LAST RITES OF PASSAGE

- Tuesday 08 December 2009, 00:00
- by Liza McCarthy
- Back to Lloyd’s List Asia

Interested in this topic? Set up a custom email alert and we’ll tell you every time we write more like this.

FIFTEEN months ago, the shipping industry could not have predicted the dramatic rise in demand for ship recycling that was just around the corner. Even in February when Anil Sharma, the president of leading cash buyer GMS, predicted 1,000 ships would be scrapped in 2009, many people thought it was a radical estimate.

FIFTEEN months ago, the shipping industry could not have predicted the dramatic rise in demand for ship recycling that was just around the corner. Even in February when Anil Sharma, the president of leading cash buyer GMS, predicted 1,000 ships would be scrapped in 2009, many people thought it was a radical estimate.

Fast forward to today and this figure is widely accepted as achievable, with even greater volumes expected to be sent to breakers’ yards in 2010.

Although the impact of increased scrapping on the global fleet has become a major talking point within the industry, the regulatory and environmental effects have been a hot topic also.

The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships was adopted in May, with France getting the ball rolling in November as the first state to sign up.

With pressure for cleaner environmental conditions increasing, the ship recycling industry has suffered a handful of headaches this year as ‘tied’ end-of-life vessels such as the liquefied natural gas carrier Margaret Hill and cruise ship Platinum II made the headlines. These stories have opened up a number of debates on the regulatory side of business, from class societies to flag states.

The spotlight has been shone on Kiribati Ship Registry over the last two months as it fought back at allegations that the Platinum II had been registered to the tiny Pacific island.

Ship recycling conferences this year have heard various industry players talk down smaller ship registries that offer short-term registration for vessels taking that final voyage to the breakers’ yard. But others argue that they offer a necessary service to the ‘dirty’ side of shipping.

“Some flags do not want to deal with the shit in the industry. But it’s shit that has got to be dealt with,” Nigel Smith, registrar of St Kitts & Nevis International Ship Registry, told Lloyd’s List.

“Some people want to forget about it and push it under the carpet and pretend it does not exist. But it does.”

St Kitts & Nevis is one of a handful of states that offer single-voyage registration to owners. Other popular short-term flags include Kiribati and Tuvalu, which openly advertise short-term registration ranging from one to three months.

Along with Mongolia Ship Registry, the flag states of Kiribati and Tuvalu are cautious about talking to the media. Their reluctance is understandable, argues International Maritime Organization marine environment division senior implementation officer Nikos Mikels.

“If somebody says, ‘All the rotten ships going to scrap in Bangladesh and India are flagged by states such as Kiribati — there is something terrible going on,’ these people read it and feel they have been victimised for no reason,” he says.

“But the reality is simply that these flags are the customary used flags for these last registrations.”

“I think it is too naÃ¯ve to think that because a flag is not one of the biggest registers it is red-handed. It is just that these flags do it again and again, and they know the purpose of registration for the last voyage,” Mr Mikels says.

Ships sold for demolition are committed on one of two terms — ‘delivered’ or ‘as is’. On a delivered basis, an owner typically sails a vessel to the port at which it has been organised to be recycled within and the ship is anchored.

Once paperwork has been completed and the vessel changes hands from the owner to a recycling yard, the ship must be de-registered, as is the case with any change in vessel ownership.

However, as the ship is no longer trading internationally and will only be sailed within national waters, either into a yard or onto a beach, re-registering the vessel is not necessary.

Short-term registration on the other hand most commonly comes into play when ships are sold on an ‘as is’ basis, whereby a ship has been idled or been anchored at another port. These deals are understood to account for around 15% of concluded demolition sales.

Cash buyers, which act as a middle man between owners and breakers and which offer these ‘as is’ sales, take ownership of vessels at common pick up points such as Fujairah and Singapore. They are then required to re-flag the ship for one last voyage to the major recycling nations of India, Bangladesh, Pakistan and China.

“We do a number of registrations like that,” says Mr Smith. “We have one registration entity as a three month special purpose registration that can be used by anyone for anything and is used regularly by people who need to deliver ships from Point A to Point B.”

“It is also used for new buildings, where small ships are being built in Japan, Korea or China and they are going to trade exclusively in national waters. The owners need a flag to be able to take the ship from the building yard to the location where it is going to be used, and then place it under their national flag.”

Pricing structures are not openly available but speculation within the market suggests that short-term registration from smaller flag states is more attractive to owners and cash buyers as it offers a cheaper alternative to services provided by larger registrars.

“If I was going on a last voyage tomorrow I would not put a Union Jack on my ship because the administration I believe would be much heavier and the cost would be much heavier.” Mr Mikels says.
"Whereas these other countries are prepared for this; they know what they are doing and it is much quicker. It could also be cheaper because they realise it is only for a short period."

Despite it being possible to process and issue a certificate of registration within the same day as receiving a completed application at St Kitts & Nevis International Ship Registry, owners that want to sail promptly are dependent on how quickly class societies can inspect vessels and issue certification.

"The utmost priority for us is the safety of the ship and crew onboard," Mr Smith says. "We know that some of these registries operating out of Singapore take the attitude that you do not need certification, but we take the attitude that all our ships need full statutory certification."

A lack of understanding about how these small flag states operate and how short-term registration services are used create the biggest conflicts within the industry, Mr Smith adds.

With so much debate surrounding the subject, it is hard to predict when the negative attitude towards flag states offering short-term ship registrations will die down, but as Dr Mikiellis says: "You know why there has been a lot of darkness? Because it is much more exciting to suggest there is a monster under the bed, rather than saying there is just a bit of dust under the bed."

Article from Lloyd's List
http://www.lloydslist.com/lisectors/ship-operations/article29509.aee
Published: Tuesday 08 December 2009

© 2010 Informa plc. All rights Reserved. Lloyd's is the registered trademark of the Society incorporated by the Lloyd's Act 1871 by the name of Lloyd's