

Flags of Convenience

international exploitation, international solidarity

The international shipping industry is a microcosm of world capitalism – big international banks and insurance companies dominate, owning enormous ships that transport vast quantities of raw materials and manufactured products between the markets of the world. Some call the shipping industry a classically globalised economic activity.

The precise total number of seagoing commercial vessels worldwide is not known. This is because statistics on small cargo, passenger and fishing vessels are not collected by many governments. The economic activity of many of these vessels is coastal within a country or between nearby countries. Large-scale international shipping is mostly cross-continental. The vessels used in international shipping are usually 300gt or larger. Lloyds Register recorded a total world shipping fleet of 86 817 of such vessels as at 31 December 1999.

Likewise, figures on seafarers internationally are not accurate. However, a survey published by the International Shippers Federation (ISF) and BIMCO (the Baltic and International Maritime Council) last year estimates a worldwide total of 1.23 million qualified seafarers. This breaks down into 404 000 officers and 823 000 ratings (non-officer ranks). However, the demand at any one time is for 420 000 officers and for 599 000 ratings. This

Jane Barrett explains how 'Flags of Convenience' compound seafarers' vulnerability and examines SATAWU's and the International Transport Federation's campaign against the system.

means currently there is a worldwide under-supply of officers and an over-supply of ratings.

The international shipping industry's global ownership structure means that ship owners can and do change the nationality of a ship and the laws that apply to it in an instant.

Seafarers' vulnerability

The industry also has a global labour market, with a large proportion of seafarers being migrant workers. The biggest source of labour in the international shipping industry is currently the Philippines, where approximately 200 000 workers are registered in the industry. Only half of these are actually in employment at any one time. They are placed on foreign owned and controlled ships by manning

agents - many of whom are unscrupulous and/or corrupt. 'Mixed manning' (ie the employment of many nationalities on one ship) is becoming increasingly common, very often with the ship owner attempting to pay differential wage rates. For example, the Filipino seafarers on board Japanese ships are paid one fifth of the wage of a Japanese seafarer. The Filipino seafarers on board Japanese ships are in turn increasingly being replaced by cheaper

Chinese labour. The lowest paid seafarers in the world presently are crews from Bangladesh, Brazil and China.

The patterns of labour supply and demand for seafarers in international shipping are therefore very unstable. This makes the position of seafarers individually and collectively extremely vulnerable. This is particularly the case where a country supplying seafarer labour does not have its own local shipping industry that provides ongoing employment. For workers in the traditional maritime nations the situation can be equally precarious. For example, over 60 000 seafarers have lost their jobs in the United Kingdom over the past 22 years. The jobs themselves still exist, but have been filled largely by crews from the developing world.

The ITF

The International Transport Workers' Federation (ITF) was founded in 1896 by European seafarers' and dockers' unions. Today it organises 5 million transport workers in 533 unions in over 136 countries. It has eight industrial sections:

- railway workers;
- road transport workers;
- dockworkers;
- fishing workers;
- civil aviation workers;
- tourism services workers;
- inland waterways workers;
- seafarers.

The ITF:

- organises solidarity in the event of industrial or political disputes involving transport workers;
- represents the interests of transport workers in international bodies dealing with employment or safety of transport workers;
- informs and advises transport unions on the latest trends and developments in the industry.

