

SHIPPING

A matter of convenience

Hongkong officer shortage may force owners to reflag vessels

By Michael Westlake in Hongkong

A shortage of junior officers with qualifications acceptable to Hongkong's Marine Department is worrying the territory's shipowners with vessels registered in Hongkong. The shortage has compelled the department to agree to issue special dispensations — after examinations in Hongkong — to individual officers with other certification.

But even with this strictly controlled exemption from local shipping laws, there are fears that the expense for owners recruiting officers from overseas may lead them to move their ships' registrations to maritime jurisdictions with more liberal attitudes towards qualifications.

The problem is not confined to Hongkong. It also affects Britain and other British dependencies under whose jurisdictions only British and Commonwealth and a few other forms of officers' qualifications can be recognised.

But it has occurred at a particularly inconvenient time for Hongkong. The

territory is in the process of dismantling various forms of British-controlled bureaucracy before it reverts to Chinese sovereignty in 1997. Among the links to be cut is the shipping register, which is now a section of the British register. British and Chinese officials have agreed that Hongkong will be able to operate its own "modified" register, to be administered by the Hongkong Government until 1997, and after by the Hongkong Special Administrative Region's government.

Under the modified register, due to come into operation in 1990, more countries' qualifications for seagoing officers are likely to be recognised without the need to re-examine officers in Hongkong. Restricting recruitment to Hongkong residents or "nationals" — as happens under some other, less open registers — is not feasible because of the short supply of locally qualified officers, and cutting links with the British registry removes the need to observe British rules on recognition of qualifications.

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The basis of the new register, it is hoped, will be ships now on the present Hongkong register — but there is no shortage of shipping registers eager to obtain tonnage from each other in pursuit of initial registration and monthly fees. At the end of 1987, the Hongkong Shipowners' Association (HKSA) members' fleets numbered 1,099 oceangoing ships totalling 50 million dead-weight tons, registered in 30 different countries. Of that total tonnage, the Liberian register had 21 million dwt, Panama's had 12 million dwt and Hongkong's 8 million dwt.

Apart from the obvious national registers, other registers include those of Bermuda, Cyprus, Malta, St Vincent, Vanuatu, the Isle of Man, Singapore, Bahamas, the Norwegian International Register and a French offshore register. Nearly all have been set up to allow owners to avoid heavy expenses incurred by nationality and manning requirements on crew recruitment, many of which have come about through the coordinated union action of the International Transport Workers' Federation.

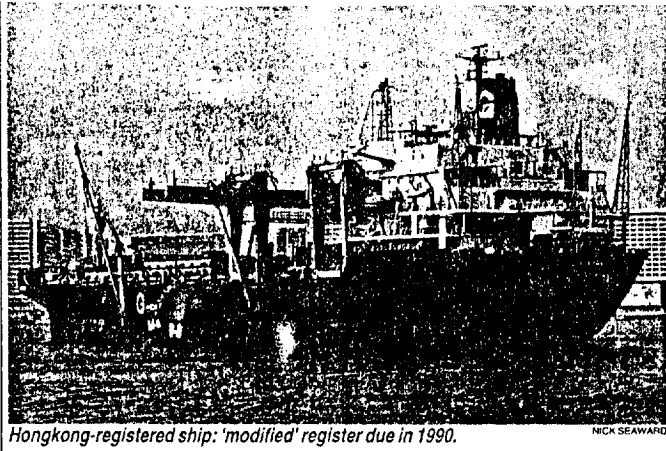
These registers are called flags of convenience (FOCs) or open registries. Pressure from insurance companies — and from respectable shipowners using open registers — has cleaned up many

of the safety problems which once made FOC a pejorative term.

Despite the international nature of shipping, there is no standard set of rules for ship construction, safety equipment, manning, mortgages and liens and the carriage of various forms of goods, though this is the ultimate goal of the 31-nation International Maritime Committee and of the UN's International Maritime Organisation.

