

Final-voyage registration a nice earner

Ships heading for the breakers have given some of the smaller flag states a lucrative sideline.

Geoff Garfield

London

Providing short-term registration for ships on their final voyage is big business for some of the second-tier flag states.

Of the 800 or so vessels sent for scrapping in 2010, a large proportion will have ended up on registers such as Tuvalu, the Union of Komoros Islands, Virgin Islands, St Vincent & Grenadines or St Kitts & Nevis.

Certainly not Premier League names but they provide a temporary registration service at the kind of price end-of-life ships are looking for.

Cost, if people are honest, is the main reason they are chosen.

For the Caribbean islands of St Kitts & Nevis, it is a significant revenue earner. According to registrar Nigel Smith, in each of the past two years nearly 70 vessels — including passenger ships, oil tank-

ers, boxships and dry-cargo tonnage — have been registered for their final voyage. Three years ago, the figure was 30.

Most have mortgages, which, says Smith, explains why banks dealing with cash buyers often favour St Kitts & Nevis, whose legislation is based on UK law and the International Maritime Organisation (IMO) model legislation for English-speaking Caribbean countries. The banks typically seek a legal opinion from a lawyer in St Kitts & Nevis.

However, the cost of registration is not everything, says Smith, who claims that banks are also comfortable with the fact he is accessible, with his office on the outskirts of London where most specialist lawyers are also to be found.

Smith says sometimes it is banks that recommend clients to use the flag, although St Kitts & Nevis has a core of cash buyers.

Although St Kitts & Nevis is on port-state black or grey lists, the registrar says every effort is being made to improve its status. “We don’t cut corners as regards statutory certification and other regulatory requirements,” Smith insisted.

In total last year, St Kitts & Nevis newly registered a total of nearly 200 vessels, lifting the register to 682 ships of 3.9 million gt

by the end of December. Most of the 70 end-of-life vessels went straight for demolition without further trading.

Bank Mandiri of Indonesia, Fimbank of Malta and Indian Overseas of Singapore and Hong Kong are some of those providing mortgages. Their relations with cash buyers is said to be close — on a branch level rather than head-office based.

Smith said: “Banks still want ships properly registered, certificated and insured on their final voyages. They need to protect their interest.”

Some second-tier registers also get used because of maximum age limits imposed by the big players or because of classification-society requirements. St Kitts & Nevis has no age limit and has a lot of vessels under 500 gt that adhere to the Code of Safety for Caribbean Cargo Ships but that some International Association of Classification Societies (IACS) members do not want to get involved with as regards surveying and certification.

Smith declines to discuss the behaviour of cash buyers but other flag sources claim that even some of the biggest players are not averse to requesting a blanket exemption from statutory certificates in return for registering a ship on



ST KITTS & NEVIS: Registrar Nigel Smith says that in each of the past two years 70 ships have been registered for their final voyages by the flag state.

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its final voyage. All Smith says is that St Kitts & Nevis will grant exemptions if, for example, a passenger ship heading for demolition is not carrying passengers and can instead be certificated as a cargo ship for construction and equipment-safety purposes. This can also include tankers if they are going for recycling in ballast and gas free.

Smith says St Kitts & Nevis fully supports the new Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships and was among the first to sign it subject to ratification.

He said: “We consider it a small but necessary step on a long road.”

It will, like the International Safety Management (ISM) Code for shipmanagement, remove the

small players. “I believe it will assist the major [cash] buyers, improve conditions within the industry and its image,” said Smith.

Once the convention enters into force, those shipowners with the necessary inventories of hazardous materials (IHMs) could secure a premium for their ships, he says.

Given that it may be impossible to determine 100% what hazardous materials are on a ship, Smith envisages flag states having to enter into talks with owners and class societies over what is permissible when certificates are issued.

“Will an owner have to look at every gasket in a ship and trace it back to the yard and supplier who may have gone out of business?” said Smith. “These are the kinds of things that may arise.”