

GLOBAL SUPERYACHT FORUM 2006

Conference Day 2 — 14th November 2006

Flagging Forum

Peter Simpson	Cayman Islands
Mike Sanderson	Ensign MCA
Nick Gladwell	Regs 4 Yachts
Anthony Gradwell	Manta Maritime

Martin Redmayne

Good morning everyone. All looking bright and breezy. Tork and I joked about this title for an early morning session called The Flagging Forum. There's always a risk. On my right hand side there are four eager panellists.

Peter Simpson from the Cayman Islands, Mike Sanderson from Ensign the surveyor group of the MCA, Anthony Gradwell is an ex Lloyds surveyor, ex Cayman Islands surveyor, basically he's now has his own business he says "to assist in the process and to be the facilitator" within the flagging world, and the infamous Nick Gladwell (not Gradwell, they're not brothers); Nick is one of these maverick characters who worked for Cayman Islands and now works for a company called Regs 4 Yachts but has a particular interest in a flag that we all know called the Marshall Islands but he's promised me not to do a sales pitch.

Essentially what we'll be doing here is to make the panellists give a short introduction of 5—10 minutes each on some of the comments made yesterday by the Owners Forum, some of the issues that we've raised amongst ourselves; I have a few things to say as well to throw at the panellists. Anthony is going to keep quiet because he just wants to listen and be there to adjudicate and to challenge any issues that they raise that he thinks are inaccurate. I'm going to start off with the MCA, Mike Sanderson promises to be the colourful character of the panel, with his views on Ensign, the red flag issues.

Mike Sanderson

It's all news to me about being a colourful character but we'll see. As you can see from the brochure I've been 18 years in the Merchant Navy as an engineer; then I've been 18 years in the MCA as a surveyor in all aspects of surveys. For my sins 6months ago I was transferred over to Ensign, the large yacht unit, to take over from Frank Carter, who retired. I think I'd like to explain what MCA is because I hear an awful lot of terms in the yachting industry about MCA and some of them are a bit confusing. The Maritime and Coastguard Agency consists of about, in the UK, about 30% of it is the Coastguard who does search and rescue. They have nothing to do with yachts unless you sink or run aground. About 30% of the survey organisation which does port state control and surveys of UK flagships then there's about 30% in headquarters who sit and write rules and set policy etc. And then there's about 10% bureaucracy which does its best to stop any of us getting on and doing our jobs. Nevertheless that is who the MCA is. Now in the yachting industry I hear an awful lot about MCA surveys and MCA surveyors when really MCA hasn't been involved at all. What should be referred to is surveyors who have undertaken LY2 surveys,

sometimes it's an MCA surveyor and the specific unit in MCA is Ensign. Sometime it can be a class surveyor and sometimes it could be a surveyor from another flag, as the Caymans. So when you talk about MCA surveys we should really be talking about large yacht surveys and MCA can get the blame for an awful lot of other peoples doings. Why vessels should be flagged with the MCA is that the MCA wrote the code; there was no other code about; we had the professional background, the seafaring heritage, we proposed a code, LY1, which was generally accepted and then with developments and experience this was updated to LY2 and anyone who is based in the EU has no reason not to be a UK flag. We have the infrastructure, we have seafarer standards who set the rules for yacht crew and all merchant crew; we have headquarters which provides background advice and specialists. So really the only people who should not be UK flagged vessels are when you have a lot of owners who because of their financial situation and for tax avoidance then they can use our offshore flags and that is why we have the Red Ensign group such as Isle of Man, Cayman Islands and that is where because of their financial situation they register the boat, because they don't want to have their money elsewhere and then bring the boat to UK and get hammered by the taxman. So it's understandable why there are boats flagged in the Red Ensign group as opposed to the UK flag. I'm not going to talk a lot about the MCA now, there's probably a lot of you can fire enough bullets about the MCA that you'll have plenty of opportunity to do that. So what I'd like to do is yesterday we had quite a few comments from the owners' forum and I'd just like to respond to a few of those and perhaps you'd like to counter some of my responses, because some of the items raised were quite debatable.

First of all, the MCA gets blamed for some parts of the code saying this isn't very good and that isn't very good—well, it might not be perfect but it's basically all you've got and I'd say that a good 90% of it is excellent, and we'll wait for LY3 to get it 100%. But in the code there is an annex which lists all the people who were involved in the composing of the code; it isn't just MCA, it's industry, other flags, and classification societies so every one has had an input to this code. So the MCA shouldn't really get the blame for things happening. This code was written as an equivalence to the other international conventions which the yachting community just could not comply with so MCA has helped out the yachting industry by making the code and amending it to make it more user friendly. As far as crew qualifications go, well STCW is an international convention which the IMO controls, not the MCA, although we do have an input to it. What has got to be remembered is that the yachting qualifications are an alternative to merchant navy qualifications so already the MCA was trying to help out the yachting industry by making a less strict regime on the qualifications and there were a few comments yesterday which just can't be true, or have got distorted in the telling, like the cook needing special training. Where in the code does it say the cook has to have special qualifications? Then we were talking about where are all the crew coming from, because in this hugely expanding market yes, there's a shortage of crew, we know that, but that's because it's a victim of its own success—everyone is struggling for staff. Alternatives the Royal Navy? Well yes, we do, there are schemes to assist people from the Royal Navy into the merchant side of it. In fact, a lot of the MCA surveyors come from the Royal Navy. As for the old crown colonies, we give CACs to lots of countries, Australia, New Zealand, South Africa. When I've been at the boat shows, Fort Lauderdale and Monaco, we always have someone from Seafarer Standards with us, and there's a whole queue of people there just talking about changing their qualifications or getting up to standard so that they're code compliant. In fact really after the comments yesterday I wish we had someone from Seafarer Standards here now because I make it quite clear I'm not here from Seafarer Standards, right, I survey yachts. But obviously when I do go on board a yacht I have to see that there are qualifications on board. And remember what's listed in the yacht code for qualifications are only guidelines

