

ECONOMIC AND SOCIAL COMMITTEE
OF THE EUROPEAN COMMUNITIES

**EEC SHIPPING POLICY
FLAGS OF CONVENIENCE**

OPINION



Brussels 1979

The European Communities' Economic and Social Committee chaired by Mrs Fabrizia BADUEL GLORIOSO, approved this opinion at its 167th Plenary Session, which was held on 4 and 5 April 1979.

The preliminary work was done by the Section for Transport and Communications under chairmanship of Mr Karl-Heinz HOFFMANN, the Rapporteur was Mr Jean ROUZIER, Co-Rapporteurs: Mr Werner HENNIG, Mr John N. KENNA and Mr Charles MASSABIEAUX.

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OF THE EUROPEAN COMMUNITIES

EEC SHIPPING POLICY:
FLAGS OF CONVENIENCE

OWN-INITIATIVE OPINION

PROBLEMS CURRENTLY FACING SHIPPING POLICY,
PARTICULARLY MARITIME SAFETY, THE GROWING
IMPORTANCE OF THE NEW SHIPPING NATIONS, THE
DEVELOPMENT OF FLAGS OF CONVENIENCE AND THE
DISCRIMINATION AGAINST CERTAIN FLAGS

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P R E F A C E

For some time now grave threats have been hanging over the maritime transport industry, seafarers and also the environment, and urgent action must be taken to avert these dangers as soon as possible if serious harm to the Community is to be prevented.

We are referring here not only to the growing competition in maritime transport from the State-trading countries but also to flags of convenience, flag discrimination and the emergence of new shipping nations. In its comprehensive study carried out in 1977 the Committee examined the problems of East European competition and pointed to possible solutions, some of which are already starting to be implemented. The Committee trusts that all authorities with political responsibility in this area will continue along this path and not make short-term advantages in freight rates a precept of their long-term strategy.

The Committee expects similar courageous action in connection with flags of convenience, flag discrimination and the expansion of shipping capacity through the emergence of more and more new shipping nations, mainly in the Third World. This problem does not concern just the Community but has a world dimension. Solutions cannot therefore be confined to the Community context but must be sought also in a wider framework.

The Committee's investigations have made it clear that steps must be taken as a matter of urgency if permanent harm to the Community is to be avoided and the Community is to retain its economic independence. In the Committee's view it is axiomatic that an export-oriented economy like that of the Community cannot afford to lose control tomorrow over its means of transport through a short-sighted policy. That is what is liable to happen if Community shipowners and seafarers are ousted from the world market by low-cost competition and the field is left open to potential monopolists.

The Committee's Opinion points to solutions. The problems in this area can be said to fall under three main headings :

- maritime safety, which is closely linked with
- the problem of vessels that do not match up to the high international standards from the social, technical and economic points of view
- the threat to the survival of Community shipowners and to the livelihood of workers in this sector.

The Committee indicates concrete solutions in its own-initiative Opinion. Depending on who has jurisdiction, these solutions should be implemented either by the Community on its own or in cooperation with other parties concerned.

CHAPTER I

OPINION OF THE ECONOMIC AND SOCIAL COMMITTEE ON PROBLEMS CURRENTLY FACING SHIPPING POLICY, PARTICULARLY MARITIME SAFETY, THE GROWING IMPORTANCE OF THE NEW SHIPPING NATIONS, THE DEVELOPMENT OF FLAGS OF CONVENIENCE, AND THE DISCRIMINATION AGAINST CERTAIN FLAGS (OWN-INITIATIVE OPINION)

THE ECONOMIC AND SOCIAL COMMITTEE

- WHEREAS in recent decades the volume of world trade has practically doubled, increasing by 86.7% between 1965 and 1975, for example; and whereas there was an even greater growth of 129.5% in world tonnage between 1965 and 1975,
- WHEREAS fleets have been constantly expanded to cater for cyclical peaks in demand and whereas there has also been a regular need to build new vessels for new or specialized transport operations in order to satisfy the demand for greater efficiency and advanced technology; and whereas shipping companies find it necessary to regularly adapt their fleets to new requirements and maintain their capacity in this way, while extra capacity is also being brought onto the market by new shipping nations, especially in the Third World and Eastern Europe, motivated by foreign policy, currency and economic considerations,
- WHEREAS there is thus at present overcapacity in shipping, with not only ultra-modern vessels but also dilapidated, obsolete and even unseaworthy vessels all engaged in intensive competition with each other; and whereas this overcapacity is also due to the stagnation of world seaborne trade, coupled with the fact that shipowners greatly overestimated the demand for sea transport;
- WHEREAS as a result of this competition European shipping companies have been compelled more and more in recent times to lay up vessels or put them under foreign flags or to charter vessels under flags of convenience, in the hope that they will be able to remain in business by reducing their operating costs (labour costs, taxes and other charges);

- WHEREAS as regards not only safety at sea but also employment and social provisions, the expatriation of vessels is very disadvantageous to Community seafarers : more often than not they come under a less favourable social security system in force in the new country of registration;
- WHEREAS there is no disputing the fact that if Member States do not want to lose their economic independence, and if they desire to keep control over their own means of transport and maintain jobs, they must under all circumstances have a merchant fleet of their own at their disposal; and whereas the Community should therefore find suitable economic, social or technical means of eliminating distortions of competition;
- WHEREAS the problem of safety at sea is being exacerbated by the steady growth in the number of ships, especially on difficult routes (e.g. the English Channel and the Strait of Malacca), as well as by the introduction into service of gigantic vessels (mammoth tankers) and the use of minimum and/or unqualified crews, particularly on flag of convenience vessels;
- WHEREAS the Community cannot remain indifferent in the face of the regularly occurring disasters which do permanent damage to its natural environment and which oblige it to spend vast sums on removing oil slicks from its coasts and coastal waters,
- WHEREAS the Member States, having regard to the objectives of the Treaty by which they are bound, should play a leading role in furthering economic and social progress in the world; and whereas, using all the means at their disposal, they should therefore work both at international level and within the Community to put an end to dangerous technical shortcomings and inhuman conditions on board all ships, regardless of the flag they fly,
- WHEREAS the coastal Member States, which boast some of the most important ports in the world should regard it as their right and their duty to take regulative action by exercising their policing powers in respect of vessels loading and unloading and sailing in their

territorial waters; and whereas maritime law has remained too long within the sphere of public international law and has been left to the flag States, some of which have always been satisfied with a minimum of mandatory rules,

HAS ADOPTED

THE FOLLOWING OPINION :

1. General Comments

Even a limited examination of the highly complex issues involved in sea transport shows how difficult it is to remedy all the ills described.

There are three major categories of problems facing shipping companies, workers in the shipping sector and the environment affected by shipping disasters :

- safety at sea;
- vessels that are sub-standard from the economic, social and technical points of view;
- the threat to Community shipping companies' survival and the implications as regards the economic independence of a foreign-trade-oriented Community in the important transport sector.

From the point of view of legal competence, the steps which can be taken towards solving these problems can be divided into two groups :

- measures which the Community can take by itself for its own territory;
- measures which it can influence or help to shape in association with other States and/or within the framework of international organizations.

No matter where these measures are taken, there can be no doubt that the Community must :

- seek with all the means at its disposal to ensure the maximum degree of safety as far as human beings, the environment and equipment are concerned, and
- ward off the threat to Community shipowners' survival which is being posed by intolerable distortions of competition.

This dual principle forms the basis for the measures proposed in the next chapter.

2. Concrete proposals

Adoption of Community legal instruments with a view to immediate intervention

International action already embarked on

With regard to international action already embarked on, the Community should, by means of Directives, call upon the Member States not only to ratify without delay all the international conventions and recommendations on social and technical matters drawn up by international bodies (such as the ILO and IMCO) (*), but also to take the steps necessary for their application, regardless of whether they have been ratified by enough States or not.

These Council Directives could be supplemented by other instruments reinforcing the provisions of the above-mentioned conventions and recommendations; where necessary, the Council could ask the Commission to find appropriate, effective solutions to problems that arise.

(*) Cf. Appendix 4 to the HENNIG Report

The Community should adopt Regulations harmonizing the living and working conditions of seafarers on vessels flying Member State flags.

It goes without saying that these Regulations must set out from the principles laid down in Articles 2, 117, 118 and 119 of the EEC Treaty (which provide for non-discrimination and harmonization coupled with progress) and must also be based on the international instruments of the ILO (including Convention No. 111) and IMCO.

The ad hoc merchant shipping committee set up in 1973 should be given official status and strengthened so that it can assist the Commission in the preparation of these Regulations.

The Community must make every effort, in concert with the relevant contracting parties, to ensure - by amending the definition of "national shipping line", if need be - that liner conference trade is in fact shared on the basis of the 40 : 40 : 20 principle advocated by the new shipping nations.

Supplementary deterrent action

In order to strengthen existing Community legal instruments and to remedy the shortcomings that still exist, particularly in the areas of maritime safety and living and working conditions (problems to which the Community is very much alive), it is necessary to implement supplementary provisions in the form of Regulations and/or Directives and in particular the following :

Legislation establishing really effective procedures for supervising observance of Community legal instruments. In particular, there should be legislation providing for the

establishment, and defining the mode of operation, of a Community inspection force in the ports and territorial waters of the Community and in the major international seaways under Community jurisdiction.

Since it is desirable to extend this inspection, multilateral agreements should be concluded as quickly as possible with the non-member countries concerned.

Legislation laying down the technical and social criteria which vessels must meet on pain of being refused access to Community ports, whatever the legal status of the latter (autonomous port, free port, etc.).

In order to ensure that this legislation is applied in uniform fashion in all the Member States, a Community technical inspection system should be introduced. This task of technical inspection could be delegated to the shipping inspectorates of the individual Member States or similar services approved by the Community authorities; where necessary, these services should be strengthened or set up where they do not yet exist.

These services would notify the Community authorities of the infringements established and the action taken. In the light of these reports, the Community authorities could, where necessary, draw up additional legislation to intensify inspection and/or tighten up Community requirements in this area.

Legislation penalizing non-observance of the Community legal instruments in force and providing :

- for the setting-up of an effective inspection service with real powers to take action in the various Community ports;

- for deterrent sanctions, such as a ban on entry to Community ports, seizure of the vessel and/or fines depending on the infringements established;
- that any non-conforming vessel entering a Community port must, in addition to the fines incurred, be detained there until proof of conformity with Community requirements can be produced, if necessary after repairs or alterations effected on the spot, i.e. at a shipyard near the Community port in question.

Legislation laying down that, in the event of an infringement of the social provisions, wages and any other allowances must be paid to the crew under the supervision of a body approved by the Community authorities, at a place determined by that body.

Legislation laying down the requirements as regards qualifications and the conditions for the mutual recognition of officers' and crews' certificates (Community certificates, Community approval).

Supplementary financial action

Financial legislation providing for :

- the harmonization of the conditions governing the granting of new building subsidies so as to reduce the existing discrepancies, which give rise to harmful inequalities; this must not, however, mean that subsidies aimed at maintaining a given level of activity in the industry become a permanent fixture;
- the introduction of scrapping premiums for vessels flying a Member State flag that no longer conform to the standards, so as to cover the difference between the price obtainable by the Community shipowner on the second-hand market and the price offered by the scrapping yard.

These premiums could be divided into two instalments : the first half would be paid immediately on scrapping; the second half would be blocked for a maximum period of 5 years, during which the shipowner would have to order a new vessel from a Community yard in order to qualify, except where there was manifest cyclical overcapacity. This system could thus be the beginning of a solution to the crisis in shipbuilding. The Committee would, however, give its support also to other measures that produce the same results.

Legislation applicable to insurance companies and governing in particular the conditions for the insurance of vessels meeting the requirements imposed by Community legislation.

3. Community action to be envisaged in the medium term

At international level, the Community should :

Adopt a Community position that would be presented and defended as such on behalf of the Member States at future negotiations in international forums;

Decide the action of all kinds that the Community could undertake at international level in order to help improve maritime safety and living and working conditions on board vessels regardless of their flag;

Incorporate in all trade agreements concluded by the Community or any of its Member States clauses requiring observance of Community maritime regulations;

Conclude bilateral or multilateral agreements with non-member countries on observance of the Community regulations in force and even on their involvement in the implementation of these regulations.

Internally, the Community should :

Constantly adapt technical, social and economic standards to the economic and social progress of the Community, with a view to making competition in the maritime sector healthier, improving the living and working conditions of crews and ensuring that non-member countries and, in particular, developing countries, engaging in maritime activities can play the role to which they are entitled - in short, with due observance of the provisions of the Preamble of the Treaty;

Equip itself with efficient tools in the economic and commercial spheres that will enable effective support to be given to Member-State shipowners in the face of competition from third-country shipowners whose operations are facilitated by manifest structural advantages.

4. Conclusions

The Committee has made an effort to bring its views to the attention of all the relevant authorities before the UNCTAD conference to be held in Manila in May 1979, which will consider a special aspect of the problems described.

The Committee appeals to the Council, the Commission, the Member-State governments and all national and international decision-making bodies to ensure that work is speeded up and that the decisions needed to avert serious threats to the Community are taken without delay.

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CHAPTER II

REPORT OF THE SECTION FOR TRANSPORT AND COMMUNICATIONS ON PROBLEMS CURRENTLY FACING COMMUNITY SHIPPING POLICY, PARTICULARLY MARITIME SAFETY, THE GROWING IMPORTANCE OF THE NEW SHIPPING NATIONS, THE DEVELOPMENT OF FLAGS OF CONVENIENCE AND THE DISCRIMINATION AGAINST CERTAIN FLAGS
(Rapporteur : Mr ROUZIER)

1. Introduction

During the study of the Community's transport problems with East European countries, which culminated in the adoption of a Committee Opinion in November 1977 (*), the Section found that shipowners in the Member States are confronted not only with competition from COMECON fleets but also with other serious problems.

The Section therefore resolved to pinpoint and examine these problems on its own initiative and to indicate how a start could be made towards solving them.

The Section took as its point of departure three major issues, which may be summarized as follows :

- flags of convenience;
- flag discrimination;
- new shipping nations.

At its 118th meeting, held on 18 January 1978, the Section formed a Study Group of 18 assisted by six experts, which was given the task of making an initial study of these three major issues.

Mr HENNIG, Mr KENNA and Mr MASSABIEAUX were appointed as the three Rapporteurs. At the same time, Mr ROUZIER was chosen to coordinate operations and to round off the work by :

(*) Cf. The brochure entitled "The EEC's Transport Problems with East European Countries", published by the Committee in 1977.

- producing a summary of the three Sub-Reports attached hereto
- Identifying interrelated problems and other problems of a specific nature; and finally
- presenting an overall solution in the form of an Opinion.

While this work was in progress, the Committee was asked for Opinions on the UN Code of Conduct for Liner Conferences and IMCO resolutions on safety at sea. This gave the Study Group insight into the problems of safety and cargo-sharing and was also of benefit to the study of the three major topics. As a result, Mr ROUZIER has been able to present a Report and an Opinion on a more comprehensive range of problems than it had been possible to foresee at the start.

The above-mentioned Reports and show the complexity of the problems facing shipping circles in the Community and also point to other areas where action is required.

From the Member States' point of view, solutions are needed to the following problems :

- safety at sea;
- the maintenance of competitive merchant fleets in the countries of the Community;
- the maintenance of working conditions and wages for seafarers which are commensurate with the principles of the Treaty of Rome.

In this context, the international conventions already in force or in the process of being ratified will always play a central role.

2. The Problems facing Community Shipowners

General Comments

Since the last World War, world shipping tonnage has been constantly growing more or less in parallel with the volume of world trade. Between 1965 and 1975 the volume of world trade rose by 86.7% and total world tonnage went up 129.5%.

The merchant fleets of the Member States have not followed this trend. Statistics for the period from 1964 to 1974 show that in terms of trade carried and tonnage the Community merchant fleet has not kept pace with the increases at world level.

For a good understanding of the present situation, it must be borne in mind that, in addition to the fleets in existence in the post-war period, new vessels were regularly brought into service to cater for cyclical peaks in demand.

In the normal course of events shipping companies have to regularly adapt their fleets to constantly changing requirements. But extra capacity has also been brought onto the market by new shipping nations, especially in the Third World and Eastern Europe, motivated by foreign policy, currency and economic considerations.

In addition, there has been a regular need to build new vessels for new or specialized transport operations in order to satisfy the demand for greater efficiency or advanced technology.

Today we thus have overcapacity in shipping, with not only ultra-modern vessels but also dilapidated, obsolete and even unseaworthy vessels, all engaged in intensive competition with each other. This overcapacity is also due to the stagnation of world seaborne trade, coupled with the fact that shipowners greatly over-estimated the demand for sea transport. In this competitive arena Community shipowners have gradually lost ground against shipowners who use flags of convenience and are therefore not subject to the same stringent obligations affecting operating costs.

As a result of this competition, European shipping companies have been compelled more and more in recent times to lay up vessels or put them under foreign flags or charter vessels under flags of convenience in the hope that they will be able to remain in business by reducing their operating costs (labour costs, taxes and other charges).

Flags of Convenience

Foreign registration of new vessels and flag changing are nothing new in the history of shipping. As long as can be recalled, ships have been changing their flags for a variety of reasons. Nowadays this is done because of the financial benefits and, more especially, so as to reduce operating costs, as the HENNIG Report shows all too clearly.

Some members think that a large proportion of expatriate vessels in fact remain commercially under the control of Community shipowners and that the operation and chartering of these FOC vessels brings the latter important financial gains. Furthermore, a large percentage of Community operators work almost exclusively with FOC vessels.

Certain members point out that this enables Community shipowners to, in some measure, retain control of transport and remain competitive vis-à-vis shipowners with lower operating costs.

Other members observe that the divergence of view on this issue is due to the considerable differences existing within the Community with regard to seafarers' wages and working conditions, and to the fact that some Community shipowners are able to hire cheap labour to man their vessels. Shipowners in other Member States can secure these advantages only by expatriating their vessels.

It should be noted that most Community shipowners who put their vessels under foreign flags do not subject their nationals to the inhuman conditions found on some FOC ships. More often than not, however, Community seafarers on FOC vessels come under a different and less favourable social security system in force in the new country of registration, for the reduction of labour costs, as an operating cost component, is and remains an important reason for expatriating vessels.

It is clear that a distinction should be drawn between the problems posed by sub-standard vessels and those posed by FOC vessels. Not all FOC vessels are sub-standard; a considerable number of shipowners believe that, for economic reasons, they must resort to foreign flags, but they do not abandon high technical standards for their ships.

As indicated above, there is a unanimous desire in Community shipping circles to eliminate sub-standard vessels, especially as the living and working conditions on board these vessels are unacceptable. The Community's scope for intervention is at present limited, however, and it can take legal action only on safety grounds when such vessels dock in Community ports.

As far as intolerable social conditions are concerned, everyone is against the employment practices under some flags where seafarers' wages (insofar as they are paid at all) and working and living conditions are reminiscent of the slave trade era.

In some Community ports action has been regularly taken against these vessels, with varying degrees of success, whereas in other Community ports supervision has not been exercised for certain economic reasons. Furthermore, in certain Member States, legal proceedings may be instituted only if the shipowner has defaulted on the payment of wages (seizure of the vessel).

Although the Community is not legally empowered to take action on a world scale against these inhuman practices and conditions, it can and must demand that shipowners in all the Member States respect the international conventions on working conditions; the Community should also endeavour to harmonize wages and working conditions on board Community vessels as fully as possible.

Flag Discrimination

The Report on flag discrimination (a practice which affects liner shipping most of all and basically comprises unilateral cargo reservation, flag preference, bilateral division and allocation of cargo, as well as incentives to shipping users) shows clearly that this phenomenon has serious consequences for shipowners, trade unions and users in the Community.

For Community shipowners flag discrimination results in the loss of markets and lower profits. This in turn leads to lower investments in new tonnage (the return on capital in shipping is among the lowest of all industries), to a reduction in total tonnage and to a corresponding decline in the number of jobs for seafarers.

The Community's shipbuilding industry has also suffered, not only through the fall-off in new building requirements arising from flag discrimination, particularly from open-registry countries, but also through the competition

from Japan and Korea, where standard vessels are being built at about 60% of the cost of such vessels in the Community. This situation is also leading to an increasing loss of jobs in the Member States.

Discriminatory measures aimed at securing advantages for national fleets distort competition, divert trade to less efficient carriers and obscure the real cost of the service. The problem is aggravated by factors such as cost escalation in periods of high inflation (which has widened the differences in operating costs and service levels between the traditional and the more developed economies) and the increased competition due to the supply of world shipping exceeding total demand.

Shipping users, too, are opposed to all flag discrimination for a number of reasons, the most important of which is the interference with their freedom to choose the vessel or the shipping line that is most suitable for the carriage of their goods.

New Shipping Nations

These are in the main the developing countries known in all international forums as the Group of 77. Most of these states came into being as a result of the process of decolonialization and they have gradually become active on the international shipping scene for a wide variety of reasons.

One of these reasons is the geographical situation of these countries, which forces them to conduct their foreign trade largely by sea. For this they need their own ships if they are not to become dependent once more on the industrialized countries, which would place a considerable burden on their balance of payments.

The point of departure for the fleet expansion policy of the new shipping nations is the by no means uncontroversial reasoning that there must be a certain balance between the volume of sea transport operations generated by the foreign trade of a country or group of countries and the size of the merchant fleet of that country or group of countries; in other words, the new shipping nations consider that their share of international seaborne trade entitles them to a commensurate share of world transport.

This is why these countries are very interested in the introduction of the UN Code of Conduct for Liner Conferences, which provides inter alia for a 40 : 40 : 20 formula for the sharing of conference trade. It is true to say that this Code represents a compromise between the views of the developing countries and those of the industrialized nations, but nevertheless it clearly reflects the developing countries' desire for reform and will give them an important position in maritime shipping in future, at the expense of the traditional shipping nations.

Safety at Sea

The ever-increasing number of ships, particularly on certain difficult routes, together with the introduction

into service of mammoth vessels and the use of minimum and/or unqualified crews, particularly on FOC vessels, is making maritime safety a more and more acute problem.

Within a period of 9 years 50 serious accidents involving tankers of over 150,000 tons have occurred. It may therefore be asked whether vessels of this size can still be properly controlled and whether masters trained for medium-size vessels are adequately prepared to command a 250,000 tonner.

Mammoth tankers need "oceans" of space in order to change course and such space is not always available. In this connection it should be noted that most vessels bound for Japan pass through the Strait of Malacca and that on the route to northern Europe practically every ship has to navigate the Strait of Dover. A tanker of 250,000 tons has a turning circle of from 1 km in deep water to 2 km in shallow water. In a crash stop, i.e. full speed astern, from a speed of 4 knots per hour such a vessel takes 17 minutes to come to a complete halt against an ebb tide and a wind of force 4 (see data on docking procedures on the TNO (*) simulator in Delft). The stopping distance when the vessel is loaded is 3,500 m. In narrow channels it takes no less than 21 minutes before such a vessel is stationary.

VLCC's (very large crude carriers), which are like icebergs in that 80% of their hull is below the surface, have a cruising speed of 14 - 15 knots (even the manoeuvring speed

(*) Organisatie voor Toegepast Natuurwetenschappelijk Onderzoek
(Organization for Applied Scientific Research)

in the English Channel is as much as 11 - 12 knots). Owing to the enormous mass of the vessel and its cargo, the dead weight and the inertia, a considerable time elapses before a course change fed in on the controls results in an actual change of direction.

Considering the congestion in the English Channel, which is now also navigated by ULCC's (ultra large crude carriers, which have a carrying capacity of between 250,000 and 500,000 tons), the traffic rules should be constantly improved. In this connection account should be taken of the manifest improvements made recently through the application of the July 1977 Convention on the International Regulations for Preventing Collisions at Sea and the rules for English Channel traffic amended by IMCO, the most recent version of which was brought into force by the Channel States on 1 January 1979.

Although the rules of the road for shipping must still be changed as soon as possible, serious attention should also be given to the question whether the size of vessels in general and of tankers in particular should not be limited.

During a hearing held by the European Parliament Committee on Regional Policy, Regional Planning and Transport in Paris on 20, 21 and 22 June 1978, the representative

of the Oil Companies' International Marine Forum (OCIMF) argued that the larger the ship the less danger it was to the environment, since the use of large ships meant a reduction in the density of traffic on congested routes.

We have also to bear in mind, however, that VLCC's cruise at "economical" speeds on the voyage from Europe to the Persian Gulf, taking 45 days instead of 30. This is done on account of overcapacity problems and in order to save fuel: a mammoth tanker of 250,000 tons consumes 10,000 tons of oil (160 tons per day) on the round trip from Europe to the Persian Gulf; at a market price of 80 - 85 dollars per ton that means a fuel bill of some 600,000 units of account.

From the above fairly detailed comments it will be clear that an exceptional degree of skill is required in order to control large vessels. It is not surprising therefore that four out of five accidents are due to human failure.

A considerable number of shipping companies are trying to preclude one-man errors by introducing double checks and procedures for activities on the bridge. This is, however, contrary to the trend towards a one-third reduction in crews.

Most of these shipping companies send their senior officers on courses at nautical colleges equipped with simulators where they can gain experience in dealing with the following : poor visibility, storms, fog, malfunctioning instruments, a wide variety of breakdowns, unforeseen circumstances and changes in the environment, such as currents and straits.

As can be seen from the list of shipping disasters in the period from November 1977 to April 1978 published by IMCO (Inter-Governmental Maritime Consultative Organization), a specialized agency of the United Nations, most accidents are with sub-standard vessels. (This list is reproduced in Appendix 2).

Several sensational disasters had to happen before the authorities laid down more stringent safety requirements for oil tankers. After three explosions within one month a start was made in 1969 with the development of the inert-gas system (whereby a low oxygen-content (i.e. non-inflammable) gas is injected into the space above the oil surface in a tanker's tanks to prevent the formation of inflammable gases; this inert gas is generally exhaust gas from the ship's engines, which is washed before injection). Work has been in progress on new standards for ship construction since President CARTER sounded the alarm last year after 14 tanker disasters within the space of three months had caused considerable damage along American coasts. Furthermore, more rigorous rules regarding propulsion and steering gear were not introduced until after the Amoco-Cadiz had broken down in a storm.

A reasonably satisfactory range of measures is at present available to ensure the safety of tankers, but unfortunately these measures are applied only by a few shipping companies. It is regrettably true to say that the safety of a tanker depends on the amount of money that has been spent for that purpose.

If it is correct that the risk of accidents grows as tankers get older, then we can expect quite a few major disasters in the coming years, for a miracle will be needed

to secure acceptance of all the safety standards and conventions in countries with a tradition of free shipping. The whole sphere of maritime law will have to be reviewed. It is high time that the Member States, some of which are among the most important coastal and port states in the world, saw it as their right and their duty to take regulative action by exercising their policing powers in respect of vessels loading and unloading and sailing in their territorial waters. Maritime law has remained too long within the sphere of public international law based on the freedom of shipping and has been left to the flag States, some of which have always been satisfied with a minimum of mandatory rules.

The Community cannot remain indifferent in the face of the regularly occurring disasters which cause permanent damage to its natural environment and oblige it to spend vast sums on removing oil slicks from its coasts and coastal waters. It should therefore call upon the Member States not only to ratify all existing international conventions but also to take the steps necessary for their application without delay, regardless of whether they have been ratified by the requisite number of States. To this end use should be made not of Recommendations but of Directives, which could lay down more stringent rules than in the original conventions if this were necessary in the interests of safety. This would by no means frighten off the majority of shipping companies, as is evident from the fact many of them have not waited for IMCO conventions, for example, before applying more rigorous standards; for instance, the inert-gas system was installed on a large number of vessels before 1973, rudders are being built which

can be lurned 45° instead of 35°, and a limit of 5% for the oxygen content of inflammable gas mixtures on tankers has been laid down instead of the international norm of 8%, etc.

Furthermore, the Community should not wait until international conventions are concluded but should develop initiatives of its own aimed at permanent maximum safety so as to round out the existing body of legal instruments and fill any gaps. This would also be in the interests of ship-owners, who would find here a solution to the problem of over-capacity and quite certainly a solution to the problem of banning sub-standard vessels.

In the conclusions the possible Community measures in this area are gone into once again, and a description is given of specific additional steps concerning safety at sea and living and working conditions on board which could help to bring about maximum safety and progress in the economic, technical and social spheres.

Other additional measures may be found in the Report of the European Parliament Committee on Regional Policy, Regional Planning and Transport on :

- 1) the best means of preventing accidents to shipping and consequential marine and coastal pollution, and
- 2) shipping regulations (Rapporteur : Lord BRUCE OF DONINGTON).

Some members consider that the Community should not go beyond the provisions of the conventions that are already in force or open to ratification, since any additional obligations, which would generally entail a major capital outlay, would place shipowners in an even more disadvantageous competitive position vis-à-vis other shipowners who would not be subject to these obligations since they are outside the jurisdiction of the Community.

In this connection they consider that, since the freedom of shipping is embodied in public international law, the Community has no power at all to take regulative action in respect of third parties. They cannot therefore concur with the introduction of inspection certificates or cards attesting conformity with supplementary Community standards over and above the standards laid down in international conventions, which would be issued by Community authorities and would be required in order to enter Community ports and sail in Community territorial waters.

This view is opposed by members who stress that the need to further the common good and safety at sea and in ports confers upon the Community and the Member States policing powers that were perhaps not previously necessary. These members feel therefore that the Community is entitled and obliged to prescribe additional or parallel measures going beyond the provisions of the international conventions. They see these inspection certificates or cards issued by the Community authorities and attesting conformity with Community rules as the basic instrument of a coherent policy of applying safety, technical and social regulations. Observance of these regulations would be monitored in uniform fashion, and any infringement would lead to sanctions.

In this connection they emphasize that, according to information at their disposal, the calamity with the Beteigeuse, in which there were 50 victims, would not have happened if this 10-year-old vessel had been fitted with the inert-gas system. There would also have been no Amoco-Cadiz disaster if that vessel's dual steering gear had been connected to two separate power systems. Likewise, the accident with the Christos Bitas would not have happened if there had been a second radar installation that could have been used when the other installation broke down. (It has now been proposed that vessels be fitted with dual radar installations).

These members also think that, as pointed out above, a number of shipping companies will not be at all against such a policy, since it is in fact the safety of their investments that is at stake; they will appreciate that in the medium and long term such a policy can only be advantageous to them from the point of view of their competitive position vis-à-vis sub-standard vessels, for example.

UN Liner Code

It is clear from what has been said above that it is difficult, if not impossible, to ban flags of convenience or other such practices which are detrimental to Community shipowners. How one might come close to a desirable solution - even if this certainly represents a compromise - is indicated in the MASSABIEAUX Report on the activities of new shipping nations, which are for the present trying to enforce their legitimate interests in the field of liner shipping with the aid of the UN Code of Conduct for Liner Conferences with its 40:40:20 cargo sharing formula.

It is indeed evident that the traditional shipping nations have constantly declined in importance over the last ten years and have had to withdraw from more and more markets because of the cost situation. A code of conduct with guaranteed cargo shares along the above lines could help to remedy this state of affairs.

The UN Code of Conduct for Liner Conferences is a first concrete step in this direction.

The ESC Opinion of 31 May 1978 on the UN Liner Code indicated how, by changing the definition of "national shipping line", it could be ensured that EEC shipowners can actually make use of the 40% clause and how a corresponding number of jobs could thereby be guaranteed for Community workers. In other words, by amending the UN Liner Code one could ensure that 40% of the Community's seaborne foreign trade is carried on ships flying Member State flags.

Such a measure would have a greater chance of success if the social security benefits with an impact on wages could be aligned throughout the Community and also at world level (international agreements).

Obviously, this instrument will be confined to conference shipping, which accounts for but a part of world sea transport.

The Section wonders to what extent similar arrangements could be introduced for tramp shipping, which is not as highly organized. For it is self-evident that regulating as much of the market as possible may help to stabilize the shipping industry. The Section will comment on this point in due course.

Problems connected with Enlargement

The accession of Greece, Spain and Portugal will mean an increase of about 30% in the Community fleet, which totalled 71,684 million GRT on 1 January 1978. This is one more reason for taking Community action as soon as possible to solve the problems in shipping, so that the new Member States will have to base themselves on - and accept - protective legislation that is already in force.

Greece's liberal approach to the right of establishment also poses a problem : up to now Greece has allowed firms from other countries (and especially from Eastern Bloc countries) to set up freely on its territory and form Greek companies.

This problem has already been touched upon in the Committee's Study on East-West transport, where a system for controlling foreign capital similar to that in Austria (75% national capital and not more than 25% foreign capital) was recommended as a step towards a solution.

3. Conclusions

General Comments

Even a limited examination of the highly complex issues involved in sea transport shows how difficult it is to remedy all the ills described.

There are three major categories of problems facing shipping companies, workers in the shipping sector and the environment affected by shipping disasters :

- safety at sea;
- vessels that are sub-standard from the economic, social and technical points of view;
- the threat to Community shipping companies' survival and the implications as regards the economic independence of a foreign-trade-oriented Community in the important transport sector.

From the point of view of legal competence, the steps which can be taken towards solving these problems can be divided into two groups :

- measures which the Community can take by itself for its own territory;

- measures which it can influence or help to shape in association with other States and/or within the framework of international organizations.

No matter where these measures are taken, there can be no doubt that the Community must :

- seek with all the means at its disposal to ensure the maximum degree of safety as far as human beings, the environment and equipment are concerned, and
- ward off the threat to Community shipowners' survival which is being posed by intolerable distortions of competition.

This dual principle forms the basis for the ~~measures~~ proposed in the next chapter.

Concrete proposals

Adoption of Community legal instruments with a view to immediate intervention

International action already embarked on

With regard to international action already embarked on, the Community should, by means of Directives, call upon the Member States not only to ratify without delay all the

international conventions and recommendations on social and technical matters drawn up by international bodies (such as the ILO and IMCO) (*) but also to take the steps necessary for their application, regardless of whether they have been ratified by enough States or not.

These Council Directives could be supplemented by other instruments reinforcing the provisions of the above-mentioned conventions and recommendations; where necessary, the Council could ask the Commission to find appropriate, effective solutions to problems that arise.

The Community should adopt Regulations harmonizing the living and working conditions of seafarers on vessels flying Member State flags.

It goes without saying that these Regulations must set out from the principles laid down in Articles 2, 117, 118 and 119 of the EEC Treaty (which provide for non-discrimination and harmonization coupled with progress) and must also be based on the international instruments of the ILO (including Convention No. 111) and IMCO.

The ad hoc merchant shipping committee set up in 1973 should be given official status and strengthened so that it can assist the Commission in the preparation of these Regulations.

The Community must make every effort, in concert with the relevant contracting parties, to ensure - by amending the definition of "national shipping line", if need be - that

(*) Cf. Appendix 4 to the HENNIG Report (pages 141 to 144)

liner conference trade is shared on the basis of the 40 : 40 : 20 principle advocated by the new shipping nations.

Supplementary deterrent action

In order to strengthen existing Community legal instruments and to remedy the shortcomings that still exist, particularly in the areas of maritime safety and living and working conditions (problems to which the Community is very much alive), it is necessary to implement supplementary provisions in the form of Regulations and/or Directives and in particular the following :

Legislation establishing really effective procedures for supervising observance of Community legal instruments. In particular, there should be legislation providing for the establishment and defining the mode of operation of a Community inspection force in the ports and territorial waters of the Community and in the major international seaways which come under Community jurisdiction.

Since it is desirable to extend this inspection, multilateral agreements should be concluded as quickly as possible with the non-member countries concerned.

Legislation laying down the technical and social criteria which vessels must meet on pain of being refused access to Community ports, whatever the legal status of the latter (autonomous port, free port, etc.).

In order to ensure that this legislation is applied in uniform fashion in all the Member States, a Community technical inspection system should be introduced. This task of technical inspection could be delegated to the shipping inspectorates of the individual Member States or similar services approved by the Community authorities; where necessary, these services should be strengthened or set up where they do not yet exist.

These services would notify the Community authorities of the infringements established and the action taken. In the light of these reports, the Community authorities could, where necessary, draw up additional legislation to intensify inspection and/or tighten up Community requirements in this area.

Legislation penalizing non-observance of the Community legal instruments in force and providing :

- for the setting-up of an effective inspection service with real powers to take action in the various Community ports;
- for deterrent sanctions, such as a ban on entry to Community ports, seizure of the vessel and/or fines depending on the infringements established;
- that any such non-conforming vessel entering a Community port, must, in addition to the fines incurred, be detained there until proof of conformity with Community requirements can be produced, if necessary after repairs or alterations effected on the spot, i.e. at a shipyard near the Community port in question.

Legislation laying down that, in the event of an infringement of the social provisions, wages and any other allowances must be paid to the crew under the supervision of a body approved by the Community authorities, at a place determined by that body.

Legislation laying down the requirements as regards qualifications and the conditions for the mutual recognition of officers' and crews' certificates (Community certificates, Community approval).

Supplementary financial action

Financial legislation providing for :

- the harmonization of the conditions governing the granting of new building subsidies so as to reduce the existing discrepancies, which give rise to harmful inequalities; this must not, however, mean that subsidies aimed at maintaining a given level of activity in the industry become a permanent fixture;
- the introduction of scrapping premiums for vessels flying a Member State flag that no longer conform to the standards, so as to cover the difference between the price obtainable by the Community shipowner on the second-hand market and the price offered by the scrapping yard.

These premiums could be divided into two instalments : the first half would be paid immediately on scrapping; the second half would be blocked for a maximum period of five years, during which the shipowner would have to order a new vessel from a Community yard in order to qualify, except where there was manifest cyclical overcapacity. This system could thus be the beginning of a solution to the crisis in ship-building. The Section would, however, give its support also to other measures that produce the same results.

Legislation applicable to insurance companies and governing in particular the conditions for the insurance of vessels meeting the requirements imposed by Community legislation.

4. Community Action to be Envisaged in the Medium Term

At international level, the Community should :

adopt a Community position that would be presented and defended as such on behalf of the Member States at future negotiations in international forums;

decide the action of all kinds that the Community could undertake at international level in order to help improve maritime safety and living and working conditions on board vessels regardless of their flag;

incorporate in all trade agreements concluded by the Community or any of its Member States clauses requiring observance of Community maritime regulations;

conclude bilateral or multilateral agreements with non-member countries on observance of the Community regulations in force and even on their involvement in the implementation of these regulations.

Internally, the Community should :

constantly adapt technical, social and economic standards to the economic and social progress of the Community, with a view to making competition in the maritime sector healthier, improving the living and working conditions of

crews and ensuring that non-member countries and, in particular, developing countries engaging in maritime activities, can play the role to which they are entitled - in short, with due observance of the provisions of the Preamble to the Treaty;

equip itself with efficient tools in the economic and commercial spheres that will enable effective support to be given to Member State shipowners in the face of competition from third-country shipowners whose operations are facilitated by manifest structural advantages.

5. Conclusions

The Section has made an effort to bring its views to the attention of all the relevant authorities before the UNCTAD conference to be held in Manila in May 1979, which will consider a special aspect of the problems described.

The Section appeals to the Council, the Commission, the Member-State governments and all national and international decision-making bodies to ensure that work is speeded up and that the decisions needed to avert serious threats to the Community are taken without delay.

The Commission should be given the resources to carry out the new tasks assigned to it.

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FLAGS OF CONVENIENCE
- data and statistics -

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	3	Analysis by type of ship at 1.7.1978
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General Notes on the Tables

Table 1 : compares a number of recent reports in order to establish the subjects for this study, and indicates the number of ships and the tonnage for each country concerned. It selects six flags (the largest by number and by tonnage, plus 2 others) as the subjects for study.

Table 2 : indicates the size of merchant fleets of EC countries, new member candidates and the 6 FOC countries, both by number and tonnage.

Table 2 a) : shows pie charts illustrating the number and tonnage figures in the preceding table.

Table 3 : analyses the merchant fleets of the EC Member States, the new member candidates and the FOC countries as a function of the type of ship. The number and tonnage of the Liberian tanker fleet is noteworthy, as is the relative insignificance of the FOC fleets in types other than tankers etc., and general cargo.

Table 3 a) : illustrates the analysis in Table 3 in the form of pie charts. The figures in brackets show the multiplier (i.e. the size of the pie chart for tankers etc. should be 44 times bigger than that for passenger ships). The importance of tanker fleets and the penetration of this market by FOC fleets can be clearly seen.

Table 4 : shows the age of ships in four groupings. The large relative tonnage of elderly Italian, Greek and Panamanian ships can be seen here, and this is probably reflected in the total loss data (Table 5).

Table 4 a) : The chi-square test provides a technique whereby it is possible to assess the significance of the departures of observer frequencies from the frequencies which would be expected if the data conformed to some theoretical distribution. If the expected and actual values were identical, the value of chi-square would be zero. The value obtained therefore measures the extent to which the observed values depart from the expected values.

Table 5 : shows new ships classed by Lloyd's Register only (the notes to the table should also be consulted). This accounts for the low figure for certain EC Member States and the low figures for Greece and the FOC flags. It should not be inferred that the large tonnages of new ships registered in those countries were not classified : they were, however, not classified with Lloyd's.

Table 6 : shows the growth of merchant fleets in the last 10 years, by tonnage only.

Table 6 a) : shows the same data in graphic form.

Table 7 : compares figures of seafarers unemployed with the total registered unemployed in the EC Member States. The differences in the two sets of figures are not considered to be significant.

Table 8 : shows total losses from 1971 to 1977, and gives a mean loss ratio (number of losses as a percentage of total registered tonnage) for the whole period. The substantially higher figures for certain FOC flags should be noted. Full details of casualty statistics are available from the Liverpool Underwriters' Association. In "Flags of Convenience

in 1978" (Polytechnic of Central London) an attempt has been made to assess the relative probabilities of losses in different fleets, using a Poisson distribution technique, which permits the calculation of probabilities where there are isolated events of which there is no finite total number of possibilities.

However, as the authors state, it is difficult to impute safety levels to national fleets on the basis of total losses, without taking other factors into account, e.g. the type of ship, the age of the ship, and the size of ship, as well as the waters in which the ship normally sails. Comparisons over periods of time can also be misleading in that safety standards may improve or deteriorate. For these reasons no attempt has been made to develop a probability analysis of total losses in this study.

Table 9 : gives the present information regarding beneficial ownership. It should be noted that the Commission is also undertaking a study in this direction (see Question 768/78, OJ Vol. 22, C 33) and that Lloyd's/Lloyd's Register Shipping Information Services plans to have information regarding holding or beneficial owners available on computer in 1980.

Table 10 : gives details of the status of IMCO conventions as at 31 May 1978.

Table 11 : one of the most important aspects of the activities of the ITF is the recovery of back pay on FOC ships which underpay their crews by comparison with ITF agreed rates. This table shows the total amounts recovered in 1977, the flags and the number of ships involved.

Table 12 : shows the number of ITF inspectors (it should be noted that in addition to this total there are many other national trade union officials who act as part-time inspectors).

Table 13 : shows the total number of FOC and crew of convenience vessels covered by ITF agreements at 1.2.1978. It should be noted that at the time of writing this total had risen to approximately 1,500 vessels.

Table 14 : gives the data for the ship-classification activity of Bureau Veritas in 1978, showing not only the total number of ships classed but also surveys carried out.

TABLE 1

FLAGS OF CONVENIENCE STATES

States considered to have Flags of Convenience or quasi Flags of Convenience include :

	LIBERIA	PANAMA	SINGAPORE	CYPRUS	SOMALIA	BERMUDA	BAHAMAS	HONDURAS	COSTA RICA	LEBANON	SEYCHELLES	CAYMAN IS.	MALDIVE IS.	NETH. ANTILLES	MALTA	OMAN	HONG KONG	NOTES - SOURCES
UNCTAD 1977	x	x	x	x	x	x	x	x										Quoted in ESC 1583/78
ESC 446/78	x	x	x		x	x	x	x	x	x								
PCL REPORT (Nov. 1978)	x	x	x	x	x	x	x	x	x	x	x	x	x					"Flags of Convenience in 1978", Polytechnic of Central London
ITF (Feb. 1977)	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		Fair Practices Committee of ITF
UNCTAD 1979	x	x	x	x	x	x	x	x										Report to be submitted to Manila Conference, quoted in Lloyd's list 6.2.79
Total ships	2523	3640	954	793	19	99	93	70	19	189	10	135	41	-	47	11	150	
Total tonnage gr.(⁶) (1000)	80191	20748	7489	2599	72	1814	84	130	10	277	53	169	96	-	101	5	874	
Selected for this study	x	x	x	x	x	x	x											

(⁶) at 1.7.78 - per Lloyd's Register of Shipping

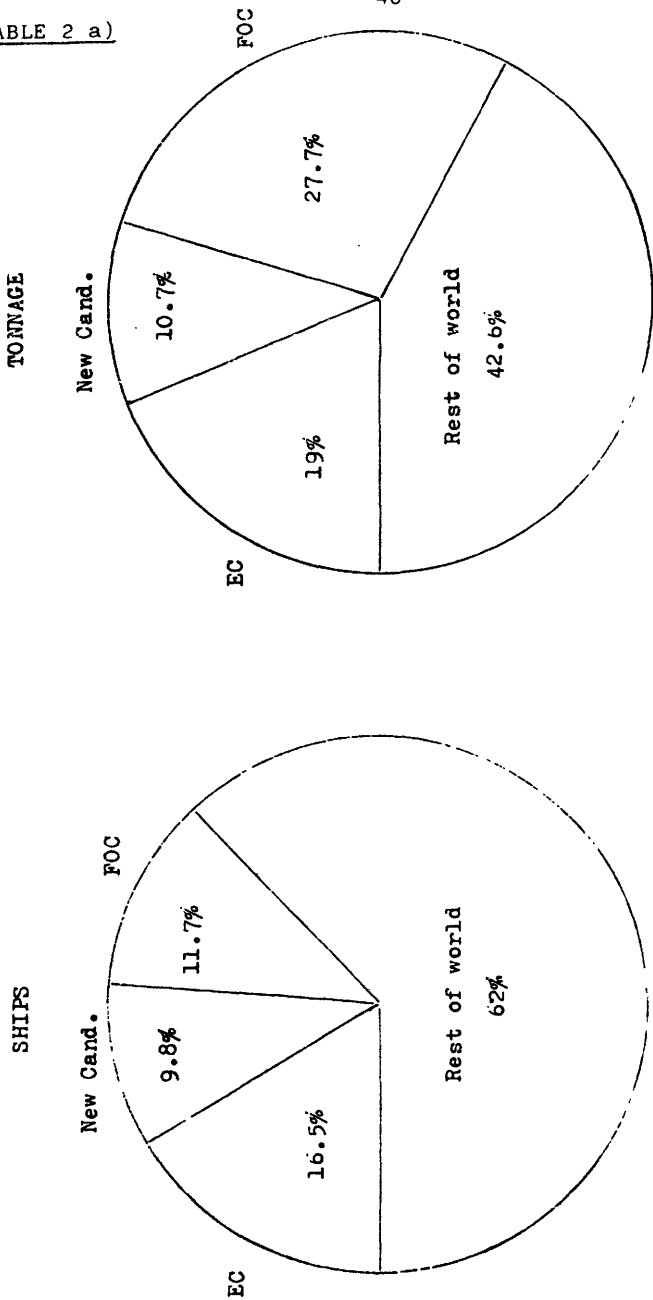
COMPARISON OF MERCHANT FLEETS AT 1.7.78

	<u>No. of Ships</u>	<u>Gross Tonnage</u>	
BELGIUM	268	1,684,692	
DENMARK	1,397	5,530,408	
FRANCE	1,317	12,197,354	
GERMAN FR	1,999	9,736,667	
IRELAND	110	212,143	
ITALY	1,694	11,491,873	
NETHERLANDS	1,238	5,180,392	
U.K.	3,359	30,896,606	
Total E.C.	11,382	76,930,135	19.0%
SPAIN	2,753	8,056,080	
PORTUGAL	342	1,239,963	
GREECE	3,666	33,956,093	
Total New Member Cand.	6,761	43,252,136	10.7%
LIBERIA	2,523	80,191,329	
PANAMA	3,640	20,748,679	
SINGAPORE	954	7,489,205	
CYPRUS	793	2,599,529	
BERMUDA	99	1,814,455	
BAHAMAS	93	84,269	
Total FOC	8,102	112,927,466	27.7%
Rest of World	42,775	172,892,242	42.6%
World Total	69,020	406,001,979	100 %

Source: Lloyd's Register of Shipping, Statistical Tables, 1978.