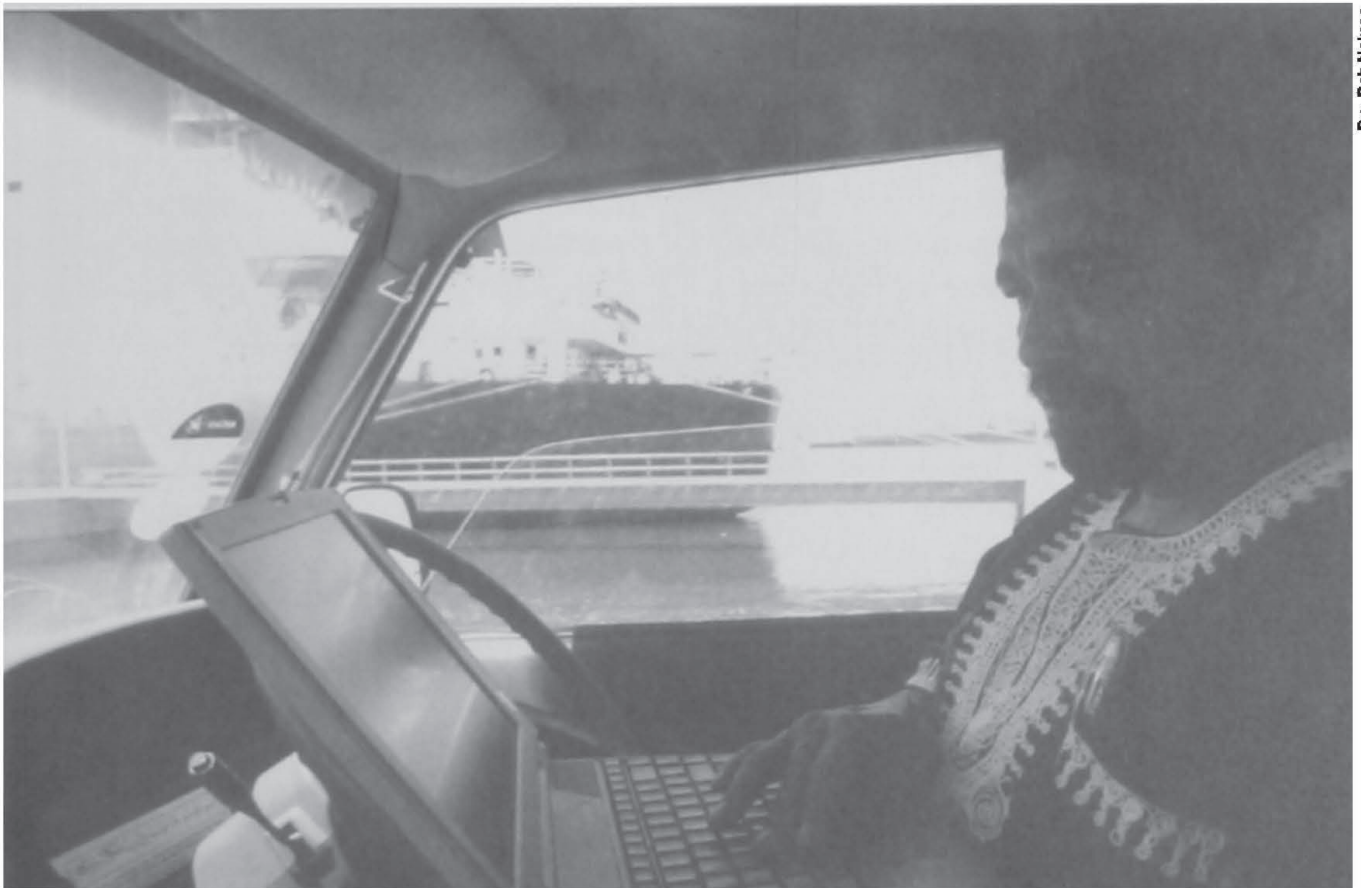
ITF Congress meets once every four years. All affiliates are invited to send delegates according to their paid-up membership. The congress elects a president, four vice-presidents, a full-time general secretary and a 30-person executive board. The ITF is financed from affiliation fees. Special activities such as education are funded from donations. The South African affiliates are SATAWU and TAWU.

Flags of Convenience

The vulnerability of seafarers in international shipping has been compounded for the past 50 years or more by the system of 'Flags of Convenience' in the industry.

Every ocean going vessel is required by international law and custom to register ownership in a country and to fly the flag of that country. A Flag of Convenience, or FOC as they are known in the industry, is a national ship's register that allows for the registration of a vessel that is not *really* owned or controlled in the country of registration. Of the total worldwide fleet of large ocean-going vessels recorded by Lloyds Register as at December 1999 (86 817) 19 913 vessels, or 23%, were registered under FOCs.

