



Another Marine Glossary

By Mike Carolin

Explanation of Terms Used in the Newsletter.

At the request of several members, I will attempt to explain some of the terms used in the 'Around the Ports' section of the Newsletter. This was done previously by Peter Grunberg, but maybe a repeat in different words might help. I will try and keep it in laymen terms.

Registered Owner.

For the purpose of many certificates, documents, and dealings with others, eg Port Authorities, a ship must have a registered owner. Fifty years ago this may have been simply the Company name e.g. Port Line Limited. Nowadays it is common to form a registered Company say in Monrovia or Panama for that ship, or a group of ships. It may be out of the country of that the Head Office resides in, for tax or other purposes. Due to the ability of one ship to be held responsible for the financial mess of another ship in that Company, there is a growing trend to have each ship registered in its own Company. This was especially so with tankers after the Exxon disaster. So a tanker named say *Brooklyn* may have a registered owner as the 'Brooklyn' Shipping Company of Monrovia. It may be attached to the fleet the New York Shipping Group of Panama, which may have a dozen other ships in that group. A multi-national conglomerate may have a dozen other such like companies, e.g. another called the States Ship Holding Company of the Marshall Islands, with a another dozen ships. Even then the "owners" of all these companies may be the US Ship Finance Bank of the Bahamas. It will be very hard to find a shareholder name.

Beneficial Owner.

The ultimate real owner of all these companies, the 'beneficial owner', could be a well-known huge oil major, say the US Oil Company of New York. They would get the ultimate profit, but you will struggle to get them into a court, isolate any individual responsible person, or work out where the money is. However not all shipping companies go to such lengths.

Charterers.

If the (beneficial) owner does not want to use the ship himself, he may decide to charter i.e. 'hire', it out. There are a number of forms of chartering: the most common being 'bare boat charter' (where by the charterer just gets the use of the 'bare' ship, and has to do all the rest himself – man it, provision it, fuel it, find cargoes, and pay all such bills; or charter the ship fully manned and operated by the owner, whereby his only concern is getting his cargo carried. There is often a clause that allows the charterer to 'sub-charter' the ship on to someone else. All charters may be on a 'time' charter basis i.e. for a set period of time, or a 'voyage' charter – for one or more voyages. The forms used are extremely complicated in a legal sense, with many clauses relating to the charter payments, who is responsible if something goes wrong, who pays who, resolution of disputes, etc., etc. The amount to be paid is the charter rate, and this is documented in the 'charter party'. So you may have the bulk carrier *Bulkie*, registered owner ABC Shipping of Hong Kong, beneficial owner DEF Ship Company of Shanghai, time chartered for one year to the GHI Logistic Company of Monrovia, who sub-chartered it to the JKL phosphate company for one voyage from Africa to Australia: re-delivery on completion of discharge to GHI, reverting to ABC in 8 months. If the ship goes aground and both ship and cargo are a total loss, all involved will scream for lawyers immediately!

Managers.

If the owners or bare boat charterers do not want to do the operating of the ship themselves they may employ managers to do the job for them, for a fee. Some owners have their own separate management company(s). These managers may do all or some of the functions involved, or there may be individual managers for each aspect. Manning companies exist that will man the ship and provide all crew and associated matters. An operation management company may run the ship and handle all the daily operational aspects of the ship. A technical manager may handle all the



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mechanical operations on board e.g. maintenance, repairs, surveys, replacement of machinery, etc. It may be that the owner's management company charters the vessel to a charter's management company, who may sub-contract parts of the management. The permutations of owners, charters and managers are numerous.

Agents.

Most day by day operations in each port are handled by the appointed agents especially in foreign ports. They may be branches of the owners, charterers, management companies, or independent. There may be separate owner's agents, charterers agents, and cargo agents. They handle all the required arrivals/departures tasks, including documentation, order tugs, pilots, cargo, bunkers, stores etc. and bill the owners/ charterers for these expenses and their time. If something goes wrong, e.g. a ship destroys an underwater pipeline in a gale, then it will be a bun fight as to who the blame; say the owners for a defective anchor, or the charterer for placing the ship in a dangerous situation, or the manning company for supplying inexperienced crew, or the cargo owners suing for loss of cargo, the charterer suing for the time the ship is off charter, etc., etc. In most cases they will all get their respective agents to instruct lawyers to fight for their perceived rights. Such fights can make the legal profession very rich: often through fees higher than the amounts claimed in settlement.