COMPARISON OF MERCHANT FLEETS AT 1.7.78

TABLE 2 a)



ANALYSIS BY TYPE OF SHIP AS AT 1 JULY 1978

FLAG	TANKERS ETC. 1)		GENERAL CARGO 2)		FISHING	
	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.
BELGIUM	43	1,127,650	39	414,973	82	1,275
DENMARK	144	3,609,431	636	1,516,053	379	75,427
FRANCE	193	9,862,315	287	1,890,973	546	184,543
GERMANY FR	207	5,591,195	1253	3,676,453	152	133,602
IRELAND	12	131,919	34	34,895	32	7,046
ITALY	505	9,335,209	453	1,336,426	239	86,108
NETHERLANDS	129	2,884,252	513	1,843,420	377	87,168
UK	775	23,684,089	1028	5,576,623	528	181,953
Total EC	2008	56,226,060	4243	16,239,816	2335	757,122
SPAIN	202	6,301,611	536	1,004,326	1811	589,627
PORTUGAL	30	728,465	87	361,733	165	126,585
GREECE	1164	23,662,675	1997	9,627,996	96	44,358
Total New Cand.	1396	30,692,951	2620	10,993,955	2072	760,570
LIBERIA	1860	75,538,050	820	4,464,139	5	2,438
PANAMA	678	11,541,751	2049	8,132,763	385	174,377
SINGAPORE	233	4,817,135	508	2,511,796	4	1,101
CYPRUS	61	503,636	686	2,018,100	8	3,360
BERMUDA	52	1,648,855	21	113,026	9	39,966
BAHAMAS	6	40,350	56	29,785	14	3,293
Total FOC	2890	94,089,777	3940	17,269,609	425	224,535
Rest of world	6322	108,219,391	12284	45,768,366	15155	10,630,174
World total	12616	289,228,179	23087	90,321,746	19987	12,372,401

Source : Lloyd's Register of Shipping, Statistical Tables, 1978

TABLE 3 (contd.)

	PASSENGER		OTHERS 3)		TOTAL	
	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.
BELGIUM	13	49,349	91	91,445	268	1,684,692
DENMARK	82	230,498	156	98,999	1397	5,530,408
FRANCE	47	137,572	244	61,951	1317	12,197,354
GERMANY FR	101	137,450	286	197,967	1999	9,736,667
IRELAND	8	27,660	24	10,623	110	212,143
ITALY	189	605,904	308	128,226	1694	11,491,873
NETHERLANDS	20	132,246	199	233,306	1238	5,180,392
UK	164	608,945	864	844,936	3359	30,896,606
Total EC	624	1,989,624	2172	1,667,513	11382	76,930,135
SPAIN	35	109,106	169	51,410	2753	8,056,080
PORTUGAL	6	3,778	54	19,402	342	1,239,963
GREECE	221	573,409	188	47,555	3666	33,956,093
Total New Cand.	262	686,293	411	118,367	6761	43,252,136
LIBERIA	5	87,036	33	99,666	2523	80,191,329
PANAMA	48	298,181	480	601,607	3640	20,748,679
SINGAPORE	8	32,569	201	126,604	954	7,489,205
CYPRUS	22	60,931	16	13,502	793	2,599,529
BERMUDA	-	-	17	12,608	99	1,814,455
BAHAMAS	2	6,235	15	4,606	93	84,269
Total FOC	85	484,952	762	858,593	810?	112,927,466
Rest of world	1989	3,703,421	7025	4,570,890	42775	172,892,242
World total	2960	6,864,290	10370	7,215,363	69020	406,001,979

1) includes liquified gas carriers, chemical tankers, bulk and oro carriers

2) includes container ships, vehicle carriers

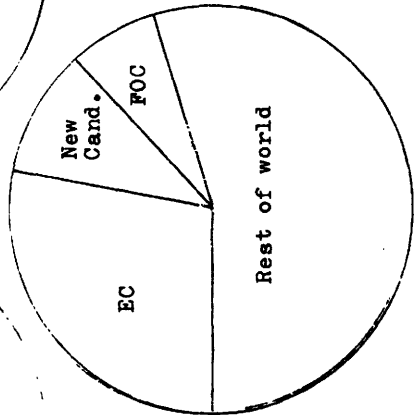
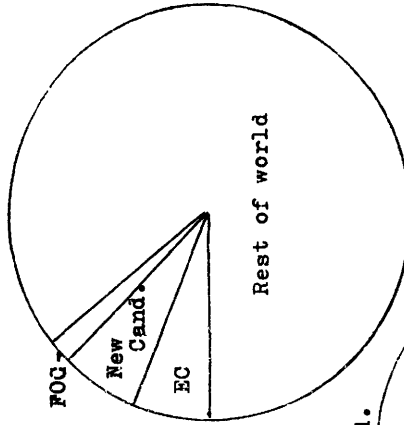
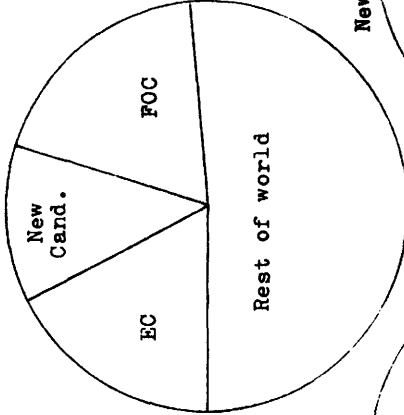
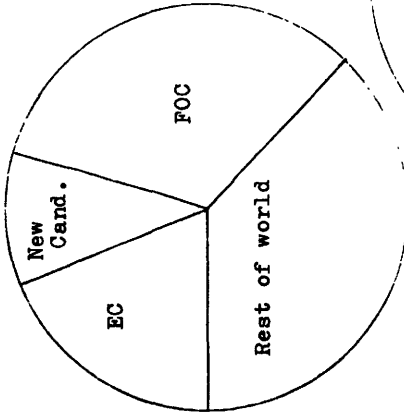
3) supply ships, tugs, dredgers, livestock carriers, icebreakers etc.

ANALYSIS OF TONNAGE DISTRIBUTION PER TYPE OF SHIP

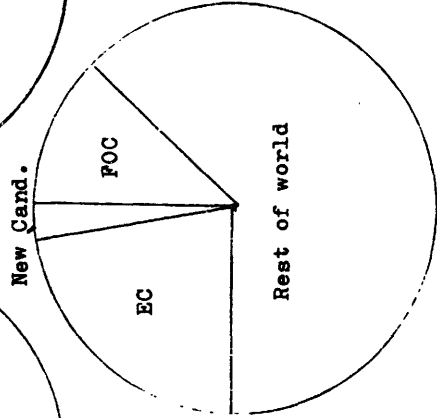
TANKERS etc. (x 44)

GEN. CARGO (x 14)

FISHING (x 2)



PASSENGER (x 1)



OTHER (x 1)

AGE OF SHIPS AS AT 1 JULY 1978

	0 - 4 yrs.		5 - 9 yrs.		10 - 14 yrs.		15 yrs. & more		TOTAL	
	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.
BELGIUM	54	761,026	52	420,887	53	314,627	109	188,152	268	1,664,692
DENMARK	377	2,862,700	260	1,430,497	342	767,379	418	470,332	1397	5,530,408
FRANCE	276	5,608,081	286	4,480,654	252	1,372,1979	503	725,740	1317	12,197,354
GERMANY FR	411	3,941,362	574	3,502,900	425	1,662,432	589	609,953	1999	9,736,667
IRELAND	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	110	212,143
ITALY	164	3,750,689	260	2,971,556	278	1,742,772	972	3,026,846	1694	11,491,1873
NETHERLANDS	297	1,021,635	770	1,517,510	300	1,309,500	371	1,331,727	1238	5,160,1392
UK	666	11,112,351	799	12,857,640	557	3,832,441	1337	3,094,174	3359	30,896,606
Total EC	2745	29,057,394	2521	27,191,644	2207	11,022,030	4299	9,446,924	11382	76,930,135
SPAIN	682	3,965,764	531	2,424,804	607	881,839	933	783,673	2753	8,056,080
PORTUGAL	37	284,221	68	476,338	51	406,389	186	370,805	342	1,539,963
GREECE	353	5,490,869	531	7,497,695	462	7,979,1851	2320	12,967,448	3666	33,956,093
Total New Cand.	1072	9,740,874	1130	10,399,037	1120	8,970,299	3439	14,141,926	6761	43,252,136
LIBERIA	843	33,647,389	673	26,271,840	491	12,968,516	516	7,303,584	2523	80,191,329
PANAMA	704	6,105,416	507	3,397,758	541	2,784,234	1868	8,481,271	3640	20,748,179
SINGAPORE	280	3,550,059	354	1,145,843	100	594,524	420	2,201,769	954	7,489,205
SIERRA LEONE	12	36,607	35	1,12,136	77	190,218	669	2,211,568	793	2,599,129
SEYDIUS	39	827,063	18	582,014	17	185,827	925	219,551	99	1,814,458
BRUNDA	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	93	84,269
Total FOC	1878	44,166,534	1387	31,509,591	1226	16,729,729	3519,	20,437,743	8102	112,927,466
Rest of world	8065	56,335,536	10183	51,922,724	8979	30,144,258	15751	34,786,134	42775	172,892,242
World total	13260	139,300,340	15221	121,072,996	13532	66,865,916	27007	78,812,727	69020	406,001,979

Source : Lloyd's Register of Shipping, Statistical Tables, 2978

ANALYSIS OF AGE OF SHIPS AS AT 1 JULY 1978

	<u>0 - 4 yrs</u>		<u>5 - 9 yrs</u>		<u>10 - 14 yrs</u>		<u>15 yrs or more</u>	
	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.
TOTAL EC in %	20	38	22	35	20	15	38	12
TOTAL FOC in %	24	39	35	28	16	15	45	18

Test: Use the chi-square distribution to check if the expected frequencies (EC figures) are significantly different from actual frequencies (FOC figures).

1) Numbers of ships :

	EC	FOC
0 - 4 yrs	20	24
5 - 9 yrs	22	35
10 - 14yrs	20	16
15 + yrs	38	45

$$\begin{aligned}
 \chi^2 &= \sum \frac{(A - E)^2}{E} \\
 &= \frac{(24 - 20)^2}{20} + \frac{(35 - 22)^2}{22} + \frac{(16 - 20)^2}{20} + \frac{(45 - 38)^2}{38} \\
 &= 10.5
 \end{aligned}$$

IF $V = 3$, $\chi^2 = 7.81$ at a 5% level of significance, i.e. both distributions follow the same pattern.

2) Tonnage basis :

	EC	FOC
0 - 4 yrs	38	39
5 - 9 yrs	35	28
10 - 14 yrs	15	15
15 + yrs	12	18
	<u>100</u>	<u>100</u>

$$\begin{aligned}
 \chi^2 &= \sum \frac{(A - E)^2}{E} \\
 &= \frac{(39 - 38)^2}{38} + \frac{(28 - 35)^2}{35} + \frac{(15 - 15)^2}{15} + \frac{(12 - 18)^2}{18} \\
 &= 3.4
 \end{aligned}$$

If $V = 3$, $\chi^2 = 7.81$ at a 5% level of significance, both the distributions follow the same pattern.

NEW SHIPS CLASSED BY LLOYDS REGISTER IN 1976 AND 1977

(see important notes below)

COUNTRY	BUILT:		1976		1977		REGISTERED:		1976		1977	
	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.	No.	Tons Gr.
BELGIUM	13	162,776	6	142,747	10	96,510	2	80,336	2	80,336	2	80,336
DENMARK	15	558,453	25	523,270	30	872,432	20	121,720	20	121,720	20	121,720
FRANCE	1	56	6	123,226	6	95,017	4	27,066	4	27,066	4	27,066
GERMAN FR	44	615,025	43	907,751	1	162,488	4	82,384	4	82,384	4	82,384
IRELAND	-	-	2	29,117	-	-	4	36,577	4	36,577	4	36,577
ITALY	5	84,924	12	195,937	4	84,458	11	163,838	11	163,838	11	163,838
NETHERLANDS	99	579,794	85	454,969	26	345,863	39	85,213	39	85,213	39	85,213
U.K.	101	1,141,446	163	1,332,885	122	1,312,092	156	1,617,575	156	1,617,575	156	1,617,575
Total EC	278	3,142,474	342	3,709,902	199	2,968,860	240	2,214,709	240	2,214,709	240	2,214,709
SPAIN	51	977,980	62	997,511	31	637,889	43	829,417	43	829,417	43	829,417
PORTUGAL	4	4,579	11	6,522	3	3,983	6	168,362	6	168,362	6	168,362
GREECE	3	24,229	18	17,360	24	880,053	31	405,912	31	405,912	31	405,912
Total Applicants	58	1,006,788	91	1,021,393	58	1,521,925	80	1,403,691	80	1,403,691	80	1,403,691
LIBERIA	-	-	-	-	41	1,357,451	48	1,435,024	48	1,435,024	48	1,435,024
PANAMA	-	-	-	-	22	101,387	31	290,766	31	290,766	31	290,766
CYPRUS	-	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
SINGAPORE	-	-	-	-	n/a	n/a	-20	106,364	-20	106,364	-20	106,364
BERMUDA	-	-	-	-	n/a	n/a	15	155,455	15	155,455	15	155,455
BAHAMAS	-	-	-	-	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Total POC	-	-	-	-	63	1,458,838	114	1,987,609	114	1,987,609	114	1,987,609
Rest of world	248	3,893,798	387	4,534,202	264	2,093,437	386	3,659,408	386	3,659,408	386	3,659,408
World Total	584	8,043,060	820	9,265,497	584	8,043,060	820	9,265,417	820	9,265,417	820	9,265,417

- 1) There is no correlation between the country of construction and the country of registration; thus it cannot be inferred that of the 13 ships built in Belgium in 1977, 10 were registered there.
- 2) This table shows only ships classified by Lloyd's Register and does not include ships classified by other classification societies. In 1978, some 11558 vessels with a tonnage of 114.937,352 tons gross were classed with Lloyd's, out of a total world figure of 69020 vessels representing 406,001,979 tons.

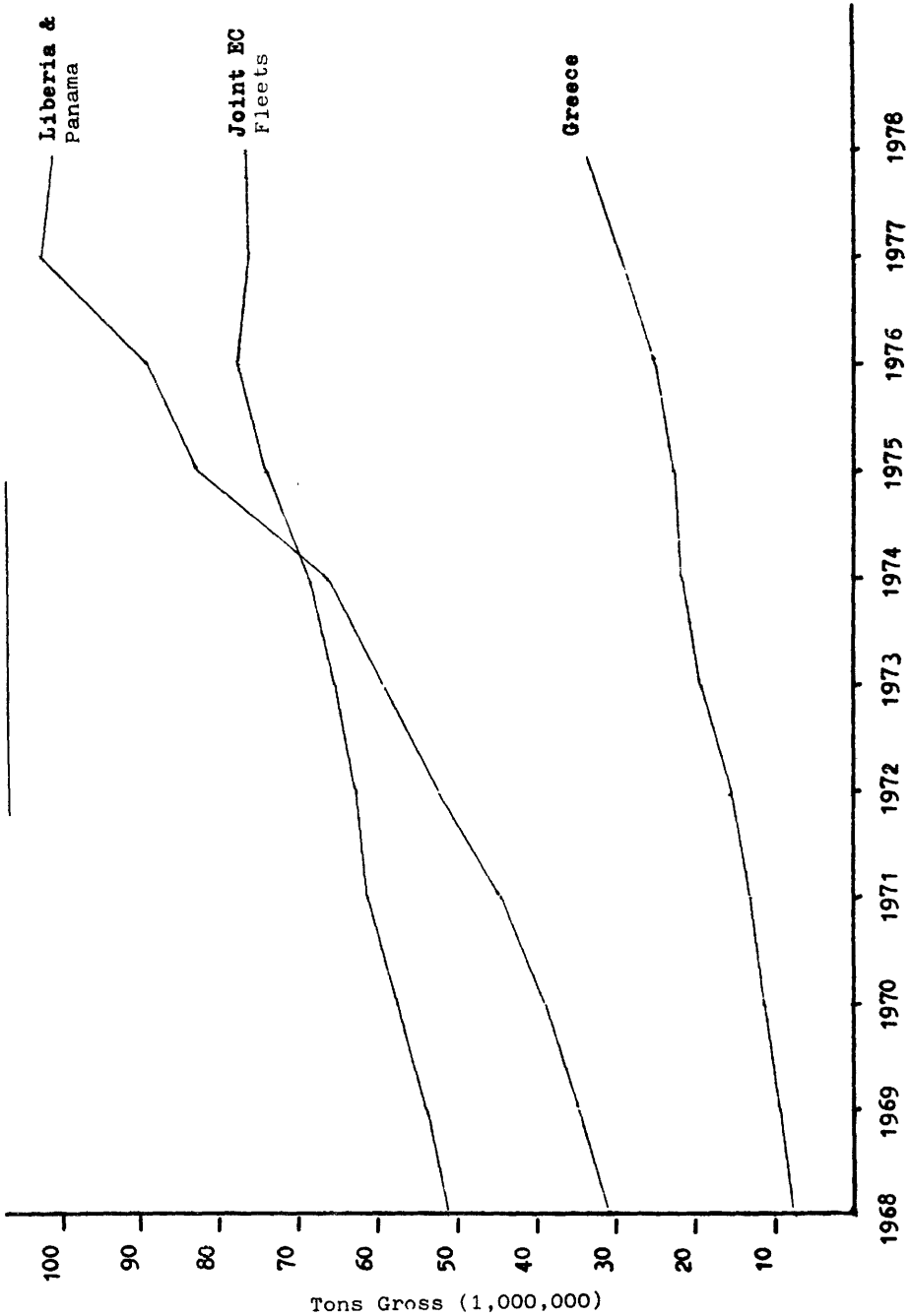
GROWTH OF MERCHANT FLEETS 1968 - 1978 (Tonnage only) (1,000,000)

	Main EC and FOC flags										
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978
BELGIUM	.9	1.1	1.1	1.2	1.2	1.2	1.2	1.4	1.5	1.6	1.7
DENMARK	3.2	3.5	3.3	3.5	4.0	4.1	4.5	4.5	5.1	5.3	5.5
FRANCE	5.8	6.0	6.5	7.0	7.4	8.3	8.8	10.7	11.3	11.6	12.2
GERMAN FR	6.5	7.0	7.9	8.7	8.5	7.9	8.0	8.5	9.3	9.6	9.7
ITALY	6.6	7.0	7.4	8.1	8.2	8.9	9.3	10.1	11.1	11.1	11.5
NETHERLANDS	5.3	5.3	5.2	5.3	4.9	5.0	5.5	5.7	5.9	5.3	5.2
U.K.	21.9	23.8	25.8	27.3	28.6	30.2	31.6	33.2	32.9	31.6	30.9
Total	50.2	53.7	57.2	61.1	62.8	65.6	68.9	74.1	77.1	76.1	76.7
SPAIN	2.8	3.2	3.4	3.9	4.3	4.8	4.9	5.4	6.0	7.2	8.1
GREECE	7.4	8.6	10.9	13.1	15.3	19.1	21.8	22.5	25.0	29.5	33.9
Total	10.2	11.8	14.3	17.0	19.6	23.9	26.7	27.9	31.0	36.7	42.0
LIBERIA	25.7	29.2	33.3	38.5	44.4	49.9	55.3	65.8	73.5	79.9	80.2
PANAMA	5.1	5.4	5.6	6.3	7.8	9.6	11.0	13.7	15.6	19.5	20.7
SINGAPORE			.4					3.8	5.5	6.8	7.5
CYPRUS			1.1					3.2	3.1	2.8	2.6
BAHAMAS			.2					.2		.1	.8
BERMUDA										1.7	1.8
Total	30.8	34.6	40.6	44.8	52.2	59.5	66.3	86.7	97.7	110.8	113.6

Source : Lloyds Register of Shipping, Statistical Tables, 1977 and 1978
(missing figures could be obtained from earlier issues but are not considered relevant).

TABLE 6 a)

GROWTH OF MERCHANT FLEETS



EMPLOYMENT AND UNEMPLOYMENT IN THE SHIPPING INDUSTRY, 1.1.78 (EC only excl. Lux.)

COUNTRY	Number of posts at sea on ships on national register (excl. crew relief and back-up)	Seafarers unemployed	% Seafarers unemployed	Total civilian working population* 1000	Total registered unemployed 1000	% Total unemployed
BELGIUM	2.146	178	8.2	3,968	334.6	8.4
DENMARK	13,900	1,389	9.9	2,544	191.0	7.5
FRANCE	12,174	1,055	8.6	21,829	1126.1	5.15
GERMAN FR	23,725	785	3.3	25,518	1213.5	4.7
IRELAND	955	146	15.2	1,129	111.1	9.8
ITALY	27,472	n/a	-	19,662	1554.6	7.9
NETHERLANDS	14,198	247	1.7	4,773	224.8	4.7
U.K.	56,252	1,336	2.3	26,000	1548.5	5.9
Total EC	150,822	5,136	3.4	105,423	6304.2	5.97

* most recent figure available

Sources : B/CES 263/78 rev. 2 appendix

Eurostat Monthly General Statistics Bulletin, 4/6-1978.

TABLE 8

- 58 -

TOTAL LOSSES 1971 - 1977

FLAG	1971		1972		1973		1974	
	No.	Tons	No.	Tons	No.	Tons	No.	Tons
BELGIUM	-	-	1	118	1	3,701	1	418
DENMARK	10	22,662	6	1,952	6	1,730	6	3,904
FRANCE	9	28,707	7	1,191	4	9,522	4	2,456
GERMAN FR	7	10,300	14	9,411	9	3,913	8	24,228
ITALY	11	7,974	9	23,088	15	38,865	4	74,062
NETHERLANDS	3	7,676	6	1,620	8	3,626	1	171
U.K.	9	27,080	8	16,481	19	36,631	15	25,672
Total EC*	49	97,399	51	53,861	62	97,988	39	130,911
SPAIN	14	57,087	17	17,244	16	21,940	11	3,998
PORTUGAL	3	4,586	1	677	7	8,836	6	7,405
GREECE	30	146,907	15	119,495	30	79,935	19	119,282
Total N.M.C.	47	208,580	33	137,416	53	110,711	36	130,685
LIBERIA	21	195,006	20	202,184	17	281,931	10	105,357
PANAMA	29	93,185	26	91,989	17	35,421	28	107,885
SINGAPORE	6	37,797	2	5,091	5	15,931	7	40,802
CYPRUS	9	32,430	11	24,628	26	109,819	18	52,069
Total FOC**	65	358,418	59	323,892	65	443,102	63	306,113

* Ireland not available

** Bermuda and Bahamas not available

Source : Lloyd's Register of Shipping, Statistical Tables, 1978

1975		1976		1977		<u>Mean loss ratio 1971-1977 (% tonnage)</u>
<u>No.</u>	<u>Tons</u>	<u>No.</u>	<u>Tons</u>	<u>No.</u>	<u>Tons</u>	
2	236	-	-	-	-	Belgium .05
8	50,986	6	1,671	3	1,016	Denmark .28
2	3,718	4	864	2	486	France .09
8	7,199	8	4,303	7	2,516	German FR .11
1	6,278	5	5,456	3	1,388	Italy .25
4	1,803	7	2,730	1	1,271	Netherlands .03
19	62,739	9	4,138	15	40,321	U.K. .09
44	132,959	39	19,162	31	46,998	Mean EC % .13
23	9,377	19	71,422	18	7,312	Spain .55
18	146,152	23	127,103	2	6,275	Portugal .34
41	155,529	42	198,525	25	144,569	Greece .64
16	249,125	17	352,771	45	158,156	Mean % .51
42	154,353	50	217,157	12	291,626	Liberia .41
4	34,348	4	19,447	54	198,910	Panama 1.07
8	29,873	19	78,217	8	40,560	Singapore 1.59
70	467,699	90	667,592	20	42,736	Cyprus 1.93
				94	573,832	Mean FOC % 1.25

BENEFICIAL OWNERSHIP

No reliable data is available on beneficial ownership of ships registered in FOC countries. The UNCTAD report TD/B/C4/168 was unsuccessful in establishing details of beneficial owners, since 48% remained unidentified. However, the new UNCTAD report to be presented to the Manila conference gives details of a study prepared by A & P Appledore International of London, which claims to have identified 98% of the total deadweight tonnage registered under flags of convenience. This shows that ownership is based primarily in the following countries :

United States	67,376 m tons dw
Greece	40,666 m tons dw
Hong Kong	33,304 m tons dw
Japan	18,105 m tons dw

Source : Lloyd's List, 6.2.79.

