



SHIP REGISTRIES: FAIR GAME

The competition for new business heats up.

By Wendy Laursen



INTERNATIONAL SHIP REGISTRIES have never quite managed to rid themselves of the label “flag of convenience.” The International Transport Workers’ Federation (ITF) has worked for over a decade conducting inspections and promoting collective bargaining agreements for seafarers’ wages as part of its “Flag of Convenience” Campaign, which is really an anti-flag-of-convenience campaign aimed at exposing and correcting abuses. At the union’s first-ever cabotage conference in South Africa in June, President Paddy Crumlin said that, without the campaign, there would be no minimum standards and nationally-flagged ships would never be able to compete.

Even so, the playing field is not as level as some would like. The Paris MoU Committee, which rates flags as either White, Grey or Black, issued new rankings in June, and Palau International Ship Registry was downgraded from the Grey List to the Black List. The Palau registry was created in 2010 and now boasts a fleet of over 300 vessels of all types.

Palau launched a unique deficiency-prevention system this year. A dedicated team monitors the location and destination of the flag's vessels and analyzes their risk performance with over 93 percent certainty. The monitoring occurs without disturbing the ship manager – until a high risk of deficiencies occurs.

CEO Panos Kirnidis says, "While I understand it's a process of maturity, it really is an unbearable burden for a new registry trying to grow and establish its credentials. We know the rules, and we accept them. We have the highest standards of diligence and support for our fleet. Yet due to various reasons a small proportion of our vessels is detained. For us, this small number results in our being on the Black List while larger registries are not affected in the same way because of the way the current system is structured – through a mathematical formula without any weighting mechanism. The reality is you need a large number of vessels to avoid being downgraded."

The result is a vicious circle. "To grow our vessel base we need to gain the confidence of shipowners and managers," he adds, "and this is made harder when we find ourselves on the Black List. So even though our services and credentials can be ranked

as among the finest in the industry, we find ourselves not on an even playing field."

Palau launched a unique deficiency-prevention system this year. A dedicated team monitors the location and destination of the flag's vessels and analyzes their risk performance with over 93 percent certainty. The monitoring occurs without disturbing the ship manager – until a high risk of deficiencies occurs. An inspector is then sent to the ship, free of charge, to carry out a preparedness survey. "We are there to look at the ship through physical attendance, not just by chasing paper correctness," says Kirnidis.

"SMART" REGISTRIES

Palau is committed to technology. "The creation of a smart registry, one that utilizes the best in smart technology for the benefit of owners, managers, seafarers and business in general,

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is where we are heading," Kirnidis explains. "We have invested in advanced technology to offer high levels of registration services and reduced bureaucracy. In an industry where paperwork is still the basis of all operations, it's a bold step – but a forward-looking one – to put your faith in technology."

The Faroe Islands International Ship Register (FAS) is also boosting services through new technology. Online document-handling was introduced recently to make it easier for crew to submit and retrieve certificates, endorsements and applications. The registry has 90 vessels as of April, and Director General Hans Johannes á Brúgv of the Faroese Maritime Authority is upbeat about steady growth.

"Our tonnage tax system is internationally competitive as is the whole fiscal regime," he says. "The Faroe Islands has a strong tradition as a nation of seafarers. What was lacking earlier and has been addressed effectively in recent years is the availability of a wider array of services for the maritime industry, in particular the merchant fleets. These services range from legal to financial to technical and include the educational sector, where we've seen tremendous development."

An additional feature is the absence of cumbersome adminis-

trative requirements and procedures. "There's nothing quite like the Faroes when it comes to accessibility vis-à-vis the authorities," á Brúgv adds, "which again brings a whole dimension of competitive advantages like time-efficiencies and customer-friendliness because in a country of only 50,000 inhabitants you won't have big bureaucracies."

Director General of the Maritime Authority of Jamaica, Rear Admiral Peter Brady (Ret.), says the Jamaica Ship Registry (JSR) is poised for growth as investors and Europeans, in particular, become increasingly aware of the benefits of investing in Jamaica. "Over the next few years, we expect competition will be driven by the quality of the service provided and of course investment in technology," he says. "Administrations that are proactive and assist clients with the imperatives of environmental and security issues such as ballast water management, emission controls and cyber-protection of data will do well."

The ITF has called the use of international registries "a race to the bottom" for safety and seafarer welfare, but Brady says this is not the case with Jamaica: "Many flags before and since the establishment of JSR had an approach of building up tonnage at all costs because, with a critical mass, the registry can be 'cleaned-up' to expel inferior vessels. That strategy for the growth of JSR has repeatedly been rejected. JSR does not see a place for the Jamaican flag in the 'race to the bottom.' I believe the world now is demanding a higher standard of service from its flag administrations."

WHITE LISTERS

Cayman Islands topped the recently-released Paris MoU White List. Cayman Registry, the leading registry for superyachts, has about 2,100 vessels with a total gross tonnage of roughly five million. Approximately 200 are merchant ships. John Aune, Deputy Director of Global Commercial Services, says shipowners are interested in service levels and cost efficiency as well as port state control records.

"We introduced a very competitive registration and annual fee structure in 2015," he explains. "Our annual tonnage fee is still based on the size of the vessel. However, we introduced a cap so that the fee for larger ships (with gross tonnage over 37,650) is capped at \$3,500 per year. We also introduced an annual block fee for technical/survey/certification matters, which makes it easy for our ship managers to budget."

Cayman Registry also offered full delegation to class for statutory surveys and audits from 2016, and this has been well-received. The registry saw an increase in gross tonnage of approximately 14 percent in 2016, and 2017 is looking like it will see a similar increase.

For registries securely positioned on the White List, the competition for tonnage is still tough and, according to some, the IMO is fair game. Prior to MEPC 71 in July, multiple flag states, including Brazil, Cook Islands, India, Liberia, Norway and the U.K., called on the IMO to push back the implementation timeline of the Ballast



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