and there are various alternatives to this, it's not a strict set of rules of what you must have there. You can have people with dual competencies, you can apply making a special case of how your boat is managed, how it's run, the size of it, to get a safe manning document which will differ from the list in the yacht code, so there are alternatives and the MCA is trying to help out to get all these boats crewed up. There was mention of why use qualified people when you can get a couple of good old boys who know the job better. Well, first of all, how do you know these good old boys are going to be better at the job? When I was at sea I remember before all seafarers had to have qualifications in the engine department only the chief and the second engineer needed qualifications, and you'd always find some old third engineer saying ah, qualifications don't make you a good engineer. Well, that's possibly true but my answer to that would be not having qualifications doesn't make you a good engineer either. And if you don't know who you're employing who are you going to employ, the one with the qualifications or the one without? Well, I don't think there's much option there. I do have on good authority that the 2 old boys that were mentioned yesterday did have CECs—Certificates of Equivalent Competency—so they were qualified. And at the end of the day, if you're talking about safety of vessels apart from the construction of the vessel and good standards on board and the safety of the owner and the crew and family, do you really then want to give it to people who are not qualified so you can't prove that they're good enough to run the boat. There were a few other things mentioned yesterday. The paperwork involved. Well, with ISM and ISPS it's a problem the whole world has to deal with, paperwork, but if it's too much for you there's plenty of companies out there who will come along and help you and do it for you, if you're not capable of doing it yourself. There's no point arguing against it, because that's what the whole world has to cope with. I wish my office didn't have any paper in it. There was mention of watertight doors being made of heavy steel which on a composite boat didn't fit in with the boat, and were too heavy. This was pointed out as an MCA problem? Well, I would have thought structure is a classification problem unless of course you're talking about the structural fire protection in which case you find out what is the standard and then you submit it to us for approval. We aren't going to say you've got to have this; we don't design the boat, we only accept or decline based on what the regulations state. There was mention yesterday also of sails; the MCA wouldn't accept certain size of sails? Well I'm afraid this is beyond my knowledge because there's nowhere in the code mentions that. Sails? I know nothing about sails. In fact personally I don't know much about sailing ships; I've always been with engine boats but looking through the code, if I had to survey a boat with sails on I wouldn't have any grounds to say well I can't accept that size of sail or that one. So I don't really know where that was coming from. And lastly mentioned yesterday was about crew accommodation. Now I can assure you that MCA does enforce standards of crew accommodation, not least because we're obliged to and that the ILO—the International Labour Organisation Convention—we have to do that. But because we know fine well that a viable boat has to be manned by a happy crew, and if there's nowhere to put the people they're not going to stay on board the boat so we ensure certain standards; we ensure that there's adequate water which is correctly treated, we ensure that there's no more than 2 crew per cabin and we ensure that a mess room can seat everyone at once. So the MCA does look after crew accommodation matters. And before anyone points out about some of the older vessels that are in existence, that it may be possible that there are some substandard ones but I assure you that in any new boat the MCA will look after crew accommodation as well as safety aspects.

I think that's enough points from me for now; I'm sure that'll give some ammunition for people to respond to.

Martin

It was perfect, thanks Mike. Peter, please.

Peter Simpson

Good morning. Just to give you a little bit of background I'm with the Cayman Islands Shipping Registry; I've been there for about 5 years, based in the UK office of the Cayman Islands Shipping Registry, which deals with the survey of ships and yachts based in Europe and also in other parts of the world, particularly Australasia. We have a team of 7 surveyors currently and most of us are in some way involved with the yacht building and yacht surveying business, one or two of us are more involved with shipping. Shipping is still the core business of the Cayman Islands Shipping Registry with something like 3million gross tons on the flag. But most of our surveyor effort is devoted to yacht surveying. Our relationship with our main office in Georgetown obviously is there; we deal with the Georgetown office in terms of policy and also communicating with the surveyors there on various aspects of implementing the large commercial yacht code. As flag state we are responsible for the implementation and maintenance of international conventions such as SOLAS etc and in particular with respect to large commercial yachts and the implementation of the large commercial yacht code. Now I'm glad that Mike mentioned or hinted at the difference between MCA as the UK flag and the other flag administrations dealing with the implementation of the large yacht code and I'd just like to say a few more words on that. We as part of the Red Ensign Group are linked to MCA via a memorandum of understanding which puts certain obligations on us and also of course the other Red Ensign flag members and we are audited by MCA on a periodic basis, but we are independent in terms of our responsibilities as flag states in implementing the various requirements. And also of course the large commercial yacht code which is accepted as an equivalent to the international conventions which has been notified to IMO via a circular letter some years ago. We are therefore able to make judgements in terms of the implementation of the code in our own right, although we have a very good working relationship with MCA and the other Red Ensign members as well, in fact we have a meeting with MCA and the Isle of Man next week for two days to look at the large yacht code and to discuss various aspects which might require modification and some amendments, some questions of implementation of the code and so on. So effectively we are applying the same regulations, but we as flag states have the ability to make decisions in terms of implementation of the code on our own. I think that's what I'd like to say about that aspect. One of the challenges we face and I think all the other Red Ensign flags are in the same situation is the workload resulting from the sheer expansion of the yacht market, in terms of new builds and also existing vessels wanting to comply with the code in order to benefit financially in particular by the status of being registered as commercial vessels which they can only do if they comply with the commercial requirements and are certified as such. We therefore have to work in close liaison with the classification societies to whom we and also the other Red Ensign group members as well delegate a fair amount of the actual survey and inspection work that is required. Our relationship with the classification societies basically means that we will have some contact with them on a regular basis during new builds and the classification societies in principle are acting on behalf of the flag state to implement the requirements or the aspects of the requirements which are delegated to the classification societies. I think that's all I want to say at this stage. No doubt there'll be more questions coming out later.

Martin

OK thanks Peter. Nick?

Nick Gladwell

I promised I wouldn't say anything about the Marshall Islands so I'll keep it brief.

Most people here I think know me. I've been coming to these annual events for many many years. I work for Regs 4 Yachts, I worked for MCA as a surveyor for 10 years surveying all sorts of ships, like Mike, including yachts. I then went to the Cayman Islands and was with the Cayman Islands for 7 years, mainly as chief surveyor but for the last 2 years I was Director of Survey. Now I'm independent, I am a member of the Society of Consulting Engineers and Ships Surveyors so I can survey vessels under 24metres on behalf of any of the Red Ensign flags, I'm also a nautical inspector for the Marshall Islands so I can survey vessels to the Marshall Islands safety code if the vessel is under 500 tons. I have many years experience of surveying yachts to the large yacht code. I think Mike summed a lot of this up. There is a lot of disinformation around. You don't need to listen to people's stories. You need to get hold of a person, a consultant, who knows the rules, and obviously in Regs 4 Yachts we know the rules regardless of flag. It was brilliant yesterday afternoon listening to 3 eminent owners who have a lot of experience and knowledge and are very keen on designing, building and operating their own boats; but even people at their level yesterday are exactly what Mike said, they were full of disinformation. They were coming up with problems which if they'd come to Mike, if it was a UK flagged vessel, or Peter if it was a Cayman flagged vessel or me if it was any other vessel or the original flagged vessel we could have dispelled the myths immediately and given them answers to their problems. Because people are quite often given wrong information, and then they go off believing it all to be true. You would not build a boat without getting designers and consultants involved, and your own crew involved, using their experience. So why these people rush off and hit dead ends without using people with the correct knowledge is beyond me, especially when they have all the money and the means around them. I am here to basically answer questions on advantages and disadvantages of the various flags, as I say, I have experience of the UK flag, I have experience of the Cayman Islands flag and I have a little experience from the last year of the Marshall Islands flag. I know the other main flag involved with the large yacht code is the Isle of Man and I know Andy Jack is also here so I'm sure if we get any Isle of Man questions we can ask him as well. Thank you.