TITLE	REQUIREMENTS FOR ENTRY INTO FORCE	STATUS
International Convention for the Safety of Life at Sea 1960	15 States (with conditions)	Entered into Force May 1965
Amendments 1966	Two-thirds of Contracting Governments (65 States)	46 acceptances received
1967	As above	36 acceptances received
1968	As above	37 acceptances received
1969	As above	26 acceptances received
1971	As above	17 acceptances received
1973 (General)	As above	7 acceptances received
1973 (Grain)	As above	6 acceptances received
International Convention for the Safety of Life at Sea 1974	25 States constituting not less than 50% of total grt of world's merchant shipping + 1 year	15 Contracting Governments (tonnage requirements met)
Protocol 1975	As above + 6 months	No acceptances received
International Regulations for Preventing Collisions at Sea 1960 (Annex B to Final Act of 1960 SOLAS Conference)	Individual acceptances	73 acceptances received Applied since September 1965
Convention on the International Regulations for Preventing Collisions at Sea 1972	15 States owning not less than 6% of world fleet by number of ships or gross tonnage	Entered into force July 1977
International Convention for the Prevention of Pollution of the Sea by Oil 1954, as amended	10 States including five with not less than 500,000 grt of tanker tonnage	Entered into force July 1958
Amendments 1971 (Great Barrier Reef)	Two-thirds of Contracting Orts. (40)	20 acceptances received
1971 (Tanks)	As above	21 acceptances received
International Convention for the Prevention of Pollution from Ships 1973	15 States owning not less than 50% of world merchant shipping grt + 1 year	3 acceptances received
Protocol 1978	As above	No acceptances received
Convention on Facilitation of International Maritime Traffic 1965	10 States	Entered into force March 1967
Amendments 1973	Two-thirds of Contracting States (30)	25 acceptances received
International Convention on Load Lines 1966	15 States (with conditions)	Entered into force July 1968
Amendments 1971	Two-thirds of Contracting States (60)	25 acceptances received
1975	As above	17 acceptances received
International Convention on Tonnage Measurements of Ships 1969	25 States with not less than 6% of world's merchant shipping grt + 2 years	35 acceptances received (Approx. 60% of grt)
International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties 1969	15 States	Entered into Force May 1975
Protocol 1973	As above	2 acceptances received

T.T.E	REQUIREMENTS FOR ENTRY INTO FORCE	STATUS
International Convention on Civil Liability for Oil Pollution Damage 1969	Eight States (with conditions)	Entered into force June 1975
Protocol 1976	As above	2 acceptances received
Convention Relating to Civil Liability in the Field of Maritime Carriage of Nuclear Material 1971	Five States	Entered into force July 1975
International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1971	Eight States (with conditions) + 90 days	Entered into force October 1978
Protocol 1976	As above	2 acceptances received
Special Trade Passenger Ships Agreement 1971	Three States (with conditions)	Entered into force January 1974
Protocol 1973 (space requirements)	As above	Entered into force June 1977
International Convention for Safe Containers 1972	10 States	Entered into force September 1977
Athens Convention Relating to the Carriage of Passengers and Their Luggage by Sea 1974	10 States + 90 days	1 acceptance received
Protocol 1976	As above	No acceptances received
Convention on the International Maritime Satellite Organization (INMARSAT) 1976 (+Operating Agreement)	States representing 95% of initial investment shares + 60 days	6 acceptances received
Convention on Limitation of Liability for Maritime Claims 1976	12 States + 1 year	No acceptances received
Torresminas International Convention for the Safety of Fishing Vessels 1977	15 States with not less than 50% of world fishing fleet of 24 metres in length and over	No acceptances received
International Convention Standards of Training, Certification and Watch-keeping for Seafarers 1978	25 States owning not less than 50% of world merchant shipping grt + 1 year	No acceptances received

BACK PAY RECOVERED BY ITF ACTION IN THE PERIOD 1.1.77 - 31.12.77

<u>Flag</u>	<u>Total Amount (£)</u>	<u>No. of ships involved (*)</u>
LIBERIA	1,794,460	92
PANAMA	1,096,715	42
SINGAPORE	392,460	16
CYPRUS	597,027	29
	<u>3,880,662</u>	<u>179</u>
OTHERS	956,222	34
TOTAL	<u>4,836,884</u>	<u>213</u>

(*) In some instances a ship was involved in more than one ITF action.

Source : ITF, 78/FP 1/2/Annex 3

TABLE 12

NO. OF ITF INSPECTORS WORLDWIDE

Australia	1
Belgium	3
Canada	2
Denmark	1
Finland	2
Germany	1
Great Britain	1
Iceland	1
Israel	1
Italy	2
Netherlands	1
New Zealand	1
Norway	1
Portugal	1
Spain	1
Sweden	1
	<hr/>
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SOURCE : ITF

LIST OF FLAG OF CONVENIENCE/CREW OF CONVENIENCE VESSELS
covered by agreements acceptable to the ITF as at 1.2.78.

<u>Flag</u>	<u>No. of ships covered</u>	<u>Total No. of ships on registry 1.7.1978</u>
LIBERIA	530	2,523
PANAMA	203	3,640
SINGAPORE	52	954
CYPRUS	31	793
JAPAN	64	9,321
OTHERS	24	51,789
TOTAL	904	69,020

Source : ITF

APPENDIX 2

LIST OF SERIOUS SHIP ACCIDENTS,
November 1977 to April 1978

Data taken from a publication of
IMCO (Maritime Safety Committee - 39th meeting)

LIST OF SERIOUS CASUALTIES

Ship	Flag Port of Registration	Tons Gross	Year built	Particulars of the casualty
1. COURAGE	Cyprus Limassol	1,776	1950	Aground.
2. GLORY II	Cyprus Limassol	1,292	1944	Fire. Abandoned. One crew dead.
3. KATINA MATTHEOU	Cyprus Limassol	8,274	1963	Disabled with boiler and machinery trouble.
4. LAS MINAS	Cyprus Limassol	1,880	1946	Sank.
5. MASSYS	Cyprus Limassol	1,620	1952	Sank after explosion in engine room followed by fire.
6. UNILUCK	Cyprus Limassol	10,797	1956	Fire, beached.
7. DAGNY SKOU	Denmark Copenhagen	9,623	1971	Explosion in No. 5 hold followed by fire. Master dead.
8. LADY KAMILLA	Denmark Skagen	500	1949	Sank after shipping water in heavy weather. Seven persons missing.
9. PORT NAVALO	France Dunkirk	12,224	1954	Damaged by stranding in heavy weather.
10. PROMETHEE	France Caen	7,291	1967	Fire in accommodation. Fire spread to deck cargo of logs. Most crew left vessel. Four crew dead.

Ship	Flag Port of Registration	Tons gross	Year built	Particulars of the casualty
11. ELBE	Germany, Federal Republic of Hamburg	500	1958	Sank in heavy seas, one crew missing.
12. ANDRIA	Greece Piraeus	10,287	1957	Fire on board during bunkering. Two crew dead.
13. ANNA M.	Greece Piraeus	3,115	1952	Fire.
14. ANTIGONE E.	Greece Piraeus	10,806	1955	Damaged by stranding.
15. ARCAMARE	Greece Piraeus	8,819	1959	Sank after fire on board.
16. BALTIC EAGLE	Greece Piraeus	1,562	1963	In heavy weather, sprang leak, broke in two and sank. Five crew missing.
17. CASSIOPEIA	Greece Piraeus	16,400	1973	Sank after collision and fire. Five crew missing.
18. DAUNTLESS COLOCOTRONIS	Greece Piraeus	25,476	1965	Fire.
19. DRYADES	Greece Piraeus	8,251	1954	Grounded. Forepeak Nos. 1, 2, 3 and 4 holds and engine room flooded. Abandoned by crew. One crew dead.

Ship	Flag of Port of Registration	Tons gross	Year built	Particulars of the casualty
20. EUROPEAN INDEPENDANCE	Greece Piraeus	5,175	1958	Fire.
21. EVELPIDIS ERA	Greece Piraeus	9,706	1962	Sank after No. 3 hold flooded in heavy weather.
22. GLOBAL HOPE	Greece Piraeus	22,944	1960	Grounded on rocks after reported taking on water.
23. IRENEBANNER	Greece Piraeus	7,802	1958	Fire-damaged and beached.
24. KALAIS	Greece Piraeus	3,659	1949	Damaged by stranding.
25. KRIFI	Greece Piraeus	1,996	1954	Had machinery breakdown.
26. KYRA ELENI	Greece Piraeus	2,032	1949	Ran aground in heavy weather.
27. LADY ERA	Greece Piraeus	8,108	1956	In heavy weather, ran aground on rocks with Nos. 4 and 5 holds and engine room flooded.
28. MAIRA	Greece Piraeus	9,483	1977	Sank after engine room fire and subsequent explosion.
29. MARLEN	Greece Piraeus	1,851	1951	Abandoned in heavy seas. Leaky and listing. Crew rescued. Search conducted but no trace of vessel found.

Ship	Flag of Port of Registration	Tons gross	Year built	Particulars of the casualty
30. NAHOS JUMBO	Greece Piraeus	6,485	1954	Struck sunken wreck and sank.
31. PANTELIS A. LEMOS	Greece Piraeus	35,545	1973	Ran aground in thick fog, followed by fire.
32. PAULINA	Greece Piraeus	8,684	1951	Fire.
33. PAVLOS	Greece Piraeus	15,861	1951	Fire in engine room. Fire spread. Two crew dead.
34. SARBO	Greece Piraeus	3,701	1957	Ran aground.
35. SOPRIA	Greece Piraeus	5,455	1950	Fire, subsequently ran aground with heavy fire damage and deep tanks, engine room and Nos. 4, 5 holds flooded.
36. SUMMER BREEZE	Greece Piraeus	2,568	1955	Grounded and later broke in two.
37. TAKA	Greece Piraeus	11,425	1958	Fire.

Ship	Flag Port of Registration	Tons Gross	Year built	Particulars of the casualty
38. CHANDRAGUPTA	India Bombay	21,635	1963	Abandoned in sinking condition in heavy weather. Extensive search conducted but no trace of vessel or the 69 persons on board found. Vessel presumed sunk.
39. JAGAT PADMINI	India Bombay	12,318	1958	Fire.
40. RADIANT	India Cochin	2,234	1957	Collision. Sank.
41. DAYAKA TIGA	Indonesia Jakarta	3,223	1969	Grounded during typhoon.
42. LORENZO D'AMICO	Italy Palermo	9,634	1948	Collision.
43. ASAHIFUJI MARU	Japan Nagasaki	1,981	1971	Sank after striking bottom.
44. KYOSEKI MARU NO. 1	Japan Tokyo	911	1968	Explosion on board, followed by fire. One crew dead.
45. MATSUSHIMA MARU NO. 3	Japan Tokyo	46,226	1964	Explosions in fore part. Vessel burst into flames. Extensive damage, oil leakage and severe list. Abandoned by crew, one of whom missing.

Ship	Flag Port of Registration	Tons gross	Year built	Particulars of the casualty
46. TENSHO MARU	Japan Yawatahama	2,969	1969	Deck cargo collapsed and caused severe list. Vessel anchored, but sunk. Oil leakage. Crew rescued.
47. WAKAO MARU	Japan Tokyo	2,501	1966	Aground and abandoned.
48. EURASIA SEA	Lebanon Beirut	1,137	1958	Abandoned with engine room fire and in sinking condition. Debris, lifeboat and corpse of one crew member found. Vessel presumed to have sunk.
49. AMOCO CADIZ	Liberia Monrovia	109,700	1974	Steering trouble, ran aground on rocks, broke in two. Later, due heavy pounding, hull section split and wreck lying in three parts. Oil cargo escaped to sea, causing heavy pollution to adjacent coastal areas.
50. ARISTOTELES	Liberia Monrovia	4,306	1952	Aground.
51. BADAGRY	Liberia Monrovia	4,692	1960	Fire.
52. EVA MARIA	Liberia Monrovia	9,841	1971	Sank in heavy seas after explosions on board.
53. LISA	Liberia Monrovia	2,699	1964	Aground. Later reported broken in two.

Ship	Flag Port of Registration	Tons Gross	Year built	Particulars of the casualty
54. NEWARK	Liberia Monrovia	8,537	1959	Damaged by stranding during heavy weather.
55. AZTECA	Mexico Veracruz	16,039	1969	Disabled after main engine explosion. Engine room heavily damaged. Two crew killed.
56. ASIA LAKE	Panama Panama	1,999	1967	Collision, sank.
57. ASTRON	Panama Panama	26,947	1957	Ran aground after steering trouble.
58. CHENG LUNG	Panama Panama	3,316	1947	Collision, sank.
59. CHRYSOPIGI CROSS	Panama Panama	8,324	1950	Aground and broken in two.
60. DELTA SIGMA PI	Panama Panama	3,982	1954	While anchored effecting engine repairs explosion occurred, followed by fire, and vessel subsequently sank.
61. DIAMOND FRUIT	Panama Panama	2,958	1951	Sank after fire in No. 2 hold.
62. EASTERN SATURN	Panama Panama	7,563	1955	Abandoned in sinking condition.
63. HENON	Panama Panama	3,583	1950	Aground.

Ship	Flag Port of Registration	Tons Gross	Year built	Particulars of the casualty
64. IJESHA LION	Panama Panama	5,441	1947	Fire.
65. KATRINA	Panama Panama	3,445	1943	Sank in heavy weather.
66. LORNA I	Panama Panama	4,558	1954	Vessel overdue. Vessel passed Istanbul on December 10. No news since but at that time heavy weather was in that area and it is feared that vessel sank. Search conducted, found four bodies. Vessel had a crew of 21.
67. NATHALIE D.	Panama Panama	2,269	1953	Sank.
68. PONTANAK	Panama Panama	2,776	1964	Sank.
69. ROYAL CLIPPER	Panama Panama	2,257	1952	Fire in the boiler room spread rapidly, vessel sank.
70. SAN MARCO	Panama Panama	2,917	1971	When discharges almost completed explosions occurred in engine room followed by fire. Fire spread quickly to cabins and upper parts of vessel. Fire extinguished. Five crew dead.
71. SUN EAGLE	Panama Panama	2,709	1970	Ran aground in rocky area, holds and engine room flooded.

Ship	Flag Port of Registration	Tons gross	Year built	Particulars of the casualty
72. LEYTE	Philippines Manila	718	1944	While sheltering from typhoon, port anchor chain broke and subsequently ran aground. Heavy bottom damage and Nos. 1 and 3 holds and engine room flooded. One passenger missing.
73. VLASONS-I	Philippines Manila	2,304	1948	Sank. Three crew dead and six missing.
74. MAWO No. 5	Republic of Korea Busan	3,942	1970	Sank.
75. STAR MARCH	Republic of Korea Busan	4,276	1957	Capsized and sank.
76. YOUNG DUCK	Republic of Korea Busan	3,424	1957	Fire in engine room, later vessel sank while under tow. One crew member lost.
77. ABHA	Saudi Arabia Jeddah	4,793	1945	Aground.
78. BLUE BELT	Saudi Arabia Jeddah	2,399	1950	Grounded and sank.
79. MECCA	Saudi Arabia Jeddah	3,858	1950	Sank after fire.
80. MUNDSBURG	Singapore Singapore	4,710	1954	Sprang leak, broke in two and sank.
81. MATI	Singapore Singapore	2,993	1971	Hatch cover broke during heavy weather and vessel sank. Ten crew rescued, twelve dead and three missing.

Ship	Flag of Port of Registration	Tons gross	Year built	Particulars of the casualty
82. ARONA	Spain Las Palmas	1,639	1968	On fire. Fire burnt itself out but vessel sank while under tow.
83. MANOLA TORO	Spain Bilbao	790	1972	Sank after collision. Three crew missing.
84. MARBEL	Spain Gijon	1,317	1967	Had engine room explosion in storm and drifted towards the coast. Fishing vessel tried to take vessel in tow but cable broke and vessel drifted on rocks, broke up and sank. Twenty-seven crew reported missing.
85. SKAGERN	Sweden Skarhamn	1,599	1967	Sank after collision in heavy fog. Seven crew rescued, three missing.
86. CAYMAN TRADER	Trinidad and Tobago	2,109	1950	Fire, beached.
87. BALTYSKIY 41	USSR Leningrad	1,865	1965	Fire in engine room and abandoned by crew. Two crew dead.
88. KURA	USSR Riga	3,560	1960	Reported lost.
89. HEZO	United Kingdom Hull	4,493	1972	Abandoned in heavy weather, taking water in engine room and trailer deck, sunk. One crew member died.

Ship	Flag Port of Registration	Tons gross	Year built	Particulars of the casualty
90. HARRY L. ALLEN	United States Wilmington, Del.	6,945	1910	Fire.
91. INTERSTATE 19	United States Philadelphia	1,098	1948	Explosion on board followed by fire. Vessel broke in two. Two crew killed.
92. MARGARET L.	United States San Juan, PR	1,568	1972	Sank in lat. 08 10N, long. 94 45W, on March 7 after fire on board. Crew rescued.

CHAPTER III

SUB-REPORT OF THE SECTION FOR TRANSPORT AND COMMUNICATIONS ON THE DEVELOPMENT OF THE ROLE OF NEW SHIPPING NATIONS (Rapporteur : Mr MASSABIEAUX)

1. Introduction

The traditional shipping nations (including several FEC countries), whose fleets are operated in accordance with standard practices, are being confronted with flags of convenience, sub-standard vessels, the fleets of COMECON and developing countries and fleets in which racial discrimination is practised on board ships.

2. Definition of the Scope of the Study

In this study, the expression "new shipping nations" applies essentially to the developing countries forming the Group of 77 in all international forums. This definition is justified on historic grounds. Thus, apart from the countries of Latin America, all the countries which have emerged gradually on the international shipping scene have been the products of decolonization. Another factor justifying the definition is that these countries form an entity by virtue of the fact that they are endeavouring to establish similar national shipping policies, which are guided by their desire to exercise direct control over the sea transport of their foreign trade using ways and means that generally come under the powers of the public authorities.

Although these countries have the same ideas on shipping policy which they feel they must put into effect, this does not mean - and this we must bear in mind - that they have attained the same level of technological advance. Here, there are disparities which may be very great in some

cases. These different levels of growth, however, never pose any real threat to the basis on which the developing countries' shipping policy rest. Instead, there is a tendency for this to spur these countries on, for the opportunities they have for making a mark in international shipping are in proportion to the technical facilities at their disposal.

Taking this definition of new shipping nations as its basis, this study will therefore seek in the main to examine possible trends in relations between developing countries and the countries of the Community in the field of shipping.

3. The Origins of the Development of the New Shipping Nations' Role

The difficulties which exist today between developing countries and industrialized countries, including the members of the European Community, are mainly due to economic factors, even though they sometimes take on a political tone and are dealt with at a political level.

Sea Transport : The Instruments of a Country's Foreign Trade

Most developing countries are obliged by their geographical location to have their imports and exports shipped by sea. Because they do not have means of their own for transporting all of their foreign trade, they are inevitably compelled to call on the industrialized nations for assistance.

This situation places a considerable burden on the balance of payments of the developing countries, for their reliance on foreign shipping lines for their imports and exports results in heavy outflows of foreign exchange.

In addition, developing countries without any maritime fleets are excluded from the organization of sea transport and, in particular, from the fixing of freight rates and hence the prices charged for sea transport. Many developing countries think that this is a harmful aspect. This is why they are very determined to expand in the maritime field and consider sea transport to be a vital additional aspect of foreign trade. Developing countries, unlike many industrialized countries, do not see shipping as being an industry in its own right. Instead they consider it to be an integral part of their national economies.

Statistical Analysis of the Relationship between the Distribution of the World Fleet and of World Seaborne Trade according to Groups of Countries

Although there is no economic law or law of nature which demands that a balance be struck between the sea traffic generated by a country or group of countries and this country's or group of countries' maritime fleet, the developing countries think that their share of world sea transport is completely out of proportion to their share of world seaborne trade. This is confirmed in full by the three tables on pages 89 to 91 to this paper.

These tables reveal the following :

Between 1965 and 1976, the developing countries' shares of the world fleet practically remained unchanged, moving only 7.4% to 7.5%. During the same period, developed market economy countries in the strict sense most certainly witnessed a slight drop in their share of the world fleet (56.6% in 1976 as opposed to 69.6% in 1965). However, quite apart from the fact that this is still the bulk of the world fleet, it must also be pointed out that the open registry countries' fleet expanded very sharply during the same period, increasing its share from 15.1% in 1965 to 27.1% in 1976. Everybody knows perfectly well that a considerable part of this fleet is owned or controlled by interests in OECD countries.

This lack of balance is also borne out by the distribution of world tonnage according to groups of countries and types of vessels.

Bulk carriers

Rates of expansion vary greatly between the different groups of developing countries. This is particularly true of Arab oil-producing countries, which have expanded their oil tanker fleets considerably these last few years (since 1974 to be precise) and now have fleets comparable in size with the fleets of some industrialized countries.

In 1976, developing countries owned only 5.7% of the world's tankers and only 5.5% of the world's ore and combination carriers. By contrast, developed market economy countries and open registry countries owned 90.2% and 90.4% of the same categories of vessels.

In addition, the increase in the developing countries' share of the world bulk carrier fleet was relatively small in the ten years up to 1976; their share of the tanker fleet was up from 4% to 5.7% and for ore and combination carriers the increase was from 3.8% to 5.5%.

Liner Vessels

The developing countries' share of the world fleet of conventional vessels is much higher than their share of the bulk carrier fleet, but it is still a long way behind the industrialized countries' share. In 1976, the developing countries owned 14.8% of the world conventional liner fleet as opposed to the developed market economy countries' 46.9% and the open registry countries' 20%. However, when it comes to modern types of vessels, the developing countries own practically no container carriers (1.5% of the world fleet as opposed to the developed countries' 90.6% and the open registry countries' 6.4%) and they have no barge carriers at all.

The developing countries' small fleet contrasts sharply with the volume of traffic generated by these countries, especially on the export side; 95.4% of the world's crude petroleum, 60.7% of petroleum products and 30.7% of dry cargoes come from the developing countries.

The Effects of the New International Division of Labour

In large traditional sectors of industry such as the textile, steel and petrochemical industries, a geographical shift in production towards the developing countries has been, and still is, taking place and the shipping industry may be considered to have been up against a similar development since the start of the seventies. This has clearly boosted the role of new shipping nations, whose operating costs give these nations considerable advantages over certain traditional shipping nations. Previously these advantages were one of the reasons for the development of flags of convenience and the use of sub-standard vessels, but nowadays it is developing countries who are taking over somewhat from flags of convenience.

Because of all these factors, the developing countries have been endeavouring for some years now to lay down the terms of a new international shipping order. At first, some of the developing countries attempted to do this on a national basis but, more recently, the majority have turned to international agreements.

4. The shipping policy pursued by new shipping countries

With regard to this policy, a basic distinction must be drawn first and foremost between two very different fields of activity - regular liner shipping and tramp shipping.

