



# Red flags in race for market share

NEW CERTIFICATES WITH REVISED TONNAGE LIMITS ARE THREATENING TO UNDERMINE ESTABLISHED MARITIME CONVENTIONS

**MICHAEL HOWORTH REPORTS**

**W**hen a new superyacht code was issued last year by the government of Belize through IMMARBE (International

Merchant Marine Registry of Belize) — with the intention of redefining the tonnage limitations for yachts — a ripple of concern quickly spread throughout the industry. The move by Belize was seen by many as the

opening shot in a flag revenue war with open registries fighting amongst themselves to sign up as many superyachts as possible.

Then IMMARBE introduced its own Master of Yachts certificate which, issued by the MCA and limited to yachts below 3,000gt, could be used to acquire the new higher tonnage Belize certificate thus permitting captains to command yachts of up to 5,000gt that carry 12 passengers or less — provided the yacht is on the Belize registry and is flying the Belize flag. ➔



After that IMMARBE went one step further by launching its own commercial training college — the International Yacht Training school (IYT) — that will examine candidates and issue certificates to engineers and deck officers looking to serve aboard Belize-registered yachts.

IMMARBE may have altered the tonnage requirements for deck officers but it has not changed the power output figures at which yacht engineers certificates are capped. It says that the 9,000kW limit for main propulsion machinery on a superyacht of less than 5,000gt “is more than adequate”.

The registry also argues that it is acting completely within the relevant scope of the STCW (Standards of Training, Certification and Watch-keeping) and all IMO regulations.

At the moment it has 75 yachts on its register and says that several owners have already requested information and quotations for a number of large yachts currently under construction and that it has also received a number of serious enquiries from owners of yachts already in operation.

## CODE BREAKING THE DEBATE

### The case for the defence

Angelo Mouzourouopoulos — the director general of IMMARBE — is confident that Belize’s new codes will provide ease of use for owners as well as clarification and an overdue enhancement to the standards that already exist.

“Bearing in mind that our codes were only introduced in June 2008, it is far too early to expect many actual transfers during this early period when most people are still familiarising themselves with the product and all of its contents,” says Mouzourouopoulos.

“But we remain extremely optimistic about our ability to secure a significant share in this important sector.”

Has IMMARBE, though, met any type of resistance from other flag states?

“On the contrary,” Mouzourouopoulos says. “Directors of other flag states which specialise in yacht registration

have actually gone as far as complimenting us on our codes. We have excellent relations with all of our competitors — and in particular with the MCA.

“We believe that other flag states will update their existing yacht codes in order to serve the growing number of yachts over 3,000gt. Right now the superyacht sector is a dynamic and evolving industry and we foresee that there will be further increases in tonnage in the future.

“However, the limitation of commercial yachts to 12 passengers will inevitably restrict the number of yachts of 3,000gt and above.”

His confidence has some support and the new Belize codes have been well received by some classification societies.

“I was very impressed with their presentation and would like to discuss it with them further,” says Tio Devaney, development manager of Lloyd’s Register in

North America.

“Lloyd’s Register is happy to work together with owners during the design stages to build yachts to IMMARBE’s Code of Standards.”

### Expert opinion

Meanwhile, Peter Gibbs, who pioneered yacht registration in the Cayman Islands and who was instrumental in making Cayman the world’s largest registry for superyachts, is one of the best people in the industry to put the Belize and Marshall Islands moves into a clear context.

“There is always a need for registries to remain vigilant, especially those in a position of leadership,” he says.

“The 3,000gt limit — although arbitrary — was rooted in the logic of crew qualifications and a tonnage that seemed to be right at the time.

“Of course, that doesn’t mean such limits have to be set in stone. They can always be revisited, particularly given the growth in the size of yachts over the last decade.

“Belize’s 5,000gt limit will inevitably prompt discussion and some re-examination by other competing registries.

“The underlying question will be whether the needs of the industry are best served by extending limits and whether this can be

**“Other flags will update codes to serve the growing number of yachts over 3,000gt. The sector is evolving and there will be further tonnage increases in the future”**

## “Yachts arriving in Europe that don’t meet international standards of safety will almost certainly be detained by officials under Port State Control regulations”

It means that IMMARBE is fully confident and optimistic about its future potential for optimising its share in the market.

### Stiff competition

And Belize is not alone in instigating recent flag changes. The Marshall Islands Shipping Register (MISR) has also updated its commercial yacht code — and modified regulations — to make it much easier for yachts to be registered as commercial craft.

MISR is also planning to issue certificates for deck and engineering officers in conjunction with the commercially operated IYT. Both MISR and IYT are hoping the new certificates will be internationally recognised

in the same way as the MCA’s Yacht Certificates of Competency.

The Marshall Islands is also reviewing other non-STCW certificates such as those issued by the US Coast Guard, in the hope that the US-issued Designated Duty Engineer certificate can be fitted into its own Yacht Manning Tables — a move expected to find favour with many of those yacht owners who have been finding it increasingly difficult to retain MCA qualified engineers without offering leave rotation.

MISR is also considering introducing a new 350-tonne master’s certificate to fit between the MCA 200 and 500gt qualifications.

The MISR says that — although it is

considering new tonnage levels for masters — it will not be raising the 3,000gt tonnage level for manning. And it has stated that, despite some differences between its own commercial yacht code (CYC) and the MCA’s LY2, it has made provisions in its code to recognise other standards as being equivalent — thereby easing the transfer of a vessel built to LY2 to its registry without any modifications.

Additionally, private yachts seeking to engage in the restricted 84 day chartering privilege for private yachts exceeding 18m will find that the rules for this activity have been changed to enhance the safety of the persons actually chartering the yacht.