International shipping conventions are not ratified by all nations and most nations have their own shipping laws which may go beyond the conventions or which may achieve similar results by different methods — and with very different costs for owners. In addition, there are the requirements of the various classification societies which survey ships and issue certificates for safety equipment, such as Lloyds and the American Bureau of Shipping.

The result for an owner wishing to register a new ship or re-register a second-hand ship is a wide range of possibilities, each with political and finan-



Hongkong-registered ship: 'modified' register due in 1990.

cial trade-offs and each with its own level of respectability so far as insurance companies are concerned.

Further, for many years the UN Committee on Trade and Development's committee on shipping has tried to establish a convention on conditions for ship registration. A convention was drafted in 1986, but because of lobbying the initial purpose to eliminate FOCs became lost, and ultimately it granted international recognition to any register which met the convention's watered-down conditions — in short, almost all of them.

For Hongkong owners, the main advantages of the present British-controlled register are that it offers the protection of British maritime law, it imposes no nationality restrictions on crew other than senior officers, and it is regarded as cheap. Hongkong does not impose a charge per ton registered, and is seen as being respectable because it adheres to British standards.

The change to the Hongkong modified register in 1990 presents both problems and opportunities. The problems are those of shifting from the British to a combination of Chinese and Hongkong

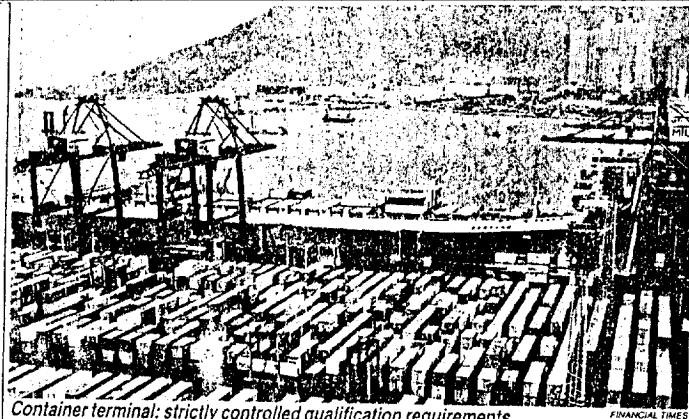
Because the convention can only become effective a year after 40 states have signed it — only about 10 have done so — and canvassing for a review of it can only begin eight years after it takes effect, the choice of registers available is likely to become wider still as developing nations see opportunities to earn revenue from setting up registers, and as high wage-levels in developed countries make their owners seek operating economies elsewhere.

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flags and legal systems in such a way that administration of the register and the level of its standards do not suffer. The opportunities include removal of some of the restrictions and anomalies imposed by the British register, such as the nationality of officers and their qualifications and arcane restrictions on approvals for radio and safety equipment.

One trade-off inherent in the proposals for the modified register is that the register will become less open, requiring that owners be either incorporated in or resident in Hongkong and the ships be managed and controlled from Hongkong.

Thus the last thing needed at this stage of the negotiations is a disincentive to owners keeping ships on the present register, such as the problem of finding junior officers. A HKSA-suggested solution — full recognition by



Container terminal: strictly controlled qualification requirements.

Hongkong of non-Commonwealth certificates issued by the Philippines and certain other states — was vetoed because Hongkong will not have the authority to do so until at least 1990. This option would require reciprocity, mutual inspections of training centres and satisfaction with the probity of examination procedures. Although the Marine Department would not comment on this option, observers said that

the department would require more staff and funding than is now available.

One irony of the present wide range of shipping registers is the sudden increase in popularity of British and US flags for ships serving the strife-torn Gulf. Vessels flying British and US flags are offered protection by their respective navies. As a result, a number of owners are moving to transfer ships to the registers of British depen-

dencies to take advantage of such protection. Samoa, a US dependency is hoping to set up its own register for the same purpose.

Whether the increased work load for the British and US navies will prompt governments to back the call by shipowners for a UN sponsored peace-keeping force in the Gulf remains to be seen. It does, however, add another twist to the term FOC.