Martin

Thank you very much. As Anthony said, he doesn't want to say too much. The idea of this session is for you to ask the questions and to stimulate the debate, about the pro's and con's of what flag —Marshall Islands v Red Flag—etc. So if we can have some light on the audience please so we can see who's raising their hands?

Can I ask you when you raise your hand to make sure you have the attention of our two new microphone girls this morning (we have five girls over the 3 days); we have Elizabeth and Isabella. So make sure you grab their attention. Keep your hand up until they come to you. They'll stand by you with the microphone until you finish your question and your comments. So it's a pleasurable experience we try and provide.

Tork

I'm almost tempted to ask the question— since you were in the audience yesterday why you didn't actually elucidate your points to the owners who were on the stage? It might have been good. But I won't ask that. It's more a question about certificates of

equivalency. I recently ran into a couple of problems which are not the problem of Cayman nor the problem of UK MCA. They're a question of the fact that the flag state that issued the original certificate uses ambiguous terms. I'm speaking specifically of the US Coastguard who use GRT which for them means a volumetric measure which does not conform to international tonnage and also to the French certificates, which in the way that they are worded it is not clear if they mean that it's within 200 miles of the French coast or 200 miles of any coastal region. As I said, these are neither of your problems; however is there is a method in place whereby some degree of homogenisation between the flag states operating under STCW can actually induce some consistency within their application of that international convention?

Mike

I haven't a clue! I survey yachts. We should have had someone from Seafarer Standards if you're going to ask that sort of question.

Tork

If I can just clarify, it's less about those 2 specific cases and more about do you regularly discuss amongst convention parties a way of making sure that you're consistent in the terms that are used, whether they be on the survey certificate or whether they be on the STCW certificate.

Mike

All I can tell you is that when we issue a CEC it has exactly the same terms as the original certificate, so whatever it says on that original certificate that's what you get on the UK CEC.

Nick

I love talking so I'll dig in here. I'm not an expert on manning but I've done my bit as they say. There are 3 certificates, basically, there's a Certificate of Competency, which is issued by an examining body representing a flag state. So wherever you go and have your exam, whether it's Norway or America or the UK they all have examining bodies who are audited and adjudicated to be at a certain level, and they issue a Certificate of Competency. When you go on the flag of another vessel you have to have what is called an endorsement, so Cayman issue endorsements to say they have looked at your Certificate of Competency from the place where you did the exam and they have agreed that it is acceptable for you to sail at whatever rank that they stick on their endorsement. Now there is a little bit of flexibility there; it's down to you to say look, here is my Certificate of Competency, this is my experience, this is my knowledge, and this is what I want to do. I want to go on this Cayman vessel, of this size tonnage or horsepower and sail within this area. Then they'll either say yes or no. The third certificate is the Certificate of Equivalent Competency and that's what the MCA issue to basically say they accept other people's certificates or qualifications. Now, as with everything, there's politics involved. STCW 95 was shall we say the modified version of the original STCW 78. 78 basically said you need a certificate to be a master, you need a certificate to be a chief engineer, or to be a mate, or a second engineer, and that was about it. And you know when Mike and I were at sea we were engineers, the 5th, 4th or 3rd engineers were not qualified, they were just experienced but they had to get a 2nd engineer's certificate to become a 2nd engineer and then they were on the path upwards. With STCW 95 it was all changed; we have officers of the watch, and we were supposed to have an IMO white list where everybody agreed that everybody else's Certificate of Competency

was acceptable. But the politics are never that straightforward and what happened was the EU decided no, they weren't good enough, only the EU white list would be acceptable between different countries, so the UK have a list of countries that are acceptable to them and acceptable to other EU countries and anyone who's not on the list, any country's certificates that are not on the list, they have to undergo an audit by the UK MCA or another EU flag state to verify that their certificates and exam system are good enough for them to go on the list. I hasten to add that people like the Isle of Man are very proactive in this, the Isle of Man have various surveyors sent all round the world checking up on Philippines and ex Russian nations etc. Cayman Islands tend to just use the UK list, I think they actually went and did two countries back in early 2003 but they haven't done any since, and I know the UK do. So that's the basics.

Tork

Sorry, I understand all that process but really my question is not that. My question is as flag states, are you discussing amongst yourselves consistency of how you define certificates? That's the important thing. I do understand the process and I understand that—if it says say 10 miles off Fiji that's all you can say on the certificate, that is fair and good. But the two examples I'm talking about are simply a question of confusion, US Coastguard is saying we cannot give an equivalent for 500 US tons to 500 ITC tons which is patently ridiculous, from a naval architectural standpoint.

Nick

Their tonnage method—there are 2 tonnage methods; there's domestic tonnage which is international—

Tork

I know that. But what I'm saying is, do you have a discussion process for various flags to try to create consistency among themselves.

Nick

Well I'll let Anthony answer—but the answer is yes, they do.

Anthony

Any certificate issued under the provisions of STCW which is the harmonised, or international regulation, should be based on gross tonnage, not the US regulatory tonnage, and on kilowatts so if it's an STCW certificate it will already be harmonised. Any certificates that refer to regulatory tonnage are domestic certificates not an international certificate.

Tork

But in this particular case it says it's an—

Anthony

I think you can go back and, in the same way that a lot of other convention certificates are issued in imperial units, they should all be in metric. You can actually go back to the issuing government and ask them to reissue it with the gross tonnage, because regulatory tonnage means nothing outside the US.

Tork

Yes, that's right. But the problem was that when the person concerned went back to them they said they can't do it.

Nick

Well, they can. Persuade them!

Peter

If I can just come in on that, I think it is a little bit unfortunate in terms of consistency that the US tends to do things their own way, and I think as Anthony was just saying, generally speaking within the shipping community outside of the US there is pretty much consistency. In terms of the other certificates, the other convention certificates, the format of the certification is actually laid down by the conventions anyway so everyone has to comply with the same requirements. Although I think even there the US are a little bit flexible and like to impose their own requirements.

Martin

Thank you. Yes, Nick, good morning.

Nick Horton Dorade Projects

Good morning. Just a question. In regard to some of the new facets that we're going into in yachting, for example, submersibles, and registration for non commercial submersibles, are they developing the provisions for yachts to be able to register their "tenders"? I know that in Cayman there are several commercial submersibles operating as "tourism" operations, but are there any new provisions for private submersibles being developed?

Anthony

If other flags are similar to the Cayman Islands to have a submersible on a pleasure yacht, regardless of whether it's for commercial or private use the submersible craft has to be registered as a separate entity; it has to be classed and it has to comply with the Cayman Islands safety construction requirements for a submersible. I think those requirements are based pretty closely on the UK requirements and I couldn't possibly comment on the Marshall Islands.

