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Flags of Convenience: Shipping Industry Patriotism

Rowan Cahill

University of Wollongong, rowanc@uow.edu.au

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A Chinese seaman bled to death after his leg was severed from his hip whilst working aloft. It was after sunset, lighting was inadequate, and he was not attached to his safety harness. He was attempting repairs to a crane on a Panamanian flagged bulk carrier when he became entangled in wires. His blood pooled at the base of the crane in front of horrified workmates. In the five years to the end of 2002, eleven seafarers were killed and nineteen seriously injured in Australian waters, all but three of them on board Flag of Convenience (FOC) vessels.

Ships plying the world’s sea routes have to be registered with a national authority (a flag state); standards and responsibility are meant to be involved. But these can be circumvented by registering ships with national governments that do not effectively administer agreed international standards regarding seaworthiness, safety, health, officer and crew competencies, and employment conditions.

For the governments concerned, allowing your nation to become a FOC is an easy way to make money. Registration comes at the price of turning a blind eye to maritime responsibility, decency and common sense. The classic FOC has little to do legitimately with the sea and seafaring, and everything to do with tax havens and shell companies. There are twenty-eight players in the scam with Panama (6245 ships) and Liberia (1566 ships) hosting the largest fleets. Globally the FOC fleet accounts for over 50 per cent of the world’s shipping tonnage, including most of the big bulk carriers and oil tankers.

As for the owners of FOC ships, often hidden in corporate mazes and having little otherwise to do with the registering authority, the scam is a way of increasing profit margins or turning quick profits by avoiding human responsibility generally, and trade unionism, taxes, and maintenance costs. Capital re-investment programs go out the window because the FOC scam enables ships to be used well past their intended use-by date. Through modern high-tech sleight of hand international investment and accounting practices, it is possible some ‘shipowners’ do not even realise they are in fact shipowners.

The worst FOC vessels are rust buckets, vermin ridden, unsanitary, with untrained crews working as virtual slave labour. Eighteen per cent of personnel shipping out in the world today are untrained; forged certification for all levels of maritime expertise is freely available on international black markets.

Overall, FOC shipping accounts for more than half of the ships lost worldwide, and is responsible for the majority of major collisions. FOC vessels are notorious for running aground, being involved in collisions, sinking, catching on fire, featuring in insurance scams and in ecological disasters. In the FOC world it is no big drama when a vessel comes to grief. Replacements are cheaply available on international second-hand markets, and from ship breakers; paint, canvas, timber and cosmetic welding can hide a multitude of sins. Cargoes are covered by insurance; the loss of an oil cargo is particularly profitable. As for crews, usually desperate and frightened non-unionised Third World workers, if they are injured or drowned they can be replaced from the huge pool of similar workers struggling to earn a pittance. Minimal wages are the name of the game, and it is not uncommon for wages to be promised as voyage-end lump sums that end up not being paid at all.

Nemesis of the FOC system is the powerful International Transport Workers’ Federation (ITF), a global federation of transport trade unions formed in London in 1896. For fifty-four years it has hounded FOC shipping, using international and national laws
to enforce basic pay and seafarers, and responding to the desperate appeals of non-unionised workers; an expensive, time-consuming business, virtually done on a voyage by voyage, ship by ship basis. During 2002 the IITF managed to secure $US31 million in pay and benefits owed to seafarers by escroque FOC shipowners.

The FOC phenomenon had its origins prior to the Second World War when American shipowners moved offshore to Panama and Honduras to escape maritime trade unionism and negotiated work agreements. By 1939 just over 1 per cent of the world’s gross registered tonnage of shipping was under FOCs. After the war the process escalated due primarily to complete freedom from taxation on profits, and the involvement of American oil, banking and insurance interests. Economic rationalist philosophies kicked in from the 1960s onwards and the process mushroomed.

In Australia, the advent of the Howard government in 1996 heralded the abolition of existing maritime tax concessions, and the onslaught of maritime policies based on the free-market mantras of privatisation, deregulation, increased productivity, and international competitiveness. A loophole in the Navigation Act (1912) has been exploited, enabling foreign owned, foreign crewed ships, including Flag of Convenience vessels, to increasingly operate on the Australian coast. The Act limits the conveyance of domestic cargo to Australian crewed, Australian registered shipping; however foreign crewed vessels can do the job under a permit if an Australian crewed vessel is not available. The fewer Australian ships and seafarers there are, the more the task goes to offshore shipping interests and manning agents. By flooding the market with permits, the Howard government white-ants the seafaring industry. In 1994 there were seventy-eight foreign flagged ships; now there are forty-seven. The FOC phenomenon had its origins prior to 2002 when the dry cargo ship Tawake Oma cracked a fuel line and leaked oil into Sydney Harbour. In January the following year, Israeli authorities seized the freighter Karine A carrying fifty tons of contraband weaponry and munitions destined for Gaza, while elsewhere the US Navy and the Maltese government detained and unsuccessfully searched two Tongan flagged vessels for similar cargoes.

As the national fleet shrinks, so does the number of seafaring jobs on offer to Australians; seafaring as an Australian occupation threatens to join the Dodo. All of which strikes at the seagoing membership base of the small, powerful and influential Robin Hood union, the Maritime Union of Australia (MUA), which is probably one of the intended outcomes, given the anti-unionism of the Howard government.

DECEMBER 2000

The South Pacific archipelago Kingdom of Tonga, population 106 137, joined the FOC club. Described officially as an hereditary constitutional monarchy, the monarchy constitutes the government. Octogenarian King Tupou IV has been described as a cross between Mad King Ludwig of Bavaria and a sumo wrestler. He appoints the Prime Minister and Deputy Prime Minister (for life), Cabinet, and the Supreme Court judges. There are no political parties; the free press is curtailed by harassment and criminal charges. With a Sydney University law degