

Andria ALEXADROU: Balancing the economic arguments for ship-owners against labour conditions for crewmen.

Boczek defines a Flag of Convenience (FOC) as “flag of any country allowing the registration of foreign owned and foreign controlled vessels under conditions which are convenient and opportune for the persons who are registering the vessels”. The ITF defines it, as “where beneficial ownership and control of a vessel is found to lie elsewhere than in the country of the flag the vessel is flying.” This paper argues that FOC is not a “neutral” term but politically loaded. A ship owner has a choice either to register the vessel into a country with which he has a “genuine connection by way of national or economic ties ” or register the ship into an open registry”. This paper argues that ship-owners will consider the economic benefits in choosing an FOC first instead of social advantages for society and the crews. The countries which operate as open registries, levy minimum up to null taxes “on profits arising from the operation of vessels under their flags ”. A confused 2006 OECD report, demonstrates that regimes in various flag states are harmful, “in the context of particularities of the shipping industry”, however they have been determined not to actually be harmful “upon further investigation”. Due to the laxity of rules in the open registries, vessel owners can “isolate” their financial risks and losses, as for each vessel the beneficial owners create a separate, stand alone, corporate entity (SPV/SPE/SPC). In “traditional maritime nations”, the ship-owners are generally restricted to employ nationals for crews and therefore per Coles & Watt, this normally involves a negotiation between the beneficial owner and “local” trade unions concerning salaries, benefits etc. This is not the case with open registries. This paper considers the balance between the economic arguments for the ship-owners against other considerations, including the conditions for the crew.