Through an administrative arrangement, the FOC country allows the registration of a foreign owned ship. A fee accompanies the registration and the ships' register itself becomes an income-generating activity for the country concerned. In



Pic: Rob Heilse

One of South Africa's two ITF inspectors.

most cases, the FOC country does not demand tax and imposes no legal obligations with regard to employment practices. This means that a company that wishes to escape its own country's labour legislation, can do so by registering under another country which has labour legislation that is more beneficial to companies and less beneficial to labour. The FOC country very often has minimal administrative or technical infrastructure to ensure compliance with international ship safety standards. Many of the FOC registers are not even administered in the country of so-called registration. A typical example is Liberia, whose shipping registry office is located in the United States and run by a company of commercial lawyers who own the franchise to operate the register.

There are currently 34 countries with FOC ships' registers. The latest addition to the club is the Comoros, a small group of

islands situated in the Indian Ocean to the north-east of South Africa. Comoros has no international shipping industry of its own. Panama has the biggest FOC register, with 6 143 ships registered on it in 1999. Liberia follows with 1 629 ships, followed by the Bahamas, Singapore, Belize, Philippines, Honduras, St Vincent and the Grenadines, Malta and Cyprus. Visit Durban or Cape Town harbour and you will spot a number of these flags on the ships docked there.

It is no surprise that ships registered under FOC consistently have the worst record for employment practices (ranging from underpayment to physical abuse), for accidents at sea, for sinkings (or losses as they are referred to in the industry), for oil spillages, and for non-compliance with international safety standards generally.

ITF's campaign

For over 50 years the ITF has been

campaigning against FOCs. The maritime unions affiliated to the ITF collectively represent around 600 000 seafarers. Because FOC ships have no real nationality, many workers on board FOC ships are beyond the reach of national seafarers' trade unions, however. Up to 50 different nationalities can be on board one ship.

The ITF's anti-FOC campaign therefore goes far beyond the traditional campaign approach of most International Trade Union Secretariats (ITUs). The anti-FOC campaign is on the one hand a political campaign to eliminate FOCs. On the other hand it is an industrial and collective bargaining campaign to protect workers on board FOC ships.

The political campaign to establish a genuine link between the flag a ship flies and the nationality or residency of its owners, managers and seafarers is waged by the ITF on a number of fronts. The ITF consistently exposes the relationship between FOCs and poor employment and safety records. It lobbies the International Maritime Organisation (the IMO, which is an agency of the United Nations). It has historically played an active role in the formulation and monitoring of the International Labour Organisation's (ILO) maritime conventions and recommendations. In the course of its political campaign work the ITF has in recent years collaborated closely with Greenpeace both in relation to oil spillage damage to the ocean environment as well as fishing. FOCs are becoming increasingly common in the international fishing industry.

While the political campaign has not yet succeeded in eliminating the FOC system, the ITF's work has resulted in many countries being convinced not to go the FOC route - both because it is politically embarrassing to do so and

because it does not open the door to national stability and sustainability in the sector. The ITF's political campaign has also resulted in much tighter monitoring of FOC vessels by port authorities and their safety inspectorates. The ITF has also succeeded in influencing the content of a number of IMO conventions, thereby introducing stricter international law and regulation on FOC vessels.

The industrial campaign against FOCs is unique. Every year a committee representing the seafaring affiliates of the ITF sets a minimum wage for seafarers and writes this into a standard international minimum collective agreement for all FOC ships. The minimum is not negotiated with employers but is a unilateral demand of the ITF, based on an assessment of the profitability of the industry combined with cost of living conditions internationally.

Any FOC ship owner who refuses to sign the agreement faces the prospect of boycott action, or some other form of industrial action, by dockworkers belonging to ITF affiliates. In 1999, dockworkers in 30 different countries took action against FOC ships. Boycott action is clearly the most effective industrial weapon. A refusal to off-load or load a ship can cost a ship owner dearly in delayed time.

There are currently 5 600 FOC vessels covered by ITF agreements. This constitutes about one third of the worldwide FOC fleet. The main feature of the ITF agreement is a minimum wage - which is set internationally in dollars. The present minimum wage for the grade of Able Seaman (AB) is \$1 250.

On signing a collective agreement, the ship owner pays a fee to the ITF. The fee is in effect a 'penalty' for flying a FOC. The fees collected by the ITF help to support a network of 100 inspectors based in ports



Pic: Rob Heilse

Workers at Durban harbour.

all over the world, as well as a whole department of the ITF (the Special Seafarers) which administers and monitors the agreements and which processes claims for back pay and also for injury while on duty. The total annual budget of the ITF inspectorate is around £4,7-million (R52-million). This does not include the cost of running the London-based Special Seafarers Department.