Nick

The Cayman Islands are fortunate in that they are the only registry that do have specific regulations for submarines. They have several (Anthony surveyed most of them); they've got one big submarine which I think carries about 70 people and then they've got 2 smaller ones which carry 3 people, then they've got two even smaller ones which I think carry 2, so they have a lot of experience over the years with submarines and they actually wrote regulations for them. The UK and the other flags, I don't think have specific regulations for submarines, although I think they normally insist that they're to class requirements.

Martin

Does that answer your question Nick? John please, at the front.

John Aune Cayman Islands Shipping Registry

I'm working out of the Georgetown office, and like Nick just mentioned, we've got quite a few submersibles operating in Cayman; but we also now see a lot more submersibles that are going to be used on board private yachts, so we are currently working with about 3 private submersibles going on board private yachts which we apply both the safety construction regulations and also operational regulations. We look at their operational procedures for the submersibles, both during construction to issue a safety certificate and also annual surveys to look at operational issues.

Howard Rogers Novurania of America

I'd like to mention to Mike who I met this morning that when you mentioned that you're looking to revise the LY3 code that certainly Novurania would be delighted to perhaps become involved with these discussions of changes, because certainly my experience which has been quite lengthy in looking at rescue boats in particular, we would certainly welcome any invitation from you for any ideas that we may have regarding the question of rescue boats on yachts over 500 gross tons in particular.

Martin

Any comment, Mike?

Mike

Yes, fine, we're always willing to listen to ideas, for instance due to industry interest and considering it from a practical point of view we accepted that rescue boats can be white in colour this year; in the code it just says SOLAS approved and one of the problems with that means they have to be orange or red in colour. We saw no reason for this so we now accept rescue boats that are SOLAS approved except for the colour, so you've got some boats, with a Lloyds Register certificate where they've given it the approval but then said colour is down to the flag administration. So we do make changes to equipment such as yours and we're always willing to listen. My phone rings all day long from all aspects of the yachting industry, be it crew members or shipyards or whatever and some of your competitors often ring me and we've been in quite a lot of discussions about certain aspects of rescue boats and hence that was one of the changes we accepted. So, whilst in the code there's no mention of the rescue boat can be white, we agreed that it could be and we informed the rest of the Red Ensign group that we accepted it. They already did, so everyone was happy about this. Perhaps things like that might be written into LY3 when it is written.

Martin

Does that cover you, Howard? Anyone have any more comments on flagging issues?

Eduard Henny Lloyds Register

The industry of yachts seems to struggle with our and your prescriptive regulations. There is a way around it in fire engineering similar to SOLAS regulation 70; have any of you flag surveyors experience with fire engineering on yachts already?

Mike

Can you explain what you mean by fire engineering? Are you talking about structural fire protection or fire fighting equipment?

Eduard

Structural fire protection but with evidence based equivalents.

Peter

We are currently dealing with a number of very large projects which I am not personally involved with but I understand that the fire engineering principles are being discussed. How they will be implemented I don't know yet, but in principle that is a way that can be considered by us as flag administration, in conjunction with the technical expertise of the classification society. It is a principle which is laid down in SOLAS as an option, rather than applying prescriptive regulations as is traditionally the case. So yes, we are prepared to go down that route in accordance with the requirements of SOLAS and with the guidance given by SOLAS in conjunction with the classification society.

Mike

The whole of the LY2 code is about equivalence, and anything that can be a reasoned argument will be listened to and considered. For example, under 500 tons as an alternative to having fire retardant materials you can have a sprinkler system, so that is an alternative. And similarly with the things you're proposing, if it's a reasoned argument and we get factual evidence for certain aspects of it then these matters can be considered and probably accepted.

Anthony

Whilst with the Cayman Islands I didn't personally get involved with any large yachts using SOLAS regulation 17 as an equivalent but I'm now involved with one yard who are building a large composite yacht over 500 gross tons, which obviously has massive structural foundation implications. I think we'll probably end up using SOLAS regulation 17 for that but other than that I have no great experience.

Martin

What has your experience been?

Eduard

The experience so far is that you see in cruise vessels you see it already happening but with the expansion of the size of yachts we think it inevitable you'll have to do it in yachts as well, because people still want to use combustible materials on board but you have to set something against that and with the increasing size only assuming a water mist system will be enough for future increased size, there is no real evidence of that. So we have to go down the route of really addressing it, which the Royal Navy already does. The technology is there already but it has to transfer from the Navies and the cruise vessels to the yachting industry. I think there can be a future path there.

Martin

Does that information come from Lloyds Register or is it proprietary?

Eduard

We at Lloyds Register have these services already; we're using it for cruise vessels and we think this can be used for yachts as well because it's a way around the prescriptive regulations and we are happy to step out of our rules but we need evidence that it is equivalent, not blue eyes or trust, real evidence.

Martin

And where would someone get that information from? Do they have to do their own private test, or is it something else?

Eduard

We can assist in the process or we can also—in Holland there is technical expertise available; if you use that we can go through the process together with those people and the yards, but there is in England universities dealing with this kind of stuff also in conjunction with Lloyds, but I was very curious if the flag states already encountered this in other countries, in other ways. I only know about the Dutch situation, not worldwide.

Martin

Thank you. Yes, over here please, at the front.

Wolfgang Germanischer Lloyd

I have to agree with my colleague from Lloyds Register that I don't think it is a problem with the classification societies of a flag state but we have to implement the system together with the shipyards, and the shipyards themselves for the yachting industry may have some problems at the moment to design a vessel in such a way, because it's such a completely different way to proceed. And so I fully agree that in the cruise business we already have this system compared with Lloyds Register and I just say together with the flag states we would be able to introduce this system also in the yachting industry.

Martin

Thank you. Any shipyards in this room? Howard?

Howard

One thing that I am asked by owners is, because of the length of time that these major yachts are taking to build, if for instance the yacht code changed next year what would be the position of the enforcement of the new requirements? Does it start from the date of the contract being signed with the owner or is it when the yacht is actually under construction? Because that's something I'm not totally clear on.

Mike

We are flexible! When LY2 came out in my opinion they should have just scrapped LY1 and burned it and forgotten all about it. You can still refer back to LY1. It is my intention that if LY3 comes out and I'm not putting any dates on this, but when it does, there will not be an LY2, nor an LY1, there'll only be one yacht code and in there it will describe what is the date of enforcement. But there's bound to be grandfather clauses. For example, there are people now building large yachts with helidecks on. Well, the annex isn't out yet, and won't be out until January or even February of next year so my advice to owners who are already under construction building these yachts is I send them a copy of the draft annex, and say well if you comply with that, when it comes into force we'll accept whatever it says in the current draft, and we're not going to say if the drafts change when it comes into fact that that's not good enough any more. So we're flexible with dates and if it is the intent of the owner to comply rather than the actual letter of the regulation, and as I say, it's not a regulation, it's a code, remember. A code is guidance, and you can be guided by what it says in it.

