Criminal Investigative Services and the EPA Criminal Investigation Division, with assistance from Sector New Orleans, Eight Coast Guard District Office of the Judge Advocate. The case was prosecuted by Assistant U.S. Attorneys Emily K. Greenfield and Dorothy Manning Taylor, and Senior Trial Attorney Richard A. Udell of the Environmental Crimes Section of Department of Justice Environment and Natural Resources Division.