OPEN REGISTRIES AN ATTRACTIVE SOLUTION TO SHIPOWNERS

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Abstract: Open registries have provided for a period of time an attractive method to shipowners wanted to minimize operating costs, for example, levying low or no tax on ship profits and imposing no manning restrictions, and on many occasions by escaping legislative implementation and administrative control. As of 2009, about half of the world's merchant ships were registered with open registries, and the Panama, Liberia, and Bahamas flags accounted for almost 40% of the entire world fleet, in terms of deadweight tonnage. The aim of the present paper is to examine the open or international registries and their impact on shipping market.
Key-words: open register, shipowners, shipping

1. INTRODUCTION

At first there were traditional maritime flags, whose registers are available only to nationals of those states, being operated by the maritime administration of those states and requiring owners, demise charterers to be nationals of those countries or having the body corporates duly incorporated under their national laws and all or the majority of the crew to be nationals of those states [Mansell, J., Norman, K., 2007].

Later on appear open registries which offer to owners that register their ships under flag of these states some better economic and fiscal incentives.

Indeed, although these flag states bear certain administrative, technical and social responsibilities when attributing its flag to ships, Article 5 of 1958 HSC and Article 94 UNCLOS 1982, it is the flexible degree with which these flag states oversee and enforce these responsibilities [Nivedita, M. H., 2008].

Open registries are attractive to ship owners who want the cheapest and least regulated way of operating their vessel [Popa, C., 2008].

2. OPEN REGISTRIES

Seventy per cent (by tonnage) of the world's shipping fleet is registered under open or international registries. The shipowner decision to register his ships under open registries is determine by flexible crewing requirements and costs, attractive minimal registration and tonnage fees and tax incentives.

The open registries, known as flag of convenience (FOC), generally present the following characteristics:

- allowing owner of the ships under the national flag by non-citizens;
- permitting manning of their flag ships by non-nationals;
- permitting access to and unrestricted transfer of ship registration;
- no impose or low local taxes on income;
- registration of ships below their flag offer up a growth for national incomes.

The difference occurs between open registries refers to having the power to effectively impose any government or international regulations or to control the shipping companies.

Open registries such as of Panama, Liberia, Ins. Marshall are example of those cases where exist a lack of control and jurisdiction of those flag states on the vessels registered under their flag especially with respect to safety and prevention of marine pollution.

Problem that arises at these ships registered under flag of convenience is linked with the major concern that ships may be used for terrorist activities, contraband and other illegal activities.

In an attempt to delimit from these accusations were created open registries such as Norwegian International Shippingregister (NIS), French international register (RIF), German International Shipping Register (ISR). These registries do administer and enforce strict regulations concerning to ship management manning, and safety, and insist that all owners be clearly identifiable and be held accountable for liabilities.

The most famous flag of convenience is represented by Panama, in 2011 being ships registered with a gross tonnage that represents 21.9% of global tonnage. Panama occupy first place from 2005 in top 3 flag fleets followed by Liberia and Marshall Isl. (table 1). Knowing that in 2011 the average age of the world fleet per dwt was 12 years we may conclude that many of ships registered under Panama flag are old (over 20 years) which leads us to the idea of using these flags of convenience by the shipowners as an exit for ships of a certain age which requires payment of higher taxes in some registries. As of 2009, about half of the world's merchant ships were registered with open registries, and the Panama, Liberia, and Bahamas flags accounted for almost 40% of the entire world fleet, in terms of deadweight tonnage. Looking at the top 3 shipowning countries by gross tonnage we find Japan on the first place since 2009 when was deposed Greece (table 2). Should be noted that Japan ranks 12th place in the classification by the flag. That means that a large part of japanese ownership were registered their ship under an open registries. Registering a ship outside its country of ownership means that shipowners don't have to stand by national laws reporting on working conditions, wages or workers' rights. In many cases, seafarers that are working on ships with flag under open registries are not protected by standard labour legislation – either in their home country or in the country of the employer.

Table 1 Top 3 flag fleets, millions

2005	Gross tonnage	Average age (ships)	**2007**	Gross tonnage	Average age (ships)
Panama	133,7	18	Panama	155	18
Liberia	56	12	Liberia	68,4	12
Bahamas	36,6	15	Bahamas	40,8	15
2009	Gross tonnage	Average age (ships)	**2011**	Gross tonnage	Average age (ships)
Panama	183,5	18	Panama	201,3	17
Liberia	82,4	12	Liberia	106,7	10
Bahamas	46,5	15	Ins.Marshall	62	8

Source: International Transport Workers'Federation, Seafarers Bulletin 2005-2011

Table 2 Top 3 shipowning countries, millions

2005			2007		
	Gross tonnage	**Average age (ships)**		**Gross tonnage**	**Average age (ships)**
Grecia	90	15	Grecia	100,6	17
Japonia	87	9	Japonia	99,8	9
Germania	59	9	Germania	62,1	8
2009			2011		
	Gross tonnage	**Average age (ships)**		**Gross tonnage**	**Average age (ships)**
Japonia	120,6	9	Japonia	132	8
Grecia	101	16	Grecia	118,1	13
Germania	76,5	9	Germania	85,4	8

Source: International Transport Workers'Federation, Seafarers Bulletin 2005-2011

It is worth noting that the international campaign against open registries has also been geared by the International Transport Workers'Federation to reduce the difference of salary scales between the crews employed on ships registered under national flags and those working on those vessels registered under open registries.

Furthermore, developing states have argued for the eradication of open registries, claiming that this would help in diverting the registration of ships under their flags as they were also competitive labour supplying countries [Pontavice, E.D., Cordier, P, 1984].

3. CONCLUSIONS
In order to reduce the drastic flagging out from their first maritime registries, some countries have created second registers. Thus is now a new course which is developing, that of setting up second registries which are adaptable enough to attract shipowners by offering fiscal, economic and even political incentives. This registries need to have adequate administrative and legal framework coupled with effective enforcement powers to regulate shipping activities.

Moreover, some of the open registries, tired of being targeted in international market as flag of convenience, have re-branded their flags to meet international standards. All this led to opportunities for ownerships particularly in terms of taxation in their country and an advantage for attracting labour force for ships.

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