Tork

Just to mention that the draft of that is actually up on our website for downloading, specifically with the idea of the discussion which is taking place tomorrow morning. Actually, I just wanted to touch on something that you spoke of earlier on, to do with disinformation in owners. I mean we had 3 highly experienced owners and they clearly had some misconceptions about the various roles that are going on in the industry. If that's the case with 3 very experienced owners, what are we facing, to the audience and to the panel, what can we do to actually create a slightly higher level of information within the owners, especially those that may be entering the industry for the first time, at 500 gross tons and larger yachts with almost no knowledge of what a yacht is in a regulatory sense.

Mike

I would suggest that people like yourselves would be a good instrument in that. I mean let's face it, I deal with shipyards and ships' crews, I very rarely meet owners of yachts so I can't give them the information. We write codes, it's freely available on our website to get this information, not only the code can you download but you can download information—we've got the yachtmaster's guide on the website; we can only do so much to promote the information but it's up to them. I would have thought a guy who's going to spend millions on a yacht would have, if he hasn't got his own knowledge, would be able to employ people who could pass that knowledge through to him. People like yourself, The Yacht Report, who publish things.

Tork

I'm suggesting that it should be the role of project managers, captains, brokers and engineers to try and pass the information on to the owner rather than perhaps buffering him from what may be slightly unpleasant realities.

Martin

I agree.

[from the floor]

About passing that knowledge, I could make a comment on that. We at Lloyds have found out as well that there is a bit of queries running around in the world of yachting

and we already give courses most of the time at our yards constructing the vessels but that will be an opportunity for crew as well. And owners—we never meet the owners. I can assume that the captains are the ones who want to know more about rules and regulations and the service is there already.

Martin

AJ, how educated are your owners?

AJ

I go on record—I didn't put my hand up for this.

The information that the owners get from the captains or from their brokers or whatever industry professional that there is out there—as far as class goes, I don't think that the owner will ever have the opportunity to meet class, during construction I think the shipyards for good reasons of their own they avoid class getting in front of not only the owner, but the captain as well as much as possible. But I think in the sense of the information the owners get? The fellows that were up there yesterday, they weren't that badly informed, they just said information that was slightly wrong. I think the biggest point was manning, unless I misread my notes, and the other point was little rules that Michael thought were inappropriate for pilotage and so on in the US so I don't really think it was that bad. I think it was slightly off, and with a little guidance you guys, if you give them a Yacht Report, put it on their airplane, I think they'll get there for you.

Tork

Yes but Adrian what do you think about the owners who are not like that, who are not as experienced as those three? The ones that are coming in for the first time. I believe it would enhance their experience to have a slightly better knowledge of what they can and can't do, how to get things done.

AJ

Yes, but Tork, sometimes a little knowledge is worse than no knowledge at all and it might be the case that we are about 400 folks in here that are professionals, we're supposed to learn something from this, and we should take that out to the owners and tell them what's up as best we can. But even those 4 experts on the dais now, they would have different interpretations of the code itself; when they see a particular boat. It's very hard to give them a blanket description of what is, it really is more specific than that.

Martin

Do the owners need to know all this information? Or should the people handling their affairs have better understanding and protect them from the information?

AJ

Are you still talking to me? I think it is good for them to have the information. It is important to know though that they work, they have a living, they've made their money so that they can support us. And everybody in this room including the lady running the camera here relies on these owners to keep us in these seats. It could be an empty auditorium. So yes, they should be informed in a careful guiding way; you

know the ISM was a big nut for owners, it was a huge thing for owners to get that. They still yell and scream about it. But you have to kind of take them along slowly and I think they'll get it, a little information, just to give them the right guidance I think would be helpful.

Martin

Thank you AJ.

Mike

Can I just answer that? I think it's very important that the right information is passed on to the owner; there are too many people out there giving misinformation. I intended to flag recently a boat that came from what shall we call it? A European flag of convenience because the captain had advised his owner that the MCA was the best flag to go for, and it would be much better to transfer to the MCA. When we did the survey and found numerous deficiencies on the boat he was most upset and he wanted to know why the MCA couldn't just give a whole ream of exemptions, the same as this European flag of convenience. But he was advising his owner that this was the way to go and not only that, but he had set himself up as a charter yacht specialist, when he hadn't a clue, he hadn't even read LY2, he hadn't even seen it, but he was trying to just convert a boat to LY2 without acknowledging anything that was written inside it. Further than that, I have a new build in the United States this year where neither the class surveyor nor the shipyard had read LY2 and they just built it to class standard and expected us to give it a yacht certificate. So there was a lot of misinformation. Now if those guys had just taken the trouble to read the yacht code and then advised the owner about what was required, that would have been much better for everyone concerned. When you say about people have different opinions, as I've said, the code is guidance, it's not tight regulation and we're all human beings, so the only way to get everyone to do exactly the same thing is if you made it into a big document full of specific regulations which we don't want. And in some respects different interpretations on a case by case basis is good. You can have different requirements for different boats in different circumstances, as long as they're all meeting the spirit of the code.

AJ

Mike, I completely agree in respect of there are different interpretations or should be, and that's my point. Someone says should the owner have good information—they should have good information but it's all different good information. Each boat, each situation, requires a different response. So when we say should we inform the owners, absolutely, but it really is up to the folks that are with that owner to do that, because they know very specifically what their situation is. Not a criticism, in fact we have people come to us saying can you help us with LY2 and as you may know I have read it a little bit and we say call Ensign, or we say if it's a Cayman boat, call Cayman Islands, we don't suggest that we should give them that consultation. Because ultimately you're going to answer the question anyway.

Mike

There's a lot of people out there making money out of this. When I was at Fort Lauderdale boat show a guy came up asking me—he was flogging a product, books that are required on board, explanation books, etc, to provide a service and he said to me he knew nothing about LY2 but would this book be suitable for our requirements for operational manuals. I had a look at this book and on the front he'd

got "LY2 specialist" . I said hey, what have got LY2 specialist on your book for? He said well, it helps sell the product. He didn't even know what LY2 was. So you've got a lot of people taking advantage.

Erik Goldring Goldring & Goldring

I think you've got 2 things that in a vacuum probably work well but in practice they don't. One is because we're talking about a code that isn't a regulation you can call one time and one office and get one interpretation. Then you go to another office you get another interpretation. Then you take someone like myself as an attorney or project manager speaking with an owner going, OK, this is what I've got, here's two answers for you, how do we proceed. You talk about protecting the owner from this information. Well you can't. But you also have an owner that may be incredibly hands on, that thinks he knows or wants to know everything about every screw and nut on the boat and the other one that goes drive me, I want to be in Portofino in 6 hours and it's 14 hours away. The problem that I perceive with the code vs the regulation, not that I'm looking for more regulations, is there is no consistency when you ask two or three different people and you have the flexibility (I think that word has been used) to work around certain things. So what works here, won't necessarily work there with two people telling you different workarounds. Any comment about that?

Mike

Well that'll teach you to phone round all different surveyors won't it. What I would suggest you do is you stay with the guy who you've asked; he's going to take you through the survey and take through the end then you'll not have any contradictions towards your end certification. But as I said earlier, yes we're all human beings; I would like to say that any Ensign surveyor who answered your query would give you the same answer. But that is possibly not true. As Peter said just now, next week at Ensign headquarters we have a Red Ensign group meeting where we discuss some parts of the code where through experience and through reading it doesn't read quite clearly so we are continually striving to have a consistent outlook. I wouldn't like it to be said that we are inconsistent but at the end of the day yes, there is flexibility in the code, it's designed to be flexible and this is to help. Every yacht is different and we need to be using the same spirit throughout each build but to come up with an answer that might be slightly different on different boats. So unless you want us all to be very specific then you're stuck with various interpretations, although we are striving not to be different.

Anthony

After LY1 was published, quite soon after was also published some official interpretations. Can we expect something similar for LY2 or LY3?

Mike

No. You can expect LY3 to rule out all the interpretations.

Martin

Why is that?

Mike

Because I don't have a copy of all the interpretations from LY1 and LY2 we're making a list of things—

Martin

Who's got them?

Mike

Who's got them? I've got no idea. Various people have different records, long lost. But most of them should have been incorporated in LY2 and that's why they disappeared, because they were incorporated in LY2. and now all the various parts which are a bit vague in here now have been accumulated and then hopefully LY3 should have them so there shouldn't be any need for a separate document of interpretations in.

Martin

Thanks Mike. Peter?

Peter

Can I just come in here? The observation raised just now is a very valid one and certainly one that we as a flag administration take quite seriously. I think the nature of surveying in particular when you're dealing with the application of a code which allows a fair degree of interpretation and flexibility is always that there will be the danger of different people looking at things in a different way and coming up with different solutions. We are well aware that this is a problem and we have feedback from the various parts of the industry that it is a problem. All I can say is that we endeavour to ensure that we have internal interpretations and to hopefully avoid that situation happening. This is just within our organisation, within the Cayman Islands shipping registry. Of course there is also the wider implication here that we all as Red Ensign members will apply the large yacht code should be applying the same standard. Hence that meeting that Mike again referred to next week. I have to acknowledge the nature of surveying will always mean that there is a possibility of personal interpretation. All we can do is to try and put measures in place to avoid that as far as is practical. It's always going to be a problem, and I think that will be the honest situation which we have to acknowledge.

Anthony

We've heard from both MCA and Cayman Islands on this issue both of whom have acknowledged that it is difficult to apply uniform interpretations, even if you've got only one or two officers. I'd like to ask Nick how the Marshall Islands is going to handle it when you've got a technical department in Virginia and you're subbing out a lot of the survey work to fragmented companies around the globe. How are you going to apply a unified standard?

Nick

I think the same way everybody does. All of these things are open to a minor amount of interpretation. When you're building a boat you have to know from the start where you're going to flag it because it's going to be the flag surveyor that does the survey. So it's no good building a boat to one flag and then when it's complete swap it across to a different flag, because you're likely to have trouble, as Mike said with his change

of flag one. The Cayman Islands have surveyors and whoever is surveying the vessel looks at the problem, comes up with a solution, refers it back to the principal surveyor, normally Peter Southgate if it's a big problem, but they have meetings internally anyway and they talk about it, as Peter and Mike both said, within the Red Ensign group they have meetings to discuss the wider issues. Specifically in the Marshall Islands we have one expert, our set of regulations is the Marshall Islands safety code for yachts. It's based on LY1 so the original MCA code, and we have one guy back in Reston in Virginia that—

Martin

Do you have all the interpretations, though?

Nick

They're on the Regs 4 Yachts website actually, but you said no marketing!

Mike

Well, as I said to you before, did they remove crown copyright from that edition?

Martin

He needs a lawyer, quickly.

Nick

So, basically, I think the point is specifically with ship builders and designers, you need to talk to the surveyor that will be surveying the boat because he's going to be signing the certificate, he'll make a decision, if he can't make a decision he'll go to his boss. And if you disagree with that decision, and this occasionally happens you can go direct to his boss. Anyone that wants a decision made on a UK vessel can go to Mike, he's the head of the Ensign unit. Anyone who wants a decision made on a Cayman Islands vessel would go to Peter Southgate. But normally you don't have to do that. 99.9% you can get a decision from the guy that's involved with the job, the guy that's going to be signing the certificate. Or you can employ a consultant like me and I'll go to them on your behalf.

Martin

And what is your hourly rate?

Nick

£100 per hour!

Erik

I think the decision is very good except it's losing the reality of dealing with the owners. What you're all saying is well, there are interpretations and we have to live with that, but an owners going wait a second, I'm spending how many millions of dollars and you can't give me an answer. Then he's employing naval architects and attorneys and project managers and he's hired a second crew to shadow the construction and then there's one guy who's going to make the interpretation who works X amount of time for the flagging state that can put everybody on hold and say

nope, you can't do it that way. And yes, there's a potential process of appeal but as also was said, it's political. Take that picture, think about the comments yesterday from the owners. All of them had negative comments and said I needed to have steel doors, I couldn't put my masts up, I couldn't do X or Y. Now you can say that it's misinformation, it's disinformation, but I think that it's the symptom that shows from what is an inconsistency and at times let's admit it, there are personality conflicts, where the surveyor fights with the captain, or the captain thinks he knows more than he does and this is what we have. What can we do to eliminate that conflict, to get a little bit more specificity and to have flexibility without personal bias towards certain design determinations.

Mike

I would suggest you use an experienced shipyard with an experienced design team, when the surveyor is pretty much irrelevant, because if they are familiar with what they're doing and are familiar with the code they can build the boat and put up reasoned arguments for anything which isn't quite clear in there, and what's the surveyor going to say against it? He's only going to come in and object to things if they're not in compliance with the code; and that usually only involves inexperienced shipyards and inexperienced designers.

Erik

But that's a nice statement but it's not the reality of it. If you want to say these are the chosen ten shipyards in the world and if you use them you won't have a problem, well that's not competitive. That's really saying 80% of the yacht market shouldn't touch a boat. And that's not an answer.

Mike

No. Everyone's got to get experience. As I said earlier about the yard in the States that I used recently where the class surveyor and the yard hadn't read the code, but they made sure that they said the next time they built a boat they would consult me at an early stage of the build and would read the code. That is due to experience. And once they've got that experience, then they can be added to the numerous lists of people who are quite au fait with the code. I deal with yards in the Adriatic part of Italy where yes, there were problems at first but now there's no problem, they churn out ships, they can't make them fast enough. But they know exactly what needs doing. And there's no problem because of their experience, and any shipyard can gain experience if they adapt themselves to it.