Not too confusing so far, is it?

Classification Societies.

For a vessel to operate, and be acceptable to charterers, insurers, port authorities, etc., the ship must be 'in class' These classification societies have strict rules on maintenance, inspection, wear& tear, surveys, replacing parts, faults and failures of parts, etc. Sort of like a 'road-worthy' for ships. The most well-known and one of the strictest is Lloyds, and their highest classification is A1. They now have a system of 'continuous survey' whereby every part of the ship, machinery, etc. has to be inspected, maintained or replaced at prescribed intervals over a five year period. Lloyds' surveyors supervise all this, visiting the ship frequently, and after any incidents. Other less vigorous societies are not so diligent, and have a higher default rate, and some are just shonky. Most countries such as Australia will not allow a ship to enter or depart if she is not in class. If a ship is not in class, it will be hard to get insurance, and vice versa.

P&I Clubs.

Nearly all merchant ships belong to a P&I club, which is a sort of mutual self-insurance club. A group of shipping companies agree to mutually insure each other's ships, and pay a prescribed fee each year. If they have a large claim the fee will go up. If there is a disastrous event requiring many millions of dollars, there will be a 'call' on all the companies to meet the amount. Individual insurance companies would struggle to meet the amounts involved. E.g. a ship may only be worth \$40m, but carry cargo worth \$200m, and cause \$1 billion clean-up damages. Lloyds of London started the P&I concept, and struggled recently with some extremely large 'calls' (Note - this is a different organisation than Lloyds the Classification Society).

Registry.

Where a ship is registered determines which country's flag flies on her stern. This may be the country of the owner: registered or beneficial. It may be the management company's home port, or is often tied in with the classification society. Or none of the above. Some of the newer registries are only after the fees, have few rules, and are quite slack. Invariably such ships will never visit the port/country of registration, and will only be one of many plaques on a lawyer's wall in some far-off country. Others are more diligent, have strict rules, and a lot less accidents, e.g. insisting the ship be in class, surveyed, and insured.



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Port State Safety Inspectors.

Most modern countries now have safety organisations that, in addition to regulation of domestic shipping, also look at all foreign shipping calling at that country's ports. In Australia it is AMSA (Australia Maritime Safety Authority). AMSA controls almost every Australian Government regulation and document connected with Australian registered ships. In addition, by international convention, they have the right to board foreign vessels and inspect their certification, and all safety aspects. This is called a Port State Safety Inspection, and they have the right to detain any ships over any defect, until it is rectified. Authorities around the world that do this should cross-reference all results for each ship. Ideally every ship should be inspected every 6 to 12 months by some authority somewhere, but 'suspect' vessels often attract more attention.

Officials from all or some of the above organisations may visit the ship during its stay in port, along with Custom and Quarantine officials, terminal personnel, providores and bunkering personnel, port officials, ship repairers, Mission to Seamen padres, etc., etc. It is not uncommon for a Master to have 6-8 people in his cabin at one time, and 20-30 or more over the course of a 24 hour stay. Most require escorting round the ship by the officers/crew, and/or tasks done for them, over and above the normal ship work. BUT- the Master must ensure that all persons, including himself, are well rested to do all the operations on board at all times, and especially at sailing time! Bit of a joke, really.

So now you will know exactly what Peter means when he describes an MSC ship say as *MSC Somethingorother*: owned by an Italian with an office in Sorrento, Italy, whose Head Office is in Geneva, Switzerland; as having a registered owner as 'MSC Something' of Monrovia, beneficial owner MSC Geneva; operator MSC UK, manager MSC Hong Kong, who use an Indian manning agency; registered Panama, time chartered to Maersk Line of Denmark, who sub-chartered it to Hamburg-Sud of Germany. A bit different from Port Line years ago who invariably were the registered owner, beneficial owner, operator, manager, not chartered, employed their own crew, canvassed their own cargo, paid all their own bills, registered their ships in London, flew the Red Ensign, and were Lloyds A1, and everything on board started with the word 'Port'.