Regular Liner Shipping

From the outset this field was the pre-eminent target of the new shipping policy which the developing countries wanted to see developed in the world. This is due to the fact that regular liner shipping operates within a very precise framework (shipping conferences, pools, existence of freight rates, need for regular and frequent shipping services and, in most cases, relatively well-balanced import and export traffic). It is this already existing framework that the developing countries have been attempting to reform. To start with, this reform generally amounted to protectionist and unilateral measures. This was especially true of the shipping policy pursued by all the countries of Latin America, which were very quick in introducing a 50/50 cargo apportionment formula (i.e. 50% of their trade for their own national line(s) and 50% for foreign lines). This protectionist attitude towards the carriage of their own foreign trade was also accompanied by a move to restrict increases in freight rates.

These measures, which were unilateral most of the time, gave way from 1968 onwards to the desire, at least in the minds of developing countries' politicians if not in their policies, to press for a new organizational set-up for regular liner shipping. The principles of this new system were embodied in the United Nations Convention on a Code of Conduct for Liner Conferences adopted in Geneva on 4 April 1974. The main provisions of this Code are as follows :

- automatic right for every national line to be a member of a shipping conference;

- 40/40/20 distribution of conference traffic;
- national lines given the right to veto all important decisions taken by shipping conferences;
- freezing of freight rates for 15 months;
- obligation for shipping lines and shippers to hold consultations on all questions relating to sea transport between two countries;
- introduction of a conciliation procedure for settling disputes between shipping lines and shippers.

While this Code constitutes a compromise between the developing countries' and industrialized countries' views, it nevertheless clearly bears the stamp of the developing countries' wish for reform. It can be said that the Liner Code marks the start of a new international shipping order in which States will play a more important role than they used to.

The fact that this Convention has not yet entered into force does in no way call into question the principles which inspired it. However, the non-ratification of the Code, mainly by industrialized countries, has prompted developing countries to bring back and tighten up in some cases their own unilateral policies.

Some countries have chosen to embody the principles of the Code in their national legislation and have equipped themselves with means to keep a check on and take action against national and foreign shipping lines which occasionally carry a large share of their foreign trade.

Tramp Shipping

For the time being, the organization of this type of transport has not been substantially altered by the developing countries. The chief reasons for this are to be found in the structure of tramp shipping.

Tramp shipping is in fact much less organized than regular liner shipping because it obeys the general principle of supply and demand. In addition, the traffic flows are not really stable, because it is not possible to forecast market fluctuations and the volume of goods available for shipment. They are also in total disequilibrium, for import/export operations are rare in tramp shipping. Finally tramp shipping is used in the main for raw materials such as oil, coal, ore, phosphate, cereals, etc. Because of the competitive characteristics of these matters, the shipping lines' customers here enjoy relatively satisfactory terms, especially as regards costs. For this reason, and also because it is virtually absurd to seek to organize tramp shipping, there has so far been very little government interference or desire on the part of developing countries to regulate this sector.

This does not mean, however, that in future traditional shipping nations will not have to contend here with new demands from developing countries, similar to those made with regard to regular liner shipping. Statements pointing in this direction have already been made on several occasions by the Secretary-General and the Director of the Maritime Transport Division of UNCTAD who, after having gone to war with the shipping conferences on the developing countries'

behalf, now intend to do something similar in the field of tramp shipping, where they also want to campaign for the principle of cargo sharing based on the origin of the goods. This action has now been set in motion by UNCTAD Report TD/B/C.4/222. The Secretariat of UNCTAD thinks, in fact, that control over a certain percentage of freight provides developing countries with the best impetus to develop their fleets. However, this move may not really materialize since, if it leads to an increase in developing countries' share of traffic, the world's bulk cargo fleet will certainly increase the cost of transport much more, which in the final analysis, will have a harmful effect on the economies of developing countries whose raw material exports form one of their main resources.

It is possible to imagine, however, that developing countries will seek to negotiate long-term contracts for the sale of commodities in which the sea transport is incorporated. Some countries have already done so for the sake of natural gas, phosphate-based products and ores. This shows very clearly that the developing countries will avoid imposing a cloak of bureaucracy on a very open market which operates satisfactorily in their own interest. Instead they will seek to have a share of the transport set aside for themselves in export contracts. Such an objective can certainly be attained by having CIF contracts instead of FOB contracts as at present.

The developing countries think that they should not only carry a greater share of international seaborne trade but should also have a greater say in the drafting of new maritime legislation. Just as the developing countries have strongly contested the economic organization of world

maritime transport, so too do they consider the maritime laws, which they did not help to draw up, are prejudicial to their interests. This is why they are seeking the renegotiation of crucial international shipping agreements.

Three examples may be quoted in this respect, viz.:

- the conference on the law of the sea;
- the Hamburg Conference on the liability of the carrier;
- the International Conference on multimodal transport.

5. What policy can the community adopt towards the developing countries

It is certain that the development of the role of new shipping nations has, and will continue to have, a very important effect on the future of the European Community in all fields. Some of the problems with which we are confronted today could have been avoided or at least limited or attenuated to a large degree if world seaborne trade were expanding. However, it is not and since 1974 there has been practically no increase in the volume of world trade. This means that the emergence of every new maritime fleet will lead de facto to a reduction in the business done by other shipping lines.

In short, the developing countries think that the establishment of national fleets will help to give them much more economic independence.

Under these circumstances, what can the Community plan to do?

In the field of regular liner shipping, the reply is to recognize the importance of the Liner Code and, at Community level, to adapt the Convention's methods of application so as to bring it into line with the Treaty of Rome.

The Community must facilitate the application of the Code. As a result of the Code's implementation, FOC registrations could drop somewhat.

The Community must equip itself with a dynamic shipping policy. If this policy is to become a reality, the Community must apply forthwith Article 117 of the Treaty, which provides for the harmonization and sustained improvement of working conditions, and :

- harmonize the building costs of vessels in the EEC and throughout Europe, if possible;
- strictly apply in EEC ports Convention No. 147 on sub-standard vessels, cease to charter sub-standard FOC vessels and do everything in its power to repatriate vessels that have been transferred to flags of convenience;
- put an end to the discrimination still being practised against foreign seafarers - in particular, seafarers from Asia, Africa and Latin America - on board ships flying the flags of the EEC Member States;
- take vigorous action to reduce the present overcapacity which is giving rise to a serious imbalance on the cargo market.

TABLE 1

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Flags of registration according to groups of countries	Tonnage with percentage shares in brackets								Growth in tonnage in grt		
	in million grt				in million dwt				Percentage share		Index for 1965/1976 (1965=100)
	1965	1970	1975	1976	1970	1975	1976	1985-75	1975-76		
1. World total	146.8 (100)	217.9 (100)	336.9 (100)	367.1 (100)	325.1 (100)	545.3 (100)	601.2 (100)	100	100	250	
2. Developed market economy countries (OECD Group B)	102.2 (69.6)	141.1 (62.8)	196.1 (58.3)	207.3 (56.6)	210.9 (64.7)	315.6 (57.8)	337.0 (56.1)	49.4	37.1	203	
3. Open registry countries (Liberia, Panama, Singapore, Cyprus, Somalia)	22.1 (15.1)	40.9 (48.8)	88.6 (26.2)	99.5 (27.1)	70.3 (21.5)	151.9 (29.5)	184.2 (30.6)	34.9	35.3	450	
4. African and Asian socialist countries (COMECON)	10.9 (7.4)	19.5 (8.9)	28.3 (8.4)	31.4 (8.5)	21.7 (6.6)	33.0 (6.1)	37.0 (6.1)	9.1	10.3	288	
5. Developing countries	10.9 (7.4)	15.8 (7.0)	22.7 (6.7)	27.4 (7.5)	21.5 (6.6)	33.3 (6.1)	40.8 (6.8)	6.3	15.5	251	
Total	0.5	0.5	1.8	2.5	1.1	2.5	3.5	0.5	2.3	417	
Africa	4.5	6.4	9.0	9.8	8.7	13.2	11.3	2.2	2.7	204	
America (*)	5.5	8.0	11.8	19.0	11.5	17.5	22.5	3.3	10.9	273	
Asia	-	-	-	-	-	-	-	-	-	-	
Europe	-	-	-	0.1	-	-	0.1	0.1	-	-	
Oceania	-	-	-	1.5	1.7	2.2	2.2	0.4	-	-	
Others	0.7 (0.5)	1.2 (0.9)	1.4 (0.4)	0.4 (0.4)	0.5 (0.5)	0.4 (0.4)	0.4 (0.4)	0.4	0.3	214	

(*) Some countries of Latin America have long had a fleet but the policies they pursue are similar.

TABLE 2

World seaborne trade a) in 1965, 1970, 1973, b) 1974 and 1975 c)
by types of cargo and shares of groups of countries d)
(Millions of tons and percentages of world total)

Country group	Year	Goods loaded				Goods unloaded			
		Petroleum		Dry Cargo	Total all goods	Petroleum		Dry Cargo	Total all goods
		Crude	Products			Crude	Products		
(Trade in millions of tons)									
World total	1965	622	240	812	1,674	622	222	832	1,676
	1970	1,110	330	1,165	2,605	1,101	302	1,127	2,530
£	1973	1,514	353	1,407	3,274	1,521	339	1,377	3,234
	1974	1,497	335	1,472	3,304	1,470	312	1,472	3,254
	1975			1,433	3,175			1,441	3,081
		1,742				1,640			
(Percentage share of each category of goods in total)									
World total	1965	37.2	14.3	48.5	100.0	37.1	13.2	49.7	100.0
	1970	42.6	12.7	44.7	100.0	43.5	11.9	44.6	100.0
	1973	46.2	10.8	43.0	100.0	47.0	10.5	42.5	100.0
	1974	45.3	10.2	44.5	100.0	45.2	9.6	45.2	100.0
	1975		54.9	45.1	100.0		53.2	46.8	100.0
(Percentage share of trade by groups of countries)									
Developed market economy countries	1965	0.1	23.3	55.9	31.3	78.9	79.0	78.5	78.1
	1970	1.5	26.9	60.0	30.8	79.9	79.4	79.1	79.5
	1973	2.1	29.8	62.8	31.2	80.5	81.5	77.3	79.1
	1974	1.7	29.3	62.1	31.4	75.0	80.3	77.0	78.3
Socialist countries of Eastern Europe and Asia	1965	4.6	8.9	8.2	6.9	0.4	1.0	5.9	3.1
	1970	3.4	8.0	8.1	6.1	1.7	1.1	5.8	3.5
	1973	2.9	8.6	6.6	5.1	2.1	0.9	5.5	3.4
	1974 ^{e)}	2.9	10.0	7.2	5.5	1.7	2.1	5.3	3.3
Developing countries	1965	95.1	67.8	35.9	61.8	20.7	20.0	17.6	18.8
	1970	95.0	64.9	31.9	63.1	18.4	18.0	15.5	17.1
	1973	95.0	61.4	30.6	63.7	17.6	17.5	17.1	17.4
	1974	95.4	60.7	30.7	63.1	19.3	17.6	17.7	18.4
Of which:	1965	16.0	1.7	10.6	11.1	2.5	5.1	4.1	3.6
in Africa	1970	25.4	2.4	9.1	15.2	1.7	4.1	3.6	2.9
	1973	18.1	3.1	8.0	12.1	1.6	3.2	3.8	2.6
	1974	16.6	2.7	7.6	11.2	1.2	2.7	3.7	2.5
in America	1965	20.9	42.8	15.4	21.0	12.7	6.0	4.3	7.5
	1970	12.2	36.2	13.8	16.0	10.5	5.1	4.4	7.2
	1973	8.5	36.9	12.8	13.4	8.9	5.4	4.1	6.5
	1974	7.4	35.0	13.8	13.1	10.2	6.6	4.8	7.3
in Asia	1965	58.4	23.3	9.2	29.4	5.5	8.5	9.0	7.5
	1970	57.4	27.2	8.2	31.6	6.1	8.1	7.1	6.8
	1973	68.5	21.2	9.1	37.9	7.0	8.2	9.2	8.1
	1974	71.4	23.0	8.6	38.5	7.8	7.4	9.2	8.4
in Europe	1965	..	-	-	..	-	0.1
	1970	..	-	-	..	-	0.1	0.1	..
	1973	..	-	-	..	-	0.1
	1974	..	-	-	..	-	0.1
in Oceania	1965	-	-	0.7	0.3	-	0.4	0.2	0.1
	1970	-	0.1	0.8	0.4	-	0.5	0.3	0.2
	1973	-	0.1	0.6	0.3	0.1	0.7	0.2	0.2
	1974	-	..	0.7	0.3	0.1	0.8	0.2	0.2

Source: Annex II

a) See note a) to table 1. b) Revised data, which therefore may not be identical with the corresponding data in table 2 of the 1975 Review. c) Preliminary estimates from data in United Nations, *Monthly Bulletin of Statistics*, vol. XXXI, No. 1 (January 1977).

d) See Annex I below for the composition of these groups. e) Of which Eastern Europe respectively: 2.7; 9.9; 8.4; 5.0; 1.7; 0.8; 4.0; 2.7; Asia respectively: 0.2; 0.1; 0.8; 0.8; 0; 1.3; 1.3; 0.6.

Distribution of world tonnage according to types of vessels

TABLE 3

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Group of countries	Year	All types		Bulk carriers (1)			Regular liners (1)				Miscellaneous
		million grt	% of world total	Tankers	One/com-bination carriers	Conventional vessels	Container carriers	Barge carriers			
World total	1965	146.8	100%	37.1	11.1		51.8				9.3
	1970	217.9	100%	39.4	20.2		0.9				8.5
	1976	367.1	100%	45.7	24.2		1.8	0.2			
Developed market economy countries	1965	102.2	69.7	67.6	74.6						
	1970	140.1	64.8	58.4	68.3		99.0				
	1976	207.3	56.5	56.5	61.3		90.6				
Open registry countries	1965	22.1	15.0	25.8	20.3						
	1970	40.9	18.8	26.4	28.7	7.6	1.0				
	1976	99.5	27.1	33.7	29.1	20.0	6.4				
Developing countries	1965	10.9	7.4	4.0	3.8						
	1970	15.2	7.0	4.8	5.2	13.1					
	1976	27.4	7.5	5.7	5.5	14.8	1.5				7.0

(1) Percentage shares per type of vessels

CHAPTER IV

SUB-REPORT OF THE SECTION FOR TRANSPORT AND COMMUNICATIONS
ON FLAGS OF CONVENIENCE (Rapporteur : Mr HENNIG)

1. General

1.1. The changing of flags is not a new phenomenon in shipping. From time immemorial ships have been changing their flags on the high seas in order to evade the enemy. In the 16th century English merchants put their ships under the Spanish flag in order not to be excluded from the West Indies trade. At the beginning of the 19th century part of the fleet of Massachusetts sailed under the Portuguese flag in order to escape capture by British vessels. In the Second World War US ships carrying supplies for the Allies sailed under the flags of Panama, Honduras and Costa Rica without any change in ownership.

Over the centuries the increasingly international nature of the links established in all areas of sea transport helped to promote the spread of flag changing. These links take forms ranging from contractual relationships to shareholdings and subsidiaries and even complete integration of an individual firm in a group of companies. Many internationally important shipping concerns can therefore hardly be said to be of one particular nationality.

1.2. There are many different expressions for flags of convenience in the various languages. The ESC has decided to use the term "flags of convenience", abbreviated to FOC,

in all languages for this Report. Other expressions are to be found in the literature, such as "Schattenflagge", "valse vlag", flags of necessity, runaway flags, flags of refuge, tax-free flags, pirate flags, freebooter flags, fictional or nominal flags (*) (**).

While the ESC intends to employ the term "flag of convenience", it is aware that the expressions "open registry country" and "open registry flag" have recently come into official use in connection with investigations into the existence of a link between vessel and flag State.

The terms "open registry country" and "open registry flag" are used principally by UNCTAD experts and also frequently by national Governments. They are, however, not yet in general usage.

Deliberate use of a false flag in time of war, or because of piracy, etc. falls outside the terms of reference of this Report, since expatriation is not involved.

1.3. In its Opinion on the European Commission's Report on the reorganization of the Community shipbuilding industry, the European Parliament Committee on Regional Policy, Regional Planning and Transport sets out some striking figures. In the 15 years from 1959 to 1975, the EEC merchant fleet underwent a relative decline from 35.4% to 20.7% of world merchant

(*) See v. RANTZAU : Flaggenwechsel in der deutschen Seeschifffahrt (Vandenhoeck und Ruprecht, Göttingen, 1977) Page 14, note 1.

(**) See also Appendix 1 to this Report entitled "Definition of Terms". (pages 131 to 137).

tonnage, although over the same period EEC tonnage expanded by 78%. This is, however, below the world average expansion of 199%, which is far exceeded by the flag of convenience countries (330%) and the State-trading countries (410%). The European Parliament Committee notes that on 1 January 1978 the world merchant fleet comprised 32,239 units with an overall deadweight carrying capacity of 625.8 million tons. The EEC countries accounted for slightly more than 20% or 76.4 million GRT (*). These figures indicate a considerable world surplus, which is accompanied by a decline in freight rates and great uncertainty as a result of currency fluctuations.

The European Parliament Committee considers that the Community's shipping industry is at present in a critical situation. It is becoming increasingly clear that most West European shipping companies are unable to cope with the unbridled and aggressive competition of certain fleets. Quite apart from the threat to the existence of the Community's own merchant fleet, the economic and social consequences are far-reaching.

All in all, it can be said that the various trends have a cumulative effect on the development of maritime traffic. The increase in the world merchant fleet was

(*) See European Parliament, Interim Report drawn up on behalf of the Committee on Economic and Monetary Affairs on the Communication from the Commission of the European Communities to the Council on the Reorganization of the Community Shipbuilding Industry (Doc. 182/78 of 3 July 1978), page 104.

accompanied by a downturn in the world economy. The surplus in world tonnage, coupled with the recession, sparked off a general decline in freight, which in turn exacerbated competition.

1.4. The Community's shipping industry is of great importance for Community trade. About 25% of intra-Community trade is carried by ship, so that the shipping industry occupies a significant position in the EEC economy. The Community fleet is composed of vessels of the most modern types with a low average age. The Community accounts for 43% of world containership tonnage.

In 1974/1975, the Community merchant fleet carried on average about 72% of imports and 54% of exports in trade with third countries. In the dry cargo sector (general and bulk goods) Community vessels transported as much as 51% of imports and 61% of exports, a large proportion of the business of Community shipping companies being in cross trades.

Community shipping companies directly employ about 310,000 persons at sea and on land.

Of the Community shipping companies' total income of 13,000 million UA in 1974 (earnings from ships under national flags only, i.e. excluding earnings from charter operations under foreign flags) about 11,000 million UA are

accounted for by transport between the Community and third countries and transport outside the Community, i.e. cross trades (*).

In the UNCTAD report (paragraphs 77 and 220) of 10 March 1977 (English original, Document TD/B/C.4/168, letter No. 583/78 of 3 April 1978), which was discussed at the 8th session of the UNCTAD Committee on Shipping, it is noted that there are clearly five flag of convenience countries. These are :

- Liberia
- Panama
- Singapore
- Cyprus
- Somalia

Bermuda and the Bahamas are also tending in this direction.

2. Definition of terms

2.1. The foreign registration, or expatriation, of vessels can take two forms :

- expatriation from the outset
- flag transfer.

(*) These figures are derived from a speech on Community shipping policy given in Hamburg on 12 January 1978 by Dr ERDMENGER, Director of DG VII (Transport) at the Commission.

In the case of expatriation from the outset, a foreign flag is flown from the entry into service or purchase of the vessel. Flag transfer, on the other hand, implies that the vessel is first operated under the national flag before being put under a foreign flag (*).

Non-genuine sales by shipowners also constitute expatriation, particularly cases involving an FOC where after formal sale an expatriation situation occurs through chartering back or any other of the many ways of transferring the operation of a vessel.

2.2. Expatriation under a flag of convenience can be said to exist when the narrow criteria laid down in the Rochdale Report and adopted by the OECD are satisfied (OECD - Maritime Transport 1971, Paris (1972), p. 108 et seq. and Rochdale Report, London, May 1970, p. 51). These criteria are as follows :

- a) The country of registry allows ownership and/or control of its merchant vessels by non-citizens.
- b) Access to the registry is easy. A ship may usually be registered at a consul's office abroad. Equally important, transfer from the registry at the owner's option is not restricted.
- c) Taxes on the income from the ships are not levied locally or are low. A registry fee and an annual fee, based on tonnage, are normally the only charges made. A guarantee or acceptable understanding regarding future freedom from taxation may also be given.

(*) See Appendix 1. (pages 131 to 137)

- d) The country of registry is a small power with no national requirement under any foreseeable circumstances for all the shipping registered (but receipts from very small charges on a large tonnage may produce a substantial effect on its national income and balance of payments).
- e) Manning of ships by non-nationals is freely permitted.
- f) The country of registry has neither the power nor the administrative machinery effectively to impose any government or international regulations; nor has the country the wish or the power to adequately control the companies themselves.

2.3. Many attempts have been made in the past to lay down and apply a clear and binding international law of the flag. For example, the first United Nations International Law of the Sea Conference, which was held in Geneva in 1958, led to the conclusion of the Convention on the High Seas of 29 April 1958, Article 5, paragraph 1, of which provides as follows :

"Each State shall fix the conditions for the grant of its nationality to ships, for the registration of ships in its territory and for the right to fly its flag. Ships have the nationality of the State whose flag they are entitled to fly. There must exist a genuine link between the State and the ship; in particular, the State must effectively exercise its jurisdiction and control in administrative technical and social matters over ships flying its flag".

As at 31 December 1975, this convention had been acceded to by 55 countries, but not Brazil, the Federal Republic of Germany, France, Greece, India, Liberia, Norway and Panama (UNCTAD Report, p. 6, footnote 13). Some of these countries did not accede to the convention because they considered that its provisions did not go far enough.

This concept of a genuine link with the flag State as a criterion for the nationality of ships has so far unfortunately not found acceptance in practice in international law, although it was widely welcomed. In an Opinion of 8 June 1960 the International Court of Justice in The Hague rejected the definition used thus far. The term is still not specific enough to preclude any doubts in its application.

In view of these practical difficulties FOC vessels must continue to be regarded as coming under the jurisdiction of the flag countries, irrespective of whether these countries exercise their jurisdiction or not. This situation prompted the international moves leading to the abovementioned UNCTAD Report of 10 March 1977. This Report pays special attention to the economic problems of the developing countries and comes to the conclusion that the rapid expansion of FOC fleets is hampering appropriate development of the merchant fleets of the developing countries. UNCTAD calls for the following economic requirements to be included in a future definition of a genuine link between ship and flag State :

- The vessel or the company owning the vessel should be beneficially owned for a substantial part by the flag State or its nationals.

- The principal place of business and effective management of the legal entity which has beneficial ownership of the vessel should be located in the flag State.
- The principal officers of the legal entity beneficially owning the vessel should be nationals of the flag State.
- Financial control should be exercised by the flag State and profits of the companies which beneficially own the vessels should be subject to taxation in the flag State.
- The flag State should assume and carry out full and regular control over the standards of the vessel as well as regarding the qualifications and conditions of employment of the crew.

An UNCTAD international working party which met in February 1978 to consider the economic effects of the existence or non-existence of a genuine link between ship and flag State on the basis of the UNCTAD Report suggested that a new conference be convened to take another look at all these matters. The next UNCTAD conference will therefore be held in Manila at the beginning of May 1979. It is to last about four weeks. In addition to general economic and commercial questions, maritime transport questions are to be dealt with under agenda item 14. Flags of convenience are also to be discussed in this connection.

2.4. There are a number of points which fall outside the scope of the present Report dealing with flags of convenience.

2.4.1. The problem of the shipping of State-trading countries must be distinguished from the FOC issue. The former problem was examined by the ESC in 1976/1977. The final Opinion and Report on the subject were adopted in November 1977 and published at the beginning of 1978 as a booklet entitled "EEC's Transport Problems with East European Countries".