Peter

If I could just come in on that. From our experience the major problems invariably result from the fact that the design is virtually complete before anyone seriously looks at the code requirements in this case. And I think we may have to stress again and again, come early, look at the prospective design, compare it with what the code requirements are and identify problems at an early stage rather than at a late stage when invariably it will be too late to do anything about it. And our policy normally is, that as soon as there is a new build which we are to be involved with because it's Cayman flagged we have a meeting with the yard and the designers at an early stage before the design is actually cast in stone and settled, so that we can go through it and identify problems and hopefully deal with them before they become insurmountable problems.

Mike

I'd endorse that. I'd just like to really confirm that, because we have no problem with a yard that comes to us at the beginning of the build. All our problems are when a yard says oh the boat's almost complete and now the owner's decided he wants it MCA compliant. That's where the problem comes in.

Martin

Thanks. Andrew Williams please.

Andrew Williams Camper & Nicholsons

Mike, I think the disinformation—I think the flag has to take some responsibility for it, even if it arises unwittingly. You and I had an email exchange a couple of months ago regarding exceeding 12 guests on yachts whilst on charter. Now for a number of years Camper & Nicholsons advised all our Cayman yachts under management that there was no need to approach flag for an exemption provided that the guests were tendered out to the yacht and there were sufficient lifesaving appliances on board. I think that was Nick's interpretation of the rules when he was at the Cayman flag. Because of that I didn't have cause to change the advice I was giving to our boats. It was only when one of our brokers put a charter onto a yacht that was managed by another company and the charterer wanted to exceed 12 guests whilst at anchor and the management company of that yacht asked the Cayman Islands if that were OK. Had it been our boat I wouldn't have even raised the question, because I'd had an interpretation. But it turns out that because of the change in staff at the Cayman Islands that it was no longer acceptable and so it is those sort of situations, where you can get caught out, where you've had an interpretation which suddenly becomes void and you suddenly have a liability there which we weren't even aware of. So you have to keep asking the question really, it seems, to find out what the position is at any one time.

Mike

Well the UK position hasn't changed. You have a charter certificate for 12 guests, that's it. If you need more than 12 guests for certain things like at anchor, the UK government will consider and grant exemptions and that is our stance. If you want to ask Cayman Islands about their stance, you'd better ask Peter.

Andrew

I know that your position hasn't changed. My point is that the Cayman Islands position changed, which could have had embarrassing consequences for us. That's one of the problems we have to deal with on a daily basis. That's one of the practicalities.

Peter

No I can't comment specifically. I am aware that we have reviewed our situation or our policy on that and all I can say is I will take this up with my boss and make sure that we actually advise the industry as to where we stand. I appreciate and I have to accept that there are certain aspects where there isn't enough information that we publish. We are in the process of putting more information onto our website to avoid that in future. I will take that up with my seniors and hopefully we can avoid that situation.

Paul Miller Underwriting Risk Services

From the insurer's perspective, shall we say, in terms of owners' knowledge/ignorance, whichever way you want to look at it—we do a lot of what we call risk management surveys on essentially finished product, rather than during build, so we're dealing with yachts once they're there. What we see generally as the level of knowledge and what's out there and the vessels complying is pretty good. There are exceptions, particularly with crew, where crew are not qualified on certain things, but it is out there. The other side of that is, and a good example something that occurred recently on a vessel over 24 metres. It wasn't a big boat but it had a fire in the engine room. We investigated as part of the claim process, we discovered all the MCA certification was out of date, it was in breach, the vessel was on charter when it caught fire (it was a small fire, not a big fire). We went back to the owners and said what's going on, you've got a major problem here. Because you're chartering, you don't have certification, you're technically illegal, etc. And the owner's response to that was yes, but my captain doesn't speak English, my engineer speaks a little bit and the rules are in English. That was the answer. This is on a boat that was built 4 years ago, for the owner, he opted to go British flag, he knew it was MCA and it was registered from day one. And certified from day one. And that was the response we get. So there is an awful lot of ignorance out there still. We get a lot of questions back, for example where they have a change of crew. They come through to the insurers and say will you please agree the new crew. Personally I don't do it. Other insurers do look at doing it. I don't agree crew. I'll note them and say subject to flag state regulations. Go back to the flag state and make sure this guy is acceptable for the vessel. I then get owners come back and say well can you tell us which regulations we should be complying with? I mean, there's an awful lot of ignorance out there. But that said, on the bigger vessels, and I do say the bigger vessels which is probably 35metres and upwards—on the risk management surveys we do, generally pretty good. But there are some gaps. We use the likes of Paul Hailwood to do these risk management surveys so we come from what I view as a fairly high knowledge base in terms of going on board and doing these. A second point is—I'm interested in the panel's view, it's a slight extension of what we've been talking about—there is an EU discussion paper out there called Erika 3. I don't know whether you're aware of it? It partly stems from I think it was the Erika, the casualty that caused the big incident off Spain—the EU proposal is for a mixture of different things, but essentially it seems to be heading down the road of an EU flag and whether they will lose national flags within that but they will go down the route of an EU flag with standard rules and benchmark stuff across Europe, saying this is it, this is the way we're going to go. The other bits are they've already listed—I'm going to say 6 possibly 8 flags in there—that are essentially blacklisted flags. They will not want these to be in Europe. I think they're trying to say they won't let the vessels in. The one that will impact on yachts that I can remember is St Vincent and Grenadines. A lot of this comes from the commercial side rather than the yacht side, but it will impact into the yachts eventually. It has to. And I'm just interested in the panel's view of that.

Mike

I'm just on the first point. The boats over 500 tons have to comply with the ISM code and have a certificate so as you said, there's no problem there. The boats under 500 tons well, part of the code is you have an annual survey but that's the only time you can check the crew qualifications; we're not there all the time, so once a year we should check them out to make sure there is the correct crew on board. But from January of next year, the mini ISM code will come in, which is the informal version of

ISM without certification but with the same system on board. That should help people focus their minds on correct operating procedures and the correct crew qualifications. As for the second point, well I'm not qualified to answer that. We not only give them a copy of the code, we now give them a copy of the Yachtmaster's Guide to help them but it is in English.

Tork

Actually, funnily enough that answered one of the points the owners made yesterday about the fact that they expected their crew who didn't have English to speak English. Well the code is in English.

Michael Moore Moore & Company

My question has to do with uniformity. Some of the questions as they've bounced between the Marshall Islands and the Cayman Islands— this is a question that ends up being for Mike Sanderson. He may have a yes or no answer but Mr Gladwell made the statement that you should always know where you're going to flag when you start a construction project. So my question is as follows: assume you're building a yacht under survey by the Cayman Islands which at the end of the build the Cayman Islands will issue a Certificate of Compliance with the MCA. My question for Mr Sanderson is if the owner then decides to flag for example in the Isle of Man will you accept that Certificate of Compliance without further enquiry?