Other popular features offered include: the ability to register a yacht for either a one-year or three-year period; completion of the registration within 24-hours; and the eligibility to more easily obtain a United States Cruising Permit.

### Divided opinion

While some welcome the changes — arguing that they finally ease the burden of

Photo: Frances Howarth



**Peter Gibbs, who pioneered yacht registration in Cayman**



**Director general of IMMARBE, Angelo Mouzouropoulos**

done without compromising safety. Belize clearly believes it has done so.”

Meanwhile, the Cayman Islands registry says that it is happy to stick with its existing regulations.

“In terms of the Red Ensign Group position it is unlikely that we will raise the limit to 5,000gt,” says Greg Evans, director of safety and inspection at the Cayman Islands Shipping Registry.

“However there are several other initiatives in place but which we are keeping confidential at the moment.”

### Marshall Islands

The Marshall Islands’ flag is the world’s fourth largest shipping registry and complies with the maritime regulations laid down by STCW and SOLAS. Private and commercial craft make up around 25 per

cent of the overall number of vessels in its fleet.

The Marshall Islands’ flag is administered by International Registries Inc, a commercially operated corporation based in the United States which is backed up by fee earning surveyors. They are represented in the UK by Regs4Yachts and they — like the IYB — are able to issue Load Line and commercial Certificates of Compliance.

The number of yachts registered in the Marshall Islands has been growing at an average rate of 90 per cent over the past five years and it now has dedicated teams based in Fort Lauderdale and Europe to fully support its Commercial Yacht Code.

“The updated Commercial Yacht Code is a comprehensive tool for yacht owners who are already in or considering entry to the Marshall Islands Registry,” says the Marshall Islands Registry spokesman, Gene Sweeney.

“We have expanded our office here in Ft. Lauderdale and we have increased our personnel, and established the yacht technical group to be able to better meet the demands of the growing community of yacht owners now flagging in the Marshall Islands.”

**“The further we digress from unified yacht codes the more difficult and uncomfortable the enforcement of requirements will become”**

regulation that has been holding back the industry for some time now — others see the measures as nothing more than commercial manoeuvring that may have detrimental results for the industry as a whole.

“Yachts arriving in Europe that do not meet internationally recognised standards of safety and manning, will almost certainly be detained by officials under Port State Control regulations,” one concerned industry insider recently told *Superyacht Business*.

Anthony Gradwell of Manta Maritime — which specialises in international regulations governing the building and operating of superyachts — also believes that the move may be extremely shortsighted.

“It seems that some flags and registries think they have *carte blanche* to reduce the international conventions’ existing requirements — or can move the thresholds contained within,” he says.

“They do not appreciate that, although there are provisions for contracting governments to accept equivalent standards, there should be no lessening of requirements.

“Even if a flag does convince itself that relaxing the requirements is permissible, other flags are not obliged to subscribe to their methods — thus raising the difficult question of how such vessels could be treated during Port State Inspections.

“The more we digress from unified

## CONTACT DETAILS

- ▶ **Cayman Islands Shipping Registry:** [www.cishipping.com](http://www.cishipping.com)
- ▶ **IMMARBE:** [www.immarbe.com](http://www.immarbe.com)
- ▶ **International Transport Workers’ Federation:** [www.itfglobal.org](http://www.itfglobal.org)
- ▶ **Manta Maritime:** [www.mantamaritime.com](http://www.mantamaritime.com)
- ▶ **Marshall Islands Shipping Registry:** [www.register-iri.com](http://www.register-iri.com)
- ▶ **MCA:** [www.mcga.gov.uk](http://www.mcga.gov.uk)
- ▶ **Pensum:** [pensum@candw.ky](mailto:pensum@candw.ky)
- ▶ **Regs4Yachts:** [regs4yachts.com](http://regs4yachts.com)

conventions and yacht codes, the more difficult and uncomfortable the enforcement of their requirements will become.”

However, Belize believes it has found a winning product. Since introducing the code IMMARBE says it has been registering an average of two yachts per month. ●

## YACHT CODES CONTEXT

### The Red Ensign Group

The search for a solution to the issue of yacht survey and certification by the use of construction and survey codes was pioneered by the UK’s Maritime and Coastguard Agency over ten years ago.

In light of the recent unilateral changes in codes by some states, the UKMCA says it will “continue to be committed to realistic and viable solutions.” It adds that: “The Large Yacht Code (currently recognised as LY2) is an industry-wide leading product used across the Red Ensign Group who together comprise the major registries for such vessels.

“We are unable to speculate on future developments of codes as these are governed by demand and available resources. The current LY2 code is capped at 3,000gt as this is a limit contained within the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers which we have used to formulate Yacht Deck Officer Training and Certification.

“In observing that other flag states are embracing the Code approach, the Agency is currently seeking the launch a ‘Co-operation for Consistency’ Initiative, which is supported by industry. Belize would be welcome to join in this initiative.”



### Flags of convenience

Since their introduction by the MCA, the UK-issued yacht qualifications for deck and engineer officers have become the worldwide standard in much the same way as the Large Yacht Code has been adopted as the world benchmark when it comes to building standards.

For 50 years the International Transport Workers’ Federation (ITF), has been waging a vigorous campaign against owners who abandon the flag of their own country in order to search for convenient open registers that offer the cheapest possible crews and the lowest possible training and

safety standards for their vessels.

In defining a Flag of Convenience (FOC) the ITF considers — as its most fundamental criterion — whether or not the nationality of the ship owner is the same as the nationality of the flag.

In 1974 the ITF defined an FOC as being: ‘Where beneficial ownership and control of a vessel is found to lie elsewhere than in the country of the flag the vessel is flying the vessel is considered as sailing under a flag of convenience.’

Today FOCs are more often than not called open registries.