2.4.2. Discrimination must also be seen as something separate from the problem of FOC ships. The term "discrimination" comes from Anglo-American law, in particular American anti-trust law. After the First World War this concept became an element in the international commercial law of Europe. Commercial discrimination exists where like is treated differently. The prohibition of discrimination is intended to prevent unequal treatment by bringing about equal treatment. Discrimination is linked with the concept of unfair competition, which is always present where countries attract tonnage by offering financial and other concessions not in keeping with the domestic cost situation (see also Article III, paragraphs 1 and 4, of the GATT).

The important thing about discrimination is that this term applies not only to the FOC countries but also to all other seafaring nations when they adopt discriminatory measures.

The European Parliament Committee has noted that the relative decline in the Community's merchant fleet is

basically due to discriminatory measures adopted with the aim of reserving a large proportion of cargoes for vessels sailing under the national flag.

Discrimination, however, does not only have consequences for individual firms and the economy as a whole; above all, it entails far-reaching social effects where the labour market situation is exploited through the employment of labour under unfair working conditions.

2.4.3. Member State action in the area of shipping and foreign trade policy must be aimed primarily at countering the highly diverse forms of unilateral flag protectionism that are now widespread in liner shipping; such protectionism must be replaced world-wide by a system of uniform measures and standards upheld by the majority of States. This is not only necessary in order to put a stop to expatriation but is also in general extremely desirable in the interests of the international division of labour in sea transport. The code of conduct for liner conferences advocated by UNCTAD can be regarded as an initial possibility in this area. Reference is made in this connection to the ESC's Opinion of 31 May 1978 on the Proposal for a Council Regulation concerning Accession to the United Nations Convention on a Code of Conduct for Liner Conferences (*).

2.4.4. Sub-standard ships constitute a special case of vessels not meeting the most rudimentary safety requirements; they are an important feature of FOC operations but occur also under other flags.

(*) See OJ No. C 269 of 13 November 1978, page 46.

2.4.5. In this connection reference is made to the French Government's memorandum of 8 December 1975 to the EEC Council of Transport Ministers. In this memorandum the French Government urges the development of common guidelines for sea transport policy, although nothing has so far been incorporated in the relevant Community legislation.

3. Consequences of expatriation

3.1. Social consequences for seafarers of the Member States

The effects of expatriation are manifold. The reasons and consequences are to be found in the social sphere and at the level of the individual company and the economy as a whole. There have been numerous investigations of this subject (in the German literature : v. RANTZAU : "Flaggenwechsel in der deutschen Seeschifffahrt", Göttingen, 1977, and Leffler : "Das Heuverhältnis auf ausgeflaggten deutschen Schiffen", Berlin, 1978; both publications have a very extensive international bibliography).

The social drawbacks suffered by Community seafarers on expatriate vessels arise from the fact that under the general rules of international law they no longer come under their national laws but are largely governed by - at least in the case of the FOC countries - less advanced laws of the flag State selected by the shipowner. Furthermore, compliance with any existing regulations in the FOC countries can hardly be monitored owing to the lack of suitable administrative machinery, so that seafarers are largely deprived of the social protection of their home country. (See Flag Transfer in relation to Social Conditions and Safety. International Labour Conference 1958, published by the ILO, Geneva, 1958, p. 4).

The following therefore are particularly liable to be no longer applicable :

- The entire occupational safety provisions;
- The provisions for the protection of young people and women,
- The provisions laying down minimum standards for leave and working hours;
- The provisions protecting workers against wrongful dismissal;
- The provisions governing manning and training, including those pertaining to wages, salaries, overtime, certification, qualifications and all other labour questions;
- Unemployment insurance;
- In some countries, the provisions governing labour-management relations.

From the peak figure on 1 October 1971, the total number of persons employed in the German merchant marine has declined by 14,320 (29%) to 34,969. This decrease is, however, due not only to flag transfer but also to continuing structural change, which, through rationalization, also affects tonnage under the national flag. In the German merchant fleet (excluding deep-sea fishing) the number of crew per 100 dwt for freighters of 300 GRT and over fell from 5.12 at the end of 1964 to 2.56 at the end of 1974, i.e. by exactly 50% over a period of about 10 years.

Furthermore FOC vessels seriously jeopardize the social position of Community seafarers. Registration under an FOC makes it possible to keep in service unseaworthy ships that should have been scrapped long ago, and thus is an important factor in overcapacity. This fact, coupled with the

unfair competitive position of FOC vessels as a result of their abnormally low operating costs, is to a large degree responsible for the collapse of freight rates and the present crisis in shipping.

This crisis and the fact that 30% of the world fleet (FOC ships) is operated at abnormally low costs places the seafarers' organizations of the Member States in a difficult position in their negotiations with Community shipowners. A comparison of the trends in wages and other terms of employment of Community seafarers with those of other Community workers shows an appreciable imbalance.

The considerable unemployment caused is gone into elsewhere in this Report.

The use of foreign seamen on board FOC vessels is not necessarily a bad thing, viewed from the employment angle, since it helps to alleviate the massive structural unemployment in the developing countries that in the main supply FOC crews. The social situation of such seamen, on the other hand, is a much more problematic issue. Whereas the wages and social benefits of Community seafarers on expatriate vessels are in line with national levels as far as a number of wage components are concerned, flag transfer enables shipowners to make considerable savings on the direct and indirect wage costs of foreign crew members, so that by Community standards the latter are in general unquestionably underpaid and at a quite considerable disadvantage as regards social security.

Some national trade unions in the relevant developing countries do not, in certain cases, even wish to adhere to the seafarers' wage recommendations of the International Transport Workers' Federation (ITF) or the ILO, which are in part still below average wage levels. They are reluctant to have their national wage levels upset by such - for them - relatively high wages, and wish to concentrate on employment problems.

These differing aims of national trade unionists and international workers' organizations gave rise to a long drawn-out conflict, especially over the very low pay of seafarers from the Third World.

On the labour side a solution was found which consists in paying the ITF international wage rates on FOC vessels, and in paying the national or "flag" wage rates negotiated by trade unions and employers on vessels of the developing countries and the traditional seafaring nations.

For example, such "flag" wages were negotiated for seafarers from Pakistan in Germany in 1977. In May 1978, talks on the payment of Asian labour began in London between the International Shipping Federation (ISF) and the ITF. The aim is to arrive at a solution within 5 years. In France seamen, pilots and tug crews went on strike for three weeks in November 1978 in support of the principle of nondiscrimination.

In 1972, the European Commission submitted two proposals for aligning international labour law, including the preliminary draft of a Community agreement on the law to be applied to contractual and non-contractual obligations. Under Article 5 of this preliminary draft, a special conflict-of-laws rule was to be introduced for employer/employee relationships. This Commission draft is not specifically designed to cover shipping but rather all employer/employee relationships where the parties have failed to lay down any detailed provisions governing the contractual relationship. The law applicable in this case should basically be the law of the place where the worker normally performs his work; in the case of shipping this would be the country whose flag the ship flies. Where a worker is engaged at a company's place of business but normally performs his work in other countries, the law of the place of business is to apply. This rule is, however, to be a rebuttable presumption.

This Commission proposal shows how difficult it is to find a workable solution for flags of convenience.

The abovementioned UNCTAD Report notes (in paragraph 106) that, besides tax considerations, the possibility of reducing manning costs appears to be one of the most important incentives for owners to register their fleets in FOC countries.

3.1.1. One social consequence is that, in spite of the considerable numbers of officers and crew discharged owing to the continuing structural change, for some years now periods have arisen in which the national labour markets have been unable to meet the demand for second and third mates and crew, particularly for integrated service. This situation is, of course, in part due to the continuing process of

expatriation, and the reports on this in the press, since this leads to uncertainty about career prospects in the merchant marine. An efficient merchant fleet, even if it is composed in part of expatriate vessels, invariably needs qualified national personnel. Great importance must be attached to this fact in connection with the maintenance of an efficient Community merchant fleet.

3.1.2. Social discrimination will at all events continue to exist as long as seafarers of different nationalities on board a given ship are not paid according to the same wage scales. The same applies to women and young people.

3.1.3. The payment of very low wages naturally means considerable savings for expatriate vessels. Sizeable savings on labour costs can, however, also be made through other discriminatory conditions of employment. A study made by the Hamburg Welt-Wirtschaftsarchiv (HWWA) of labour cost savings through expatriation indicates that the largest single item on which savings are made is holiday pay (48%). This is followed by wages or basic wages (13%), social charges and foreign service allowances (each 12%), overtime pay (9%) and minor emoluments (6%). However, viewed over a fairly long period, the labour cost savings through expatriation vary. Where there is a decline in these labour costs savings the reduction in crews through increasing rationalization plays, of course, a role. Another factor to be taken into account here is the fluctuation of exchange rates.

Training and the provisions protecting seamen against wrongful dismissal are often unsatisfactory, which is due to the uncertain legal situation.

Expatriate vessels are also considerably in arrears with the payment of wages; this fact has repeatedly led to intervention by the European trade unions.

The abovementioned UNCTAD Report draws attention to the high standards regarding crew certification in the traditional maritime countries and to the fact that FOC countries often fall considerably short of these standards (paragraphs 130, 131, 186 and 187).

3.2. Social consequences for seafarers of the Third World

Experience shows that the absence of legislation and/or administrative machinery to ensure the application of any existing laws or regulations, together with the lack of bona fide trade unions in the FOC countries makes it possible for shipowners to treat FOC crews in despotic fashion, since they are devoid of all rights.

Although not all FOC shipowners and masters make use of this opportunity, there have already been numerous excesses in which the most elementary human rights have been violated.

In tapping the enormous reserves of cheap labour in the Third World, FOC shipowners have, in many cases, developed structures and applied practices that have infringed all the relevant ILO Conventions and disregarded ILO Resolutions and Recommendations.

3.3. Consequences for individual companies

3.3.1. When considering whether to put their vessels under a foreign flag shipping companies are, of course, primarily concerned with the specific effects of such action on their own operations. The impact on costs depends on the importance of the cost items (*) which are affected by flag transfer. Besides voyage costs, which are largely independent of the flag flown, the significant cost factors for a shipping company are labour and capital costs, and the former in particular can be reduced by flag transfer. The decisive factor for a shipping company is whether the savings are greater or less in absolute terms than the additional costs incurred by flag transfer. Of course it is usually impossible to generalize about the overall effect, so that the cost impact has to be worked out on a case-by-case basis in the light of the situation of the company and national taxation.

One must also realize that it is basically a difficult task to determine the impact and relative importance of factors operating simultaneously, since these would have to be considered separately in sequence. Other findings at individual company level must be viewed in the same light.

(*) See also Appendix 2 (page 136).

(Cost items of shipping	(- Insurance
(companies	(- Crew
((Running costs)	(- Maintenance,
((repairs, etc.
((- Overheads
Fixed (
costs (
Capital costs	(- Capital charges
	(- Repayment of
	(Capital
Variable)	(- Port and canal
costs)	(dues
)	
(or voyage)	(- En route costs
costs))	(

Given the current advances in technology and the relatively high costs in most countries of the European Community, ships are usually so economically obsolete after 10 years (and certainly after 15 years) that shipowners are no longer able to cover operating costs under a Member State flag, particularly on account of the high costs of repairs. But under the flag of an FOC country these ships can still be operated on a quite profitable basis owing to the low costs. Putting part of his fleet (especially his older vessels) under a flag of convenience may make it possible for a shipowner to continue operating his other vessels under the national flag.

3.3.2. As far as labour costs are concerned, reference is made to the detailed comments in item 3.1. on the social consequences and the impact on employment. It is not our job in this Report to give a detailed breakdown of the extremely large savings in labour costs. Item 3.1.3. indicates what savings are possible. On the whole it must be said that labour costs are one of the most important factors at individual company level that induce shipowners to put their vessels under foreign flags.

3.3.3. Capital costs also play a considerable role in the decision to expatriate. With the increase in vessel size and the advances in technology, they have become an important element in the cost structure of every shipping company, and here it must be borne in mind that capital costs in the main comprise interest and depreciation. We can see here a certain shift in the ratio of capital costs to labour costs. This is due in particular to the greater average vessel size, since capital costs increase considerably as ships become

bigger, whereas labour costs decrease through rationalization. At all events, depreciation, initial cost and, indirectly, interest rates for new building loans can be decisively influenced through expatriation (*).

Shipping companies base their individual flag decisions on a comparison of national direct and indirect aids with the savings obtainable through expatriation.

Flag transfer makes sense only if the resulting savings and extra earnings, plus any subsidies granted by the foreign flag State, exceed the aids attaching to the national flag.

If assistance under the national flag takes the form of a direct new building subsidy, a lower rate of profits tax and special depreciation allowances, and if the flag question arises not merely for a certain period but for the entire (remaining) useful life of a vessel, then a capital value analysis is essential. If, for the useful life of the vessel, the discounted total savings through expatriation exceed the discounted total direct and indirect subsidies or aids under the national flag, then flag transfer will be profitable.

Appreciable savings can also be achieved by placing the order with a foreign shipyard and using the currency of the foreign country in question for the financing operation.

(*) See Appendix 2 (page 138).

East Asian shipyards can at present build certain vessels up to 40% more cheaply than the European shipbuilding industry. In some cases extensive credit is granted. These new buildings are generally put under a flag of convenience.

3.3.4. Exchange rate fluctuations can have a considerable impact on profitability at individual company level. Sea freight rates are largely calculated on the basis of the dollar, so that individual companies can sustain quite appreciable losses as a result of the dollar's decline. The economy as a whole is also affected, and in this connection reference is made to item 3.4.

3.3.5. Cost differentials at the level of the individual company can also arise owing to the differences between national tax systems. This will depend on the specific circumstances. Tax concessions in the foreign flag States can represent additional arguments in favour of expatriation, but in general taxes alone are not the decisive factor. In most cases, however, expatriation means that certain taxes no longer have to be paid or are greatly reduced. The effect of value-added tax may also be of importance in some cases.

3.3.6. It must be said that Community shipowners' cost differentials in the area of safety are highest vis-à-vis the FOC countries. Liberia, Panama, Cyprus, Singapore and Somalia have, however, ratified the International Convention for the Safety of Life at Sea of 1960, and so have recognized at least one international minimum standard. Since, however, the safety regulations in these countries are considerably

below the level of the relevant provisions of the Member States, the differential can be important from the point of view of capital costs. On the whole, the safety of a vessel depends on the frequency and intensity of State inspection and whether statutory provisions are observed at all (and thus have a cost impact). In general, inspection in the FOC countries is regarded as inadequate, except in the case of Liberia and Panama, which are making an effort to comply with at least some of the requirements.

In the Community, fire protection requirements are rigorous and therefore costly compared with those of very many FOC countries. We are concerned here with the non-inflammability of walls and ceilings, insulation regulations, minimum sizes of portholes, non-recognition of certain foreign life-saving equipment and numerous other factors.

3.3.7. In general there are no flag-related differences in the level of voyage costs, since these costs depend not upon the location of the flag State but upon the routes sailed and the ports called at.

3.3.8. Repair and insurance costs can largely be paid abroad. Shipping companies can have repair and maintenance work carried out in foreign shipyards. It is, however, sometimes necessary to have repairs made by the yard which built the vessel, since that is often the only yard where defects and damage can be properly repaired at minimum cost. Insurance policies normally also cover repair costs abroad.

3.3.9. Shipping companies that place their fleets under flags of convenience derive a not inconsiderable advantage in the very extensive scope they have for selling or buying vessels without these financial transactions being subject to prior checks by the national administrations. Furthermore, shipping companies operating vessels under flags of convenience have easier access to the Eurodollar market for the financing of their vessels.

3.4. Consequences for the economy as a whole

It is possible to make only a limited appraisal of the role of Community shipping in the overall economic situation. One way of making such an appraisal would be by assessing shipping's contribution to the gross national product, the volume of investment and the balance of payments of the individual Member States. It is not at all certain, however, that this would be a very profitable exercise. The effects of shipping on the regional structure of employment and industry (including shipbuilding) in the maritime countries would at all events have to be taken into account. Also relevant to an assessment of the overall economic impact is the extent to which the Member States are dependent on foreign trade and the associated question of the security of supply. It is important to bear in mind that Community countries without a merchant fleet of their own at their disposal could be seriously threatened in times of crisis.

In assessing the consequences of expatriation, account should also be taken of the effect on the growth, price stability and balance of payments of the Member States. The ESC can only refer here to individual studies.

Furthermore, a large proportion of the world tanker fleet is in the hands of multinationals and is operated under flags of convenience. This, together with the fact that certain countries have insufficient national tanker capacity, means that in emergencies these Member States are dependent on the multinationals for their vital energy supplies.

3.4.1. An important security-of-supply problem with overall economic implications is that, unlike Community vessels sailing under national flags, expatriate ships cannot in the present legal situation be requisitioned for the carriage of supplies to individual Member States in the event of political or economic disruption of sea transport, so as to ensure the availability of a minimum volume of national tonnage at such times. In the USA the "effective control" requirement has long ensured that in the event of a national emergency the government would be able to make use of ships which are beneficially owned by American companies but are operated under the flag of Panama, Liberia or Honduras.

Expatriation requires the consent of the Secretary of Commerce. The majority of US expatriate vessels are built abroad and then registered in certain FOC countries. In general US shipping companies voluntarily place these vessels, too, under US effective control from the outset.

3.4.2. Reference is made to items 3.1. and 3.2. above in connection with the social and employment consequences of expatriation. These consequences are unquestionably of very great significance for the economy as a whole, because it is particularly important all round to the Member States that

there should be a supply of competent merchant marine personnel trained to modern standards. The Member States should be keen to ensure that Community shipping can operate on an economically healthy basis in keeping with its importance at world level and to prevent social progress from being disrupted or impeded by the anti-social behaviour of third countries.

3.4.3. The cargo control measures of third countries are of considerable significance from the overall economic point of view. These practices are not confined to FOC countries; they go beyond the reservation of cabotage for the national flag (practised by almost all trading nations) and cover to an increasing extent the carriage of foreign trade. A particularly disturbing development has been the endeavours of Argentina to gain control of all shipping business and largely exclude the vessels of other countries from trade with Argentina. This example and many others represent real cases of flag discrimination which cannot be regarded as typical of flags of convenience (*).

3.4.4. Reference has already been made to possible tax advantages (property tax, trade tax, capital tax, wages tax and VAT). In general it must be stated that a shipping company using flags of convenience can achieve substantial tax advantages only if there is considerable concentration of profits in a legally independent foreign subsidiary. Some Member States have concluded double taxation conventions with FOC countries, so that to this extent there is a legal basis for the tax position.

(*) See Mr KENNA's Report on Discrimination (pages 145 to 165).

3.4.5. The liquidity and cost position of shipping companies can be decisively influenced by State aids permissible under Community law, which can take many forms. Direct aids are paid direct to the shipping companies and can take the form of scrapping, new building and operating subsidies.

In the case of indirect subsidies the shipping company makes a saving through loans with preferential interest rates and redemption terms or through tax concessions, which can embrace all tax categories and cover tax rates, methods of assessment and depreciation arrangements. Indirect subsidies can also include State aids to shipyards, if the savings are passed on to shipowners who order vessels.

4. Safety problems in maritime shipping (*)

The safety of shipping has always been a major preoccupation of most shipowners, seafarers' unions, international maritime organizations and the political and administrative authorities of all coastal states.

The need for safety became even more urgent from the time that tankers - which have been constantly increasing in size - began to be generally used for the transport of substances such as hydrocarbons that are dangerous to the environment.

Constant reminders of the need for safety have been provided by accidents that in most cases have led to extensive pollution of the sea and the coasts and caused considerable damage and loss. We need only mention the accidents to the AMOCO CADIZ and the ANDROS PATRIA, which have recently stirred up international public opinion.

(*) See Appendix 3 (pages 139 and 140).

The risks and consequences of marine accidents of this kind are serious enough to warrant all steps, at whatever level, that are necessary to reduce such accidents to a minimum.

These measures, already laid down in a large number of international conventions negotiated under IMCO and ILO auspices, should be universally applicable, i.e. regardless of the flag flown.

However, in applying these measures, special attention should be paid to FOC vessels, mainly for the following three reasons :

- The size of the oil tanker fleet under FOCs and hence the high potential risk of accidents and pollution;
- The extreme dilution of responsibilities that characterizes the ownership and operation of FOC vessels, as illustrated in the case of AMOCO CADIZ. This vessel was registered in Liberia, had an Italian crew, belonged to an American multinational, was built in Spain, was insured with Lloyds of London and was carrying Iranian oil for Shell;
- The proportionally very large number of sub-standard vessels under FOCs, the term "sub-standard" being applied to vessels that do not conform to the recognized safety requirements. Safety embraces not only the design and equipment of a ship but also working hours and adequate manning scales, social security for the crew, crew qualifications and satisfactory living and working conditions on board. Above

all however, safety implies continuous effective inspection, without which conditions can deteriorate considerably as vessels get older.

5. Conclusions and action proposed

5.1. Conclusions

Flags of convenience are an extremely complex phenomenon involving manifold social, economic and technical interests, some of them conflicting. In view of the disparate nature of the various elements concerned, it would be difficult to pursue a policy of regulation based on a single, generally acceptable principle.

In the interests of pragmatism and effectiveness, the ESC prefers to make proposals for specific sectoral action taking into account the particular nature of the difficulties caused by the existence of FOCs, as well as the international measures already embarked upon at world (IMCO and ILO in particular) and regional (EEC) level.

5.2. International action already embarked upon

5.2.1. Since the beginning of the sixties numerous international conventions in the social and technical spheres in particular have been drawn up (*).

(*) See Appendix 4 (pages 141 to 144).

Some of these conventions have already entered into force. Examples are the Convention for the Safety of Life at Sea, the Convention on Load Lines, the Convention on the International Regulations for Preventing Collisions at Sea and various ILO conventions and resolutions.

Other conventions are still merely arrangements which, although they have been agreed by States, are not being applied since they have not been ratified by a sufficient number of countries.

The existence of these international conventions is to be welcomed (even if many are not yet in force because they have not yet been accepted by enough States). Their effectiveness is, however, limited in that observance of their provisions depends on vessel inspection, which is frequently not carried out, either as a deliberate policy on the part of some States or because the inspection services are inadequately equipped for this task.

5.2.2. The authorities have not remained inactive at Community level either. An impulse has been provided in particular by the French Government, which in 1975 and 1977 sent the Council of Ministers two memoranda containing a number of concrete proposals.

Even though these two French documents did not result directly in any decisions being taken by the Community, they have helped to bring maritime safety problems to the notice of the Commission in Brussels, which has accordingly

proposed a number of Community-wide measures. These proposals have led to the adoption, by the Council of Ministers, of various Recommendations in which the Member States have been called on to ratify international conventions, and of Directives relating to the qualifications of deep-sea pilots operating in the English Channel and North Sea and to technical specifications for tankers calling at Community ports. The Council has also asked the Commission to draft provisions making the inspection procedures set out in IMCO Resolutions mandatory in the Community.

The ESC naturally supports the measures adopted at Community level with regard to the safety of shipping and living and working conditions on board ships. However, these measures have been confined to ensuring that Member States adopt rules and regulations already agreed upon in various international forums.

In addition, the Member States are not bound legally by most of these measures (which take the form of Recommendations). This considerably reduces the effectiveness of Community action.

Finally, this Community action has concentrated in particular on the problems of vessels which are sub-standard technically and with regard to crew conditions.

5.3. Proposed additional measures

5.3.1. The ESC lends its support to the Commission's activities here and would like the Member States to :

- ratify or accede to existing international conventions laying down minimum technical and social standards to which they are not yet a contracting party;
- establish in all Community ports effective procedures for supervising observance of these international conventions by all ships calling at these ports;
- establish intra-Community procedures enabling the competent authorities in the Member States to exchange information at their disposal;
- penalize non-observance of technical and social standards by vessels calling at Community ports, by introducing really deterrent measures such as taxes or the banning from Community ports of all vessels not conforming to the standards;
- reach a decision on all the different kinds of measures which the Community could take at international level to help improve the conditions on board vessels regardless of the flag flown;
- take an identical stand as far as possible in any future international negotiations.