Mike

If you'd rephrase that question to say would the UK accept the Marshall Islands certificate the answer is no. We do have an agreement with the Red Ensign groups so if the boat had a Cayman Islands certificate yes, we'd accept that and vice versa. But the Marshall Islands is an unknown quantity to us; we don't know who's done the survey or who had interpreted it and how far they go. Before Nick came on the scene the standard thing for Marshall Islands was to allow class to do the surveys and class usually build to class rules, not to anyone's particular code. So as I say, the short answer is no. But your specific question was would the Isle of Man accept it. Well you'd better ask them—but seeing as they're in the Red Ensign group I'd say no. We would have to do a survey and hopefully if it has been done in accordance with their code, there shouldn't be a problem because their code is basically LY1, our code. So we would do a flag survey and hopefully it should all correspond and you shouldn't have any problem. But we wouldn't take it at face value, we would have to inspect it to see that it does comply.

Martin

We've almost run out of time here. Bob, can you tell me your question.

Bob

Mike, wouldn't it be a good idea to translate LY2 into French and Spanish?

Mike

Feel free to do so.

Martin

OK. Watch this space. Maybe on Synfo we'll translate it for you!

Mike

We are the UK government and we do use the UK taxpayer's money and we are English speaking and we've produced an English document. How many languages do we translate things into? I mean the future market could be the Far East, China, and that. Yes, when we went to the Shanghai Boat Show we translated our business cards and a few documents into Chinese but how far do we go? Surely, we get other books from foreign nationals translated into English, surely people who want it in another language can translate it accordingly?

Martin

Can you imagine interpretation problems in different foreign languages!

Bob

I think that's a good case for having an international code for large charter yachts and it would be translated into several languages.

Martin

In what language?

Bob

The same as the SOLAS. Most of the SOLAS documents are in English, Spanish and French.

Martin

And American.

Bob

That's English.

Mike

But SOLAS is written by an international body so they all contribute towards it so they can all pay, but why should the British taxpayer pay to have it in Chinese, Indian etc.

Bob

Yes, if it's the British taxpayer I agree with you. But it's still a good argument. I think there should be an international code for large charter yachts.

Mike

There is. This is it. This is the international code. Some people put a different cover on it.

Martin

OK. Can we have Baci?

Baci Gokbayrak Perini Istanbul

After working 4 years with Maltese Falcon we worked with Cayman and ABS and I might say that we had fantastic relationship and even though we had some small problems it worked well. Now one of the problems was, time wise, Cayman didn't have enough time to spend more often, let me put it that way. And the second problem was the distribution of the responsibilities between the classification societies and Cayman, so who will do what kind of thing. The last item I might say is I'm not sure whether industry is ready to support the shipbuilding industry yet. For example in terms of A60 sliding doors—and the right insulation material kind of thing. And in terms of interference of the owners in design yes, they do, but the fact that I think the responsibility lies on the management of the yard; if the management of the yard can control and can manage the owner I don't think it's a great problem. Thank you.

Martin

Thank you. We have a question here from Wolfgang.

Wolfgang

Only two items I have to amend. We always talking here about inconsistencies of interpretation and things like that, but also last year already I think there was a common agreement that this is the business at all, because the owner is not very happy if you would have a more strict rule, because he likes to have variations from and interpretations of the rules because he has a unique product. Last year we were talking about black and white decisions and shades of grey. And I think still that when we would have now more strict regulations from class societies etc later on we would have here discussions because all the regulations are now too strict. And this is also not the intention of the owner. The second point is I appreciate that you are talking together about communication and interpretation in the Red Ensign group and so on, but you also say that many class societies are acting on your behalf. How is the distribution of your interpretation to the class societies, because most often the surveyor for the flag states is at the shipyard just three times during the new build phase, for instance.

Peter

I think that is a valid point certainly. I can perhaps put it back into the court of the classification society. If in our delegation agreement with class which we issue every time we get involved in a new build, there is a clause in there to say that if there are any queries on the interpretation the classification societies should revert back to us and we can discuss it. Now without being too defensive I think it would be fair to say that invariably we don't get questions back from the class society asking us how we see these things. I think it certainly depends very much on the locality. With certain class surveyors we have a very active dialogue and we are in very regular contact in terms of interpretations and so on. In some projects which are handled by class societies elsewhere or individual class surveyors we have very little feedback and we are disappointed at times that items which could have been very easily resolved just by a simple phone call or an email turn out to be quite a big problem at the end of the day. I think it would be fair to say that yes, if you have a question, come and talk to us.

Wolfgang

Yes, of course I fully agree that direct communication if the problem is known, is always very good. But sometimes no-one from us is even aware of any information which is maybe a problem, because sometimes the shipyard is going directly to the flag state without consulting the class societies at all and so the feedback from this decision back to the class society is sometimes not given. So there must be some kind of solution.

Peter

One way in which we have addressed this in the last year or so is by actually making it our policy that usually for new build projects we actually have four contact points with the project, from the initial project meeting to the final survey just to encourage an increased dialogue and hopefully to prevent problems from occurring at a time when it still can be dealt with.

Martin

We're going to wrap up very quickly. We have 2 or 3 comments to throw at the panel first of all. How will MCA resurvey an LY1 yacht after LY3 comes in.

Mike

LY3 shouldn't be vastly different, it should only be different in some small aspects, and then there will be the grandfather clauses, unless it's equipment. Usually the condition is equipment you can upgrade, but structure you accept what was originally accepted.

Martin

Is there an annex of guidance to ISM within LY2?

Mike

In LY2 there is annex 2, which tells you all about the ISM code and if that's not sufficient we have merchant shipping notice which goes fully into the ISM code. All these things are available on our website.

Tork

I got a text which I'll just read out. It says the insurance broker should tell the underwriter if the captain cannot speak English, not an industry problem, it's the insurers problem. I don't know if an insurer would like to comment on that?

Martin

Lots of texts coming in—one I think is relevant is "few owners have the time or inclination to understand rules; management companies can provide the help if they learn to price themselves properly instead of seeing him as a bottomless pit".

There are two more: to what extent can class societies receive delegated responsibility from the MCA to carry out LY2 certification?

Mike

First of all, on our website there is listed a division of responsibilities, it tells you which things class do and which things MCA do, so for example given the Certificate of Class they will do the loadline survey without question, then the actual code items are split up and it lists who does what. Now obviously as the gentleman from GL was saying, if we only make three visits to a foreign build— you have to build up a rapport at the beginning of the project; the class surveyor is giving an instrument of appointment as soon as that relationship is started by having the instrument of appointment, so we know who the contact is. What we should do and what the MCA does is every time we communicate with the shipyard the class surveyor should be copied anything that he needs to know, because he's obviously going to do onboard tests for us. So for example, the MCA might approve the plans, but they aren't there to see the actual installation of it and full instruction should be given to the class surveyor as to what he is expected to be doing on our behalf.

Martin

A final comment, which is my favourite comment. If any owner cannot meet the law I have a friend called Borat who is setting up a Kazakstan registry.

We have a 20 minute break before the next session—the keynote debate. I forgot to mention Royal Bank of Scotland whisky tonight—don't miss that, there are some interesting varieties. One is called school dusters and kitchen cloths.