Two of the ITF's 100 inspectors are based in South Africa – one in Cape Town and one in Durban. They are both former organisers of SATAWU. The work of the inspectors is locally co-ordinated and supervised by the national collective bargaining secretary in the union. The job of an ITF inspector is to go on board FOC vessels and to check if the ship is covered by an ITF collective agreement. On average an ITF inspector will inspect around 100 ships a year.

If the ship is not already covered by an ITF agreement, the inspector has to track down the owner or manager and demand

coverage. At the same time he or she must liaise with the local dock labour force to inform them of the status of the ship, and to work out appropriate action. If the vessel is already covered by an ITF agreement, then the inspector must check if the seafarers have been paid in accordance with the agreement. If not, a back pay claim is launched. In many back pay cases it is necessary for the inspector to ensure that the ship is arrested and legally prevented from leaving the port of call. Sometimes the legal action will be supported by local industrial action.

In 1998 the combined back pay claims settled by the ITF inspectors in the field and the London-based staff amounted to \$36,1-million (R253-million). In addition to the back pay claims launched, inspectors and the London-based staff process a range of other complaints including dismissals, victimisation and the abandonment of crew in a foreign port. Recently the ITF organised and paid for the repatriation of 230 crew members of a

Bahaman flagged cruise ship Enchanted Capri which was arrested in New Orleans for non-payment of \$500 000 of wages. The owners filed for bankruptcy and while the dispute dragged on, food and water started to run low for the crew. The ITF is quite clear that repatriation is the responsibility of the owner, but in such cases the ITF has arranged advance payment for the repatriation with a view to claiming the costs from the owner. In the case of the Enchanted Capri the crew were repatriated to 40 different home countries at a cost of \$150 000.

Apart from its political and industrial dimensions, the FOC campaign has an important social and welfare spin-off via the ITF. The interest off the fees collected from FOC ship owners is used to fund the ITF Seafarers' Trust. This trust sponsors seafarers' welfare agencies and projects throughout the world. Organisations such as Missions to Seamen, which operates in South Africa's ports, are part funded by the trust. A number of large international institutions also benefit from trust funding. Funds from the trust were instrumental in establishing the International Research Centre on Seafarers Safety and Occupational Health in Cardiff (United Kingdom). Since its establishment in 1981 the trust has disbursed over £70-million to projects.

South Africa and FOCs

In 1995 the Ship Owners Association of South Africa (SOASA) made representations to the Department of Transport (DoT) on the opening up of the South African ships' register to become a form of FOC, and on the training of seafarers 'for export'. The then Transport and General Workers Union (a partner in the SATAWU merger in 2000) made counter submissions, with the backing and support of the ITF. The DoT was persuaded that SOASA's arguments were highly flawed.

Although South Africa has not gone the route of a FOC ships' register, or of training migrant seafarers, there is nevertheless a long way to go in terms of a coherent shipping policy. Currently South Africa has a very small fleet of international trading vessels. The merchant fleet is entirely privately owned, and the majority of large ships are flagged out to other countries. South African ship owning companies are therefore using the FOC system to avoid local taxation as well as South African employment law.

In South Africa there is a shortage of trained officers, with at least a quarter of them being recruited elsewhere. There are less than 4 000 South African seafarers in the merchant marine, with an additional 6 200 seafarers working in deep-sea fishing.

A comprehensive shipping policy which addresses seafarer training and employment, the registration of ships, the promotion of a nationally owned fleet through various support mechanisms, the re-establishment of South Africa's almost defunct shipbuilding and ship-repair industry is essential if South Africa is to have any influence over the sea leg of export and import transportation. Presently there is little or no leverage over sea freight rates (which account for 60% of the cost of transporting exports).

Engagement with the DoT on shipping policy is on the agenda for SATAWU in 2001. Developing a fleet owned and registered in South Africa and employing South African crew will be at the heart of the union's input. ★

To find out more about the Campaign against FOCs contact Thulani Dlamini, ITF FOC campaign co-ordinator in South Africa at SATAWU tel (011) 331-9321 fax (011) 331-5418 or go to the ITF website at www.itf.org.uk