5.3.2. Of all the measures embarked upon at international level, the ESC would like the Member States to pay particular attention and contribute to UNCTAD's work on defining the economic factors which go to make up a "genuine link" between a ship and the country of registration.

Without prejudging or really endorsing the factors adopted by the UNCTAD Secretariat, the ESC thinks that pursuit of this work could eventually enable a reasonable solution to be found to the problem of open registration.

It will be absolutely essential for this work to take into account the existence of Community law in this field.

If the concept of a "genuine link" is given a real meaning that is internationally recognized, it should be possible to restrict the advantages to be gained from registration under certain flags which are extremely liberal in all respects at the moment.

5.3.3. The ESC has also concluded from its study of the flags of convenience phenomenon that one of the chief reasons for the growth of flag transfer and flags of convenience is that old vessels can be kept in service in this way. For economic and technical reasons, vessels that have reached a certain age cannot normally be operated under the flags of countries with high standards (such as most Community countries), which is why they are sold and reappear under flags whose standards are less exacting.

This phenomenon encourages open registration and permits the growth of what may be termed abnormal competition, especially from the Community shipowners' viewpoint.

To remedy this situation, the ESC proposes that the Community should take appropriate steps to encourage the scrapping of merchant vessels once they have reached a certain age, which could be set at 15 years.

The Community could make provision for the introduction of a vessel-scrapping premium, which would cover the difference between the price obtainable by the shipowner on the second-hand market and the price offered by the scrapping yard.

These premiums could be paid in two instalments. The first half of the premium would be paid immediately on scrapping; payment of the second half would be blocked for a maximum period of 5 years during which the shipowner would have to order a new ship from a Community shipyard in order to qualify, unless he were exempted from this requirement in periods of overcapacity.

To raise the funds for this scheme, the Community could introduce a tax on all vessels entering Community ports regardless of the flag flown.

5.3.4. Finally, the ESC is convinced that one of the present difficulties in the fight against the growth of flag transfer and the deterioration in conditions on board a growing number of vessels is the absence of solidarity at Community level.

This lack of Community solidarity is discernible among users, shipping companies and the various Member States, although a distinction needs to be made regarding users, i.e. shippers. Shippers have in general no particular interest in the problem of FOC ships. However, where these ships are at the same time "sub-standard", shippers have repeatedly experienced that their cargo has been damaged or lost and that unacceptable delays occur with these ships because of the need for repairs under way, etc. It has also happened that these ships have been seized in ports by the authorities because of debts or non-observation of regulations. In such cases the cargo has likewise been blocked and delayed. For these reasons many shippers avoid using these ships as a matter of company policy.

The main aim of shippers at national and Community level is to find the carriers that are the most competitively priced for the quality of the services offered. Therefore, the choice of Community shippers often does not fall on Community shipowners, whose very high operating costs (the highest of all after the Americans) have a decisive impact on their competitiveness.

One cannot blame shippers for acting in this way, but there is no doubt that this situation is an additional factor in the deteriorating position of European shipowners. There is a need for corrective action or steps to ease the position substantially.

The lack of solidarity among Community shipowners is due to the huge disparities in some cases between national flags in the Community.

5.4. The question whether a ban on flag transfer would be a good solution was raised during discussions. Flags of convenience and sub-standard vessels are disruptive factors in shipping at both national and international level.

They are obstacles to the regulation of shipping under relatively normal conditions and thus impede improvement of the living and working conditions of crews from the developed countries, because shipowners using FOC's or sub-standard vessels are in a position to offer serious competition on account of the cost advantages they enjoy on all fronts.

In the interests of the national fleets of the Community, the Member States' economies and the employment of Member States' seafarers, an end should be put to this state of affairs and FOC's and sub-standard vessels should no longer be used.

5.5. On the basis of the work carried out by UNCTAD, IMCO and the ILO consideration should in general be given to making economic changes to the basic framework within which shipping operates. This could be done through multinational agreements which take account of foreign trade and shipping considerations in relation to the policy of the developing countries.

5.6. In the case of air traffic, there have been general rules of the air since the conclusion of the Chicago Convention in 1944. Special international institutions have worked

out appropriate provisions which have led to identical safety rules for air traffic throughout the world. These rules are incorporated in the national law of the various countries.

In view of the intolerable situation in sea transport, a similar move would seem to be necessary for shipping, not only on safety grounds but also for reasons connected with social policy and unfair competition.

5.7. As long as Community law does not have any uniform provisions under which defensive action is possible, steps against FOC ships will have to be taken under the national legislation of the various countries. A survey of the possibilities offered by the national provisions of the Member States is to be found in the ESC publication entitled : "EEC's Transport Problems with East European Countries". (p. 61 et seq.). These provisions could be applied in respect of flags of convenience. They could be used primarily against vessels that do not conform to the normal standards and threaten the general safety of shipping. They could also be used to impose restrictions on FOC vessels. In this connection reference is made to the Council of Ministers Resolution of 19 September 1978, under which the Member States are authorized to take appropriate action in accordance with their national legislation. This action must not, of course, infringe the provisions of the Treaty of Rome. The need to arrive at common EEC provisions in this matter is therefore all the more urgent.

5.8. As long as it is not possible to reduce the considerable degree of penetration of the Community market by FOC ships, State action to prevent further undesirable developments with their serious economic consequences will be unavoidable. In this connection tax measures and subsidies can only be endorsed if they are financially and economically justifiable under Community law. The situation might be remedied to some extent by action to offset negative effects in certain sectors, for example shipbuilding.

5.9. It would be expedient to have the right under Community or national law to make use of expatriate tonnage in the event of abuse or special emergencies, as is the case under US law. This could prevent serious economic damage.

5.10. Any policy of the Member States, the Commission or the Council must be aimed at preventing non-observance of international standards in the social sphere and at applying Article 117 of the Treaty, which calls for harmonization of working and living conditions coupled with progress. Another objective must be application of ILO Convention 111 so that seafarers of any nationality sailing under a given flag will enjoy the same social conditions as seafarers of the flag State.

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For this investigation definitions are essential, particularly since terms are often used misleadingly, which results in misunderstandings.

This situation is clearly due to the fact that when a given language does not have an appropriate term a foreign word is frequently used. This is not, however, always done consistently and sometimes an attempt is made to introduce a free translation of a foreign technical term.

We shall therefore try to define a number of terms as accurately as possible in order to promote exact terminology in the Community languages. These terms are as follows :

1. Expatriation from the outset
2. Flag transfer
3. Flags of convenience
4. "Cheap" flags (billige Flaggen)
5. Tax-haven countries/flags

1. Expatriation

In the case of expatriation from the outset a foreign flag is flown from the entry into service or purchase of the vessel. Flag transfer on the other hand implies that the vessel is first operated under the national flag and is subsequently put under a foreign flag; in contrast to expatriation from the outset, use is thus made for a certain time of the right to fly the national flag before this is replaced by a foreign flag. Flag transfer thus represents the original form of expatriation.

A description is given below of the different legal and business set-ups under which vessels can generally be expatriated. In each case the relevant domestic flag provisions and/or the provisions of the new flag State have to be observed.

- a) Expatriation by simple registration (new registration) of the vessel in a foreign registry, or transfer thereto from the national registry, with the ownership and corporate situation remaining unchanged in the case of flag transfer. Simple registration in the Singapore, Somalian and Liberian registries of transfer thereto was possible until 31 December 1974, under German flag law this form of flag change may basically be practised only by shipowning partnerships which are authorized to use the German flag but are not obliged to do so.
- b) Expatriation through fiduciary assignment of the vessel to a foreign dependent company, with or without the vessel being chartered back by the domestic parent company. National participation in the foreign owner company is not required in Liberia, Singapore or Somalia. The same applies to Panama and Cyprus. The flags of these countries may therefore be flown by vessels transferred to 100% subsidiaries of German shipping companies.
- c) Temporary expatriation (one to two years at the most). This generally involves bare-boat chartering to a dependent foreign party who equips the vessel. Since such a flag change is only temporary, the vessel remains in the national registry, in contrast to the procedure with the other forms of expatriation. Such temporary transfers are or were possible to the flags of Austria, Panama, Somalia, Turkey, Ivory Coast, Costa Rica and France.

- d) Expatriation by "genuine" sale to a foreign dependent company with or without the vessel being chartered back by the domestic parent company. In economic importance this formula is on a par with the most frequent case of expatriation from the outset, where a foreign subsidiary itself purchases the vessel on the second-hand market or places an order with a shipyard. As in the case of fiduciary assignment no "national" participation in the owner company is required in Liberia, Singapore, Somalia, Panama or Cyprus.

Whether an expatriate vessel is chartered back by the domestic parent company and/or remains a domestic business asset is important from the tax (and therefore the economic) point of view. An expatriate vessel, however, becomes a business asset of a foreign company only in case d).

The cases specified below are not to be regarded as expatriation, since after the change of flag the vessels are no longer under domestic economic control as defined for shipping purposes.

- The putting under a foreign flag of vessels that have only carried the national flag during the delivery voyage after completion.
- The putting under a foreign flag of vessels in connection with their sale to independent foreign parties, with or without the vessels being chartered back by the seller.
- The temporary putting of vessels under a foreign flag in connection with a bare-boat charter to an independent foreign party.

In all cases of expatriation a vessel is put under a foreign flag, which is invariably a flag of convenience and frequently a "cheap" flag (*) or a flag of a tax-haven country.

2. Flag transfer

See under 1.

3. Flags of convenience

There are two equivalent definitions of "flag of convenience" :

- "A flag of convenience can be defined as a flag of any country allowing the registration of foreign-owned and foreign-controlled vessels under conditions which, for whatever reasons, are convenient and opportune for the persons who are registering the vessels."
(BOCZEK B. A. : Flags of Convenience, Cambridge, Massachusetts 1962, page 2).
- "A flag of convenience can be defined as 'the flag of such countries whose laws allow - and indeed make it easy for - ships owned by foreign nationals or companies to fly these flags in contrast to the practice in the maritime countries where the right to fly the national flag is subject to stringent conditions and involves far-reaching obligations.'"
(Maritime Transport Committee of the OECD : Study of the expansion of the flags of convenience and of various aspects thereof, quoted in BOCZEK, page 3).

(*) Translator's Note : The English term "flag of convenience" cover not only "Gefälligkeitsflagge"/Bequemlichkeitsflagge" (literally, flag of accommodation or convenience) but also "billige Flagge" (literally "cheap" flag) in German. However, in order to reflect the distinction the Rapporteur makes between Gefälligkeitsflagge/Bequemlichkeitsflagge and billige Flagge, it has been necessary to introduce the term "cheap flag for the latter expression.

Since expatriation to a given country is possible only if that country allows the registration of vessels owned and controlled by foreigners, and since expatriation will take place only if - for whatever reasons - it is convenient and advantageous, every change of flag implies the choice of a flag of convenience.

4. "Cheap" flags (billige Flaggen)

"Cheap" flags (*) are a special form of flags of convenience.

A flag of convenience is acquired through expatriation or flag transfer "for whatever reasons".

If, however, the term "'cheap' flag" or "'cheap' flag country" is to be appropriate, then the narrower criteria developed in the ROCHDALE Report (and adopted by the OECD) must be satisfied. Only where these criteria are applied to "flag of convenience" (sometimes erroneously rendered in German as "Billigkeitsflagge") and "'cheap' flag" mean the same thing. These criteria are as follows :

- "The country of registry allows ownership and/or control of its merchant vessels by non-citizens";
- "Access to the registry is easy. A ship may usually be registered at a consul's office abroad. Equally important, transfer from the registry at the owner's option is not restricted";

(*) Translator's Note : See note at the bottom of page

- "Taxes on the income from the ships are not levied locally or are low. A registry fee and an annual fee, based on tonnage, are normally the only charges made. A guarantee or acceptable understanding regarding future freedom from taxation may also be given";
- "The country of registry is a small power with no national requirement under any foreseeable circumstances for all the shipping registered (but receipts from very small charges on a large tonnage may produce a substantial effect on its national income and balance of payments)";
- "Manning of ships by non-nationals is freely permitted";
- "The country of registry has neither the power nor the administrative machinery effectively to impose any government or international regulations; nor has the country the wish or the power to control the companies themselves" (*).

5. Tax-haven countries/flags

Tax-haven countries can be distinguished from flag of convenience countries and "cheap" flag countries. Shipping companies domiciled in tax-haven countries do of course

(*) As at 30 June 1973 the following eight states met the ROCHDALE (or OECD) definition of "cheap" flag country : Liberia, Panama, Cyprus, Singapore, Somalia, Honduras, Costa Rica and the Lebanon; Abu Dhabi and Bahrain also seem recently to have been developing into "cheap" flag countries.

enjoy considerable tax advantages. But as regards crews, safety and certificates of competence, the tax-haven countries have requirements similar to those of the traditional seafaring nations (*).

Whether a flag is regarded as a flag of convenience, a "cheap" flag or a tax-haven flag can vary considerably over a period of time, depending on the conditions offered by the country in question. For example, in 1970 Morocco, San Marino, Haiti, Malta and Sierra Leone, along with the States specified under (2) were still regarded as "cheap" flag countries, whereas only Bermuda, The Bahamas, Gibraltar and The Netherlands Antilles were classed as tax-haven countries by the OECD. For Sweden the German flag even for a certain time counted as a flag of convenience (although not as a "cheap" flag), since operating costs under German regulations were found to be lower than under the Swedish flag.

Consequently, all three concepts listed under 3 to 5 are of a relative nature, and the classification of a country/flag is liable to vary over a period of time.

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(*) In addition to the Ivory Coast, The Netherlands Antilles and Surinam (Netherlands flag and Netherlands safety and crew regulations) the following Commonwealth States were regarded as tax-haven countries in 1973 : The Bahamas, Bermuda, The Cayman Islands, Gibraltar, Hong Kong, Jamaica, Malta, Mauritius, Nigeria and Trinidad. Some vessels of this group of countries fly the British flag and therefore have to comply with British regulations.

APPENDIX 2

Labour and Capital Costs as Percentages of
Total Costs (excluding voyage cost)
in German Sea Shipping

Year	% of total costs (excl. voyage costs)		Ratio to Labour costs	
	Labour costs	Capital costs	Capital costs	Deprecia- tion
1957	/	20.5	/	/
1966	30.3	36.3	1.20	0.94
1969	28.3	34.7	1.23	0.97
1972	28.0	39.8	1.42	1.05
1973	26.7	41.6	1.55	1.10

Source : Treuarbeit AG

Ship losses (total losses according to
nationality 1972 - 1976) (500 GRT and over)

Nationality Nationalität	1972		1973		1974		1975		1976	
	No.	grt	No.	grt	No.	grt	No.	grt	No.	grt
	Ans.	BRT	Ans.	BRT	Ans.	BRT	Ans.	BRT	Ans.	BRT
Argentina - Argentinien	-	-	-	-	1	617	1	6,458	-	-
Australia - Australien	-	-	-	-	2	1,909	1	7,274	-	-
Austria - Österreich	1	2,791	-	-	-	-	-	-	-	-
Bahamas - Bahamas	2	83,929	-	-	3	10,773	1	33,526	-	-
Belgium - Belgien	-	-	1	3,701	-	-	-	-	-	-
Bermuda - Bermuda	1	17,543	-	-	1	19,168	-	-	-	-
Brazil - Brasilien	4	8,426	1	4,237	1	4,616	1	1,514	2	10,254
Bulgaria - Bulgarien	1	12,697	-	-	-	-	1	8,177	-	-
Burma - Birma	-	-	-	-	-	-	1	786	-	-
Canada - Kanada	4	9,814	3	3,205	4	21,535	1	624	3	2,184
Cayman Isl. - Cayman Ins.	1	1,473	-	-	1	500	1	1,787	2	1,621
Chile - Chile	-	-	-	-	1	2,782	1	7,094	1	2,782
China, P.R. - VR China	-	-	1	4,156	1	4,872	1	-	-	-
Columbia - Kolumbien	-	-	-	-	-	-	-	-	1	1,585
Cuba - Kuba	-	-	1	2,418	1	9,390	1	1,143	1	595
Cyprus - Zypern	14	43,222	19	87,310	20	34,022	10	39,428	20	104,735
Denmark - Dänemark	2	1,021	-	-	3	4,199	2	49,483	1	500
Dominica - Dominik. Rep.	2	5,814	-	-	-	-	-	-	-	-
Dubai - Dubai	1	2,226	1	802	-	-	-	-	-	-
Ecuador - Ecuador	-	-	-	-	-	-	1	727	-	-
Egypt - Ägypten	-	-	-	-	-	-	-	-	1	3,937
Iire - Irland	1	7,875	1	533	-	-	-	-	-	-
Ethiopia - Äthiopien	-	-	-	-	1	514	-	-	-	-
Faroese - Färöer Ins.	1	623	-	-	1	1,038	-	-	-	-
Fiji - Fidsohi Ins.	-	-	-	-	-	-	-	-	1	500
Finland - Finnland	1	1,482	3	5,464	-	-	-	-	-	-
France - Frankreich	-	-	2	11,481	3	4,063	1	3,614	-	-
GER - DDR	1	532	-	-	-	-	1	2,960	2	8,261
GFR - BRD	3	2,968	1	1,000	6	27,313	5	4,808	4	4,761
Greece - Griechenland	20	160,745	19	89,593	25	132,277	25	225,118	25	223,268
Guatemala - Guatemala	-	-	-	-	-	-	1	2,815	-	-
Netherlands - Niederlande	2	1,716	1	1,128	-	-	-	-	1	398
Honduras - Honduras	-	-	-	-	-	-	1	614	-	-
Hong Kong - Hongkong	1	11,753	-	-	1	1,401	1	-	-	-
Iceland - Island	1	610	-	-	1	566	-	-	-	-
India - Indien	1	1,527	4	18,898	1	3,332	1	1,348	1	10,500
Indonesia - Indonesien	2	2,470	3	15,239	-	-	2	3,225	4	3,837

Fortsetzung - Continued

		1972		1973		1974		1975		1976	
		No. Ans.	grt NET	No. Ans.	grt NET	No. Ans.	grt NET	No. Ans.	grt NET	No. Ans.	grt NET
Iran	- Iran	-	-	-	-	-	-	2	2,663	2	4,276
Israel	- Israel	-	-	-	-	-	-	2	2,702	-	-
Italy	- Italien	5	21,892	12	136,535	10	95,719	4	9,958	3	3,273
Japan	- Japan	15	26,214	13	17,893	8	62,364	11	58,448	12	25,717
Korea (South)	- SSKorea	6	84,758	1	3,831	5	7,544	5	6,654	7	12,205
Kuwait	- Kuwait	-	-	2	1,694	-	-	-	-	1	6,415
Lebanon	- Libanon	2	4,987	3	8,590	2	4,726	1	5,987	1	1,591
Liberia	- Liberian	27	253,303	17	299,959	14	220,952	20	273,882	20	362,014
Libya	- Libyen	-	-	-	-	-	-	-	-	2	1,305
Malaysia & Singapore	- Malaysia & Singapur	1	4,268	3	14,037	8	30,507	7	48,844	2	12,137
Maldive Isl.	- Maldiven Ins.	-	-	-	-	-	-	-	-	1	1,580
Malta	- Malta	1	10,390	-	-	-	-	-	-	-	-
Mexico	- Mexiko	-	-	-	-	1	636	3	6,081	3	4,980
Netherl. Antilles	- Niederl. Antillen	-	-	-	-	-	-	1	1,200	-	-
Nicaragua	- Nikaragua	1	950	-	-	1	2,282	-	-	-	-
Nigeria	- Nigerian	-	-	1	709	-	-	-	-	-	-
Norway	- Norwegen	3	50,006	6	32,459	7	81,366	5	11,241	4	11,353
Pakistan	- Pakistan	2	2,846	1	8,989	-	-	-	-	1	8,461
Panama	- Panama	18	90,039	19	104,978	20	71,811	37	164,825	52	208,151
Peru	- Peru	-	-	-	-	1	2,270	-	-	-	-
Philippines	- Philippinen	7	17,725	7	64,966	6	13,925	5	14,865	4	8,718
Poland	- Polen	1	674	1	3,811	-	-	1	648	-	-
Portugal	- Portugal	2	2,366	4	8,112	4	8,337	-	-	-	-
Romania	- Rumänien	1	12,449	1	5,369	-	-	-	-	1	2,681
Saudi Arabia	- Saudi Arabien	1	778	-	-	2	3,708	1	2,731	2	12,616
Senegal	- Senegal	-	-	-	-	-	-	-	-	1	500
Sharjah	- Sharjah	-	-	-	-	1	2,648	1	3,799	1	1,374
Somalia	- Somalia	6	30,493	2	12,666	2	12,593	2	7,968	1	4,734
South Africa	- SÜdafrika	-	-	1	807	-	-	-	-	-	-
Spain	- Spanien	4	12,034	4	17,120	6	16,593	6	8,565	7	67,442
Sweden	- Schweden	1	1,504	3	9,221	-	-	1	4,054	-	-
Taiwan	- Taiwan	3	3,300	3	14,744	1	3,123	1	10,481	1	7,684
Thailand	- Thailand	-	-	1	6,502	-	-	-	-	1	4,891
Turkey	- Türkei	-	-	-	-	1	6,042	-	-	1	11,547
UK	- Grossbritannien	6	18,212	9	26,741	9	27,464	11	60,214	1	1,599
US	- USA	5	20,636	3	26,535	3	24,680	3	15,184	3	19,415
USSR	- UdSSR	-	-	1	3,170	4	19,233	3	11,688	3	17,614
Vietnam (South)	- SÜVietnam	1	554	-	-	-	-	-	-	-	-
Yugoslavia	- Jugoslawien	1	2,666	-	-	1	2,092	-	-	-	-
Miscellaneous	- verschiedene	1	603	-	-	-	-	-	-	-	-
Total	- Gesamt	188	1,056,904	179	1,078,523	195	1,025,492	193	1,155,105	208	1,206,271

Quelle - Source : The Liverpool Underwriters' Association, Annual Report 1976

List of the Main International Instruments Dealing with
Social and Safety Standards on Board Merchant Vessels

TITLE	REQUIREMENTS FOR ENTRY INTO FORCE	STATUS
International Convention for the Safety of Life at Sea 1960	15 States (with conditions)	Entered into Force May 1965
Amendments 1966	Two-thirds of Contracting Governments	46 acceptances received
1967	(65 States)	36 acceptances received
1968	As above	37 acceptances received
1969	As above	26 acceptances received
1971	As above	17 acceptances received
1973 (General)	As above	7 acceptances received
1973 (Grain)	As above	6 acceptances received
International Convention for the Safety of Life at Sea 1974	25 States constituting not less than 50% of total grt of world's merchant shipping + 1 year	15 Contracting Governments (tonnage requirements met)
Protocol 1978	As above + 6 months	No acceptances received
International Regulations for Preventing Collisions at Sea 1960 (Annex B to Final Act of 1960 SOLAS Conference)	Individual acceptances	73 acceptances received Applied since September 1965
Convention on the International Regulations for Preventing Collisions at Sea 1972	15 States owning not less than 6% of world fleet by number of ships or gross tonnage	Entered into force July 1977
International Convention for the Prevention of Pollution of the Sea by Oil 1954, as amended	10 States including five with not less than 500,000 grt of tanker tonnage	Entered into force July 1958
Amendments 1971 (Great Barrier Reef)	Two-thirds of Contracting Govts. (40)	20 acceptances received
1971 (Tanks)	As above	21 acceptances received
International Convention for the Prevention of Pollution from Ships 1973	15 States owning not less than 50% of world merchant shipping grt + 1 year	3 acceptances received
Protocol 1978	As above	No acceptances received
Convention on Facilitation of International Maritime Traffic 1965	10 States	Entered into force March 1967
Amendments 1973	Two-thirds of Contracting States (30)	25 acceptances received
International Convention on Load Lines 1966	15 States (with conditions)	Entered into force July 1968
Amendments 1971	Two-thirds of Contracting States (60)	25 acceptances received
1975	As above	17 acceptances received
International Convention on Tonnage Measurements of Ships 1969	25 States with not less than 6% of world's merchant shipping grt + 2 years	35 acceptances received (Approx. 60% of grt)
International Convention Relating to Intervention on the High Seas in Cases of Oil Pollution Casualties 1969	15 States	Entered into Force May 1975
Protocol 1973	As above	2 acceptances received

List of the Main International Instruments Dealing with
Social and Safety Standards on Board Merchant Vessels

TITLE	REQUIREMENTS FOR ENTRY INTO FORCE	STATUS
International Convention on Civil Liability for Oil Pollution Damage 1969	Eight States (with conditions)	Entered into force June 1975
Protocol 1976	As above	2 acceptances received
Convention Relating to Civil Liability in the Field of Maritime Carriage of Nuclear Material 1971	Five States	Entered into force July 1975
International Convention on the Establishment of an International Fund for Compensation for Oil Pollution Damage 1971	Eight States (with conditions) + 90 days	Entered into force October 1978
Protocol 1976	As above	2 acceptances received
Special Trade Passenger Ships Agreement 1971	Three States (with conditions)	Entered into force January 1974
Protocol 1973 (space requirements)	As above	Entered into force June 1977
International Convention for Safe Containers 1972	10 States	Entered into force September 1977
Athens Convention Relating to the Carriage of Passengers and Their Luggage by Sea 1974	10 States + 90 days	1 acceptance received
Protocol 1976	As above	No acceptances received
Convention on the International Maritime Satellite Organisation (INMARSAT) 1976 (+Operating Agreement)	States representing 97% of initial investment shares + 60 days	6 acceptances received
Convention on Limitation of Liability for Maritime Claims 1976	12 States + 1 year	No acceptances received
Torremolinos International Convention for the Safety of Fishing Vessels 1977	15 States with not less than 50% of world fishing fleet of 24 metres in length and over	No acceptances received
International Convention Standards of Training, Certification and Watch-keeping for Seafarers 1978	25 States owning not less than 50% of world merchant shipping grt + 1 year	No acceptances received

II. ILO CONVENTIONS

- No. 109 - Wages, Hours of Work and Manning (Sea) Convention (1958).
- No. 147 - Minimum Standards in Merchant Ships Convention (adopted on 29 October 1976).

This Convention will enter into force on ratification by 10 ILO member countries representing 25% of world tonnage.

France and Spain are at present the sole contracting parties.

Attached to this Convention is the following list of ILO Conventions concerned with maritime transport :

- . No. 138 - Minimum age for Admission to Employment Convention, 1973, or No. 58 - Minimum Age (Sea) Convention (Revised), 1936, or No. 7 - Minimum Age (Sea) Convention, 1920.
- . No. 55 - Shipowners' Liability (Sick and Injured Seamen) Convention, 1936, or No. 56 - Sickness Insurance (Sea) Convention, 1936 or No. 130 - Medical Care and Sickness Benefits Convention, 1969.

- . No. 73 - Medical Examination (Seafarers) Convention, 1946.
- . No. 134 - Prevention of Accidents (Seafarers) Convention, 1970 (Articles 4 and 7).
- . No. 92 - Accommodation of Crews Convention (Revised) 1949.
- . No. 68 - Food and Catering (Ships' Crews) Convention, 1946 (Article 5).
- . No. 53 - Officers' Competency Certificates Convention, 1936 (Articles 3 and 4).
- . No. 22 - Seamen's Articles of Agreement Convention, 1926.
- . No. 23 - Repatriation of Seamen Convention, 1926.
- . No. 87 - Freedom of Association and Protection of the Right to Organize Convention, 1948.
- . No. 98 - Right to Organize and Collective Bargaining Convention, 1949.

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CHAPTER V

SUB-REPORT OF THE SECTION FOR TRANSPORT AND COMMUNICATIONS
ON DISCRIMINATION AGAINST THE FLAGS OF CERTAIN COUNTRIES
(Rapporteur : Mr KENNA)

1. Introduction

The report attempts to define the term 'Flag Discrimination' as a specific aspect of international sea transport policy, and traces some of the problems created for the European Ship-Ownning industry and shipping users as a result of the practice of discrimination. The report tries to establish the relationship between this particular topic and the broader questions of Flags of Convenience and the growth of fleets of new Maritime Nations in particular the developing countries. Account is also taken of the interest of users of shipping services and implications for international trade.

2. Background to the Present Situation

While it is generally accepted that the practice of Flag Discrimination Policies distorts competition and results in loss of market with consequent financial implications, it is very difficult to quantify the effect in absolute terms. Certain statistical information is available which while not up to date, shows declining trends. There is no evidence which would indicate a reversal of these trends.

According to a report prepared in 1965 entitled World Shipping under Flags of Convenience, the following

statistical information is given on the number of vessels operated by EEC Flag Nations, also total World Fleet numbers :

	<u>EEC</u>		<u>World Fleet</u>	
	<u>Number</u>	<u>GRT</u>	<u>Number</u>	<u>GRT</u>
1964	12,998	45,493,000	40,859	151,178,300
1974	11,700	69,030,000	61,194	312,089,400
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	- 1,298	+ 23,537,000	+ 20,335	+ 160,911,100

While the number of ships under World Tonnage represented 149 in 1974 as opposed to 100 in the base year 1964, GRT has increased from 100 in 1964 to 206 in 1974. This compares to the EEC Flag Statistics, showing a decline in the number of ships from 100 to 91, although there is an increase in overall GRT to 151.

Employment figures were obtained from both OECD and CAACE (Organization of the shipowners associations of the European Communities). There were, however, discrepancies in the figures and it has been decided that the CAACE figures are more likely to be accurate, as they were prepared by each individual shipowners organization. These statistics are shown in the Appendix I.

It can be seen from these statistics that there has been a reduction in the number of seafarers employed of 46,500, in other words, as opposed to the base year 1969, employment is now only 83%.

While this reduction is due to a large extent to the reduction in the number of vessels, other factors must be taken into consideration, for example, improved technological design, use of dual purpose ratings and new manning scales agreed between individual shipping organizations and Unions.

This is the overall situation and is a culmination of all the factors which are discussed by the Section.

Although the problem of flags of convenience and flag discrimination and growth in the fleets from new shipping nations are inter-linked, insofar as they contribute to competitive problems facing community maritime fleet and employment they are not necessarily inter-dependent.

While the problems of flags of convenience tends to dominate the topic of increasing competition in international sea transport, the problem of flag discrimination has equally serious consequences for shipowners, trade unions and users. The effect on shipowners in the Community is the loss of market, reduced profits and cash flow problems. This, in turn, has resulted in reduced investment

in the new shipping tonnage, reduction in overall tonnage with the consequent loss of employment for seafarers. It is a fact that shipping as a whole has one of the lowest returns on capital investment of all industries. This is due in part to the very competitive situation that has arisen over the years which has been aggravated by the problem of flag discrimination. The low return on capital invested also led to the formation of international shipping conferences.

Shipbuilding within the Community has also suffered not only due to reduced building requirements arising from flag discrimination and particularly from open-register countries but also from competition from Japan and, more recently, Korea who are now building standard vessels at approximately 60% of Community building costs. An increasing number of manufacturers of ships equipment, including main and ancillary machinery, are granting manufacturing licences to Japanese firms. There is an ever-growing loss of employment within Member States of the EEC.

3. Definition

Since this type of discrimination is practised by many of the traditional maritime states including members of the Community, the problem is more difficult to define. Indeed, experts differ in their interpretation of what constitutes discrimination. The OECD Transport Maritime Committee is a very valuable source of information on the question of the definition of flag discrimination. The report by the Committee in May 1977 noted many different methods by which flag discrimination is practised. The major headings under which this is discussed are as follows :

Unilateral Cargo Reservation and Flag Preference

This unilateral action may, in many cases, be a straightforward reservation of cargo to be transported in national or chartered ships or by strong inducements to use national ships by fiscal advantages or administrative assistance. The growth of unilateralism appears to be the most general aspect of concern to many countries. The problem although primarily concerned with the general cargo liner trades is also encountered in dry bulk and oil trades. Unilateral cargo reservation applies, in the main, to developing countries.

Bilateral Division and Allocation of Cargo

Bilateral cargo sharing with or without participation of flags of third countries is the second aspect of discrimination. Such bilateral agreements may be between two developing countries or between developing countries and centrally planned countries or, on occasions, between developing countries and the more traditional maritime states.

Incentives to Shipping Users

Discrimination also includes incentives given to Importers and Exporters by way of taxation on similar concessions. Examples of this are well known in US shipping and trade and are designed to ensure that US industry can insist on cargo being carried on US flag ships.

The OECD Maritime Committee in their report highlights what can be described as variations on the central theme of cargo reservation by direct agreement and these would include such items as :

fixing freight rates on a unilateral basis;

taxation of shipping including the questions of double taxation agreements not covering certain types of taxes;

Bilateral Trade Agreement which gives effect to cargo reservation to national flags by practice of exporting CIF and importing FOB.

These then are some examples of the types of practices used to reserve cargo to national fleets and which can be generally described as flag discrimination.

The effect of such practices on competition is, of course, similar to the effect which flags of convenience have, that is, reduction in market opportunities followed by reduced profits and cash-flow problems. This, in turn, results in reduced investment, reduction of overall tonnage with consequent loss of employment opportunities for seafarers.

4. Some of the Effects of Flag Discrimination Policies

The practice of flag discrimination to secure advantages in national fleets which would not otherwise be available if their services were marketed on a fully competitive basis distorts competition, could divert trade to less efficient carriers, and obscures the real cost of the service. The problem of flag discrimination has become more acute since the downturn in world seaborne trade between 1974 and 1976 coupled with increasing intervention by countries in the regulation of shipping services. These facts are also reflected in the 23rd Annual Report of the Maritime Committee of OECD for 1976. The problem is aggravated, of course, by cost escalation during a period of high inflation which widened the differences in operating costs and service levels between the traditional and more developed economies and the increased competition caused by the excessive supply of world shipping over the total demand.

5. Implications of Flag Discrimination for International Trade

Discussion about the problem of competition in world shipping must of necessity take account of the effects on the Community's international trade which might arise from either the present difficulties facing European shipowners or future action to solve the shipowners' problems.

Assuming that flag discrimination is for the most part practised by nations outside the European Economic Community and further assuming that such discrimination hinders the development of Community exports or imports of essential supplies, or adds to the cost of goods either directly or indirectly, action taken to remove or alleviate the unfair competition will, in the long term, benefit industry. The importance of sustained growth in world trade to the economic and social well-being of the Member States of the EEC is widely accepted and well documented. The current GATT negotiations which are designed to achieve a major step forward in the liberalization and expansion of world trade reflect these principles. Agreement between the members of GATT to remove obstacles to trade, such as customs tariffs, and other discriminatory non-tariff barriers to trade, will it is hoped, result in accelerating the growth of international trade involving both the developed and developing economies. This will benefit all economic and social interests. Flag discrimination as a non-tariff barrier to trade will assume even a greater importance within the General Agreement on Tariffs and Trade. It might be suggested that the question of discrimination in shipping might be given more prominence in these negotiations.

6. User's View

Users of shipping services, i.e. industry who are in the main commercial enterprises, will follow competitive rates combined with satisfactory service. Quality of service, including frequency and regularity of sailings without any preconditions as to particular vessels or particular flags for the carriage of the cargo, is a prerequisite to shippers to enable them to organize their traffic in the most efficient way at economic cost. Shippers are generally not primarily concerned about the nationality of the flag carrier provided the criteria of "service and cost" as above are met.

Users of shipping services are concerned about freedom of choice of the means of transport and the carrier. Similarly, shipping users are concerned that adequate services are at all times available to meet present demand and future growth in trade.

7. Solutions

Of all the items studied by the Section, Flag Discrimination probably has in general less effect on EEC shipping than any of the others, Flags of Convenience and Emerging Nations being the main contributory factors. However, it might be noted that flag discrimination has the most serious effect on liner shipping.

A number of remedies have been discussed without any great conviction. At the present moment, discussions are being undertaken on scrap and re-build policy. It has also been suggested that consideration should be given to

the banning of expatriation of EEC flag vessels to other flags, primarily flags of convenience countries. Before any recommendation is made on either these or other matters not yet discussed, deep consideration will have to be given to the effects on EEC shipowners, particularly, as regards to competitive situations vis-à-vis other shipping nations.

In regard to countries practising discrimination, solutions are hard to come by, but suggestions have been made that there should be :

- a) Double tiering system for port charges.
- b) Tax levy on the value of cargo at ports.
- c) Subsidies and/or improved fiscal benefits, towards the building of new tonnage.
- d) Improved depreciation allowances.

Any or all of these suggested solutions might be acceptable and of help to Community shipowners. Although not implemented national legislation exists in some Member States to counter the effect of flag discrimination. These national laws would be the basis of Community actions in harmonizing them.

8. Conclusions

The cause and effect of the problems created by flag discrimination have been discussed over a long period of time and have been fully documented by international

governmental and non-governmental organizations including UNCTAD, OECD, IMCO, ILO, International Chamber of Shipping, International Shipping Federation and CAACE. Little, if any, effective progress has been made, each individual nation having its own particular outlook and it is difficult to achieve unanimity on such a complex situation without collective agreement.

During the preparation of this report the question was asked whether the shipping interests of the Community, i.e. owners, unions and shipping users, wished the matter to be dealt with on a common front by the Community or on a national basis?

With Community shipping tonnage now representing a substantial percentage of total world tonnage, the Section believes a collective coordinated approach by the Community would be the best way to achieve the objectives outlined in this report :

- reversal of the present situation, improved market share of world trade,
- higher returns on capital investment,
- increased tonnage,
- increased and better employment opportunities for not only seafarers but also in other industries dependent on a strong and flourishing maritime fleet.

APPENDIX

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TABLE 1

Figures taken from CAACEE (Organization of the shipowners associations of the European Community) survey during 1978

EMPLOYMENT FIGURES OF SEA-GOING STAFFS.

	<u>1969</u>	<u>% Figure of Base Year</u>	<u>1974</u>	<u>1974 % Figure Against Base Year.</u>
Belgium	3,574	100%	2,896	81%
Denmark	22,000	100%	22,500	102%
France	28,470	100%	23,980	84%
Germany	44,000	100%	31,180	71%
Ireland	1,370	100%	1,369	100%
Italy	46,350	100%	45,800	98%
Netherlands	29,318	100%	21,692	74%
U.K.	98,086	100%	77,251	79%
	-----	-----	-----	-----
TOTAL.	273,168	100%	226,668	83%
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TABLE II

EMPLOYMENT FIGURES OF SEA-GOING STAFFS.

	<u>1969</u>	<u>% Figure of Base Year.</u>	<u>1.1.78</u>	<u>1978 % Figure Against Base Year.</u>
Belgium	3,574	100%	2,776	78%
Denmark	22,000	100%	20,760	94%
France	28,470	100%	21,660	76%
Germany	44,000	100%	33,148	75%
Ireland	1,370	100%	1,612	118%
Italy	46,350	100%	40,547	87%
Netherlands	29,318	100%	21,930	75%
U.K.	98,086	100%	77,306	79%
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL	273,168	100%	219,739	80%

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY : BELGIUM

Category of Seafarers	A		B		C		D	
	Total number of EEC seafarers un-employed 1.1.78		Number of posts at sea on ships on national register (excluding crew relief and Back-up) 1.1.1978		Number of seafarers' jobs (including crew relief and back up) 1.1.1978		Prognosis Number of seafarers Jobs expected to be available on 1.1.1983 (including crew relief and back up)	
1. DECK OFFICERS								
a) certificated	5		308		400		440	
b) uncertificated	/		69		87		95	
2. ENGINE OFFICERS								
a) certificated	4		319		415		455	
b) uncertificated	14		288		370		390	
3. RADIO OFFICERS	/		75		100		100	
4. GENERAL PURPOSE OFFICERS	/		/		/		/	
5. CATERING PERSONNEL	30		316		408		430	
6. DECK RATINGS	121		445		572		600	
7. ENGINE ROOM RATINGS	/		21		27		30	
8. GENERAL PURPOSE RATINGS	4		305		397		440	
TOTAL	178		2,146		2,776		2,980	

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY : DENMARK

	A	B	C	D
Category of Seafarers	Total number of EEC seafarers unemployed 1.1.78	Number of posts at sea on ships on national register (excluding crew relief and back up) 1.1.78	Number of seafarers' jobs (including crew relief and back up) 1.1.78 C + 30%	Prognosis Number of seafarers jobs expected to be available on 1.1.1984 (including crew relief and back up)
1. DECK OFFICERS a) certificated b) uncertificated	0	2,460	3,700	-
2. ENGINE OFFICERS a) certificated b) uncertificated	0	2,340	3,500	-
3. RADIO OFFICERS	0	240	360	-
4. GENERAL PURPOSE OFFICERS	-	-	-	-
5. CATERING PERSONNEL	287	3,550	5,300	-
6. DECK RATINGS 1)	940	4,300	6,400	-
7. ENGINE ROOM RATINGS 1)	162	1,010	1,500	-
8. GENERAL PURPOSE RATINGS				
TOTAL	1,389	13,900	20,760	

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY : FRANCE

	A	B	C	D
Category of Seafarers	Total number of EEC seafarers unemployed 1.1.1978	Number of posts at sea on ships on national register (excluding crew relief and back up) 1.1.1978	Number of seafarers' jobs (including crew relief and back up) 1.1.1978	Prognosis Number of seafarers' jobs expected to be available on 1.1.1984 (including crew relief and back up)
1. DECK OFFICERS a) certificated b) uncertificated	63	1,743	3,259	
2. ENGINE OFFICERS a) certificated b) uncertificated	44	1,523	2,828	
3. RADIO OFFICERS	27	359	634	
4. GENERAL PURPOSE OFFICERS				
5. CATERING PERSONNEL	250	2,640	4,480	
6. DECK RATINGS	349	2,802	4,832	
7. ENGINE ROOM RATINGS	255	2,214	4,015	
8. GENERAL PURPOSE RATINGS	67	893	1,612	
TOTAL	1,055	12,174	21,660	

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY - GERMANY

	A	B	C	D
Category of Seafarers	Total number of EEC seafarers unemployed May 1977	Number of posts at sea on ships on national register (excluding crew relief and back up) 1.1.1978	Number of seafarers Jobs (including crew reliefs and back up) 1.1.1978	Prognosis Number of seafarers expected to be available on 1.1.1983 (including crew relief and back up)
1. DECK OFFICERS				
a) certificated	a) 147	4,305	6,583	
2. ENGINE OFFICERS				
a) certificated	a) 84	2,880	4,294	
b) uncertificated	b) -	425	637	
3. RADIO OFFICERS	22	530	766	
4. GENERAL PURPOSE OFFICERS uncertificated	-	40	57	
5. CATERING PERSONNEL	149	3,765	4,979	
6. DECK RATINGS	253	8,150	10,998	
7. ENGINE ROOM RATINGS	130	3,125	4,283	
8. GENERAL PURPOSE RATINGS	-	415	551	
TOTAL	785	23,725	33,148	

TABLE VII

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY : IRELAND

	A	B	C	D
Category of Seafarers	Total number of EEC seafarers unemployed 1.1.78	Number of posts at sea on ships on national register (excluding crew relief and back up) 1.1.78	Number of seafarers' jobs (including crew relief and back up) 1.1.78	Prognosis Number of seafarers jobs expected to be available on 1.1.83 (including crew relief and back up)
1. DECK OFFICERS a) certificated b) uncertificated	1 2	109 21	201 28	326 0
2. ENGINE OFFICERS a) certificated b) uncertificated	2 2	68 76	86 167	338 52
3. RADIO OFFICERS	2	18	35	51
4. GENERAL PURPOSE OFFICERS	-	0	0	0
5. CATERING PERSONNEL	22	327	601	877
6. DECK RATINGS	109	164	247	326
7. ENGINE ROOM RATINGS	-	48	79	98
8. GENERAL PURPOSE RATINGS	.6	124	168	.271
TOTAL	146	955	1,612	2,339

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC
SHIPS OVER 200 GRT

COUNTRY : ITALY

	A	B	C	D
Category of seafarers	Total Number of EEC seafarers unemployed 1.1.78	Number of posts at sea on ships on national register (excluding crew relief and back up) 1.1.78	Number of seafarers' Jobs (including crew relief and back up) 1.1.78	Prognosis Number of seafarers Jobs expected to be available on 1.1.1983 (including crew relief and back up)
1. DECK OFFICERS a) certificated	Figures not available	3,817	5,765	Impossible
2. ENGINE OFFICERS a) certificated	available	3,513	5,269	to lay down
3. RADIO OFFICERS		526	1,050	reliable figures
4. GENERAL PURPOSE OFFICERS	unemployment, is on sporadic basis and	-	-	
5. CATERING PERSONNEL	of no significant amount	5,179	7,510	
6. DECK RATINGS		9,008	13,061	
7. ENGINE ROOM RATINGS		5,429	7,892	
8. GENERAL PURPOSE RATINGS		-	-	
TOTAL		27,472	40,547	

TABLE IX

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY : NETHERLANDS

Category of seafarers	A		B		C		D	
	Total Number of EEC seafarers unemployed 1.1.1978		Number of posts at sea on ships on national register (excluding crew relief and back-up) 1.1.1978		Number of seafarers' jobs (including crew relief and back up) 1.1.1978		Number of seafarers' jobs expected to be available on 1.1.83 (including crew relief and back-up)	
1. DECK OFFICERS								
a) certificated	a) 52	a) 2,320	a) 4,140	a) 3,680				
b) uncertificated	b) Nil	b) Nil	b) Nil	b) Nil				
2. ENGINE OFFICERS								
a) certificated	a) 41	a) 2,560	a) 4,620	a) 3,960				
b) uncertificated	b) Nil	b) Nil	b) Nil	b) Nil				
3. RADIO OFFICERS	10	308	570	450				
4. GENERAL PURPOSE OFFICERS	Nil	Nil	Nil	Nil				
5. CATERING PERSONNEL))))))))				
6. DECK RATINGS))))))))				
7. ENGINE ROOM RATINGS))))))))				
8. GENERAL PURPOSE RATINGS))))))))				
TOTAL	247	14,198	21,930	18,690				

QUESTIONNAIRE ON THE EMPLOYMENT SITUATION IN THE SEA TRANSPORT INDUSTRY IN THE EEC

COUNTRY : UNITED KINGDOM

Category of seafarers	A		B		C		D	
	Total Number of EEC seafarers unemployed 1.1.78		Number of posts at sea on ships on national register (excluding crew relief and back up) 1.1.78		Number of seafarers' jobs (including crew relief and back up) 1.1.78		Prognosis Number of seafarers jobs expected to be available on 1.1.1983 (including crew relief and back up)	
1. DECK OFFICERS	11		5,734		10,219		10,423	
a) certificated	5		603		1,072		1,094	
b) uncertificated								
2. ENGINE OFFICERS	4		3,514		6,296		6,235	
a) certificated	70		5,010		8,974		8,888	
b) uncertificated								
3. RADIO OFFICERS	2		1,369		2,120		2,084	
4. GENERAL PURPOSE OFFICERS	-		-		-		-	
5. CATERING PERSONNEL	524		14,438		18,103		17,797	
6. DECK RATINGS	469		12,528		14,953		14,548	
7. ENGINE ROOM RATINGS	260		6,142		7,140		6,631	
8. GENERAL PURPOSE RATINGS	1		6,914		8,429		8,189	
TOTAL	1,336		56,252		77,306		75,889	

European Communities - Economic and Social Committee

Opinion of the Economic and Social Committee

Brussels : General Secretariat of the Economic and Social
Committee

1979 - 165 pages

DK, D, E, F, I, N.

The Committee looked at the following in particular :

- safety at sea;
- vessels that are sub-standard from the economic, social and technical points of view;
- the threats to Community shipping companies' survival and the implications as regards the economic independence of a foreign-trade-oriented Community in the important transport sector.

The measures taken by the Community should :

- seek with all possible means to ensure the maximum degree of safety as far as human beings, the environment and equipment are concerned, and
- ward off the threat to Community shipowners' survival which is being posed by intolerable distortions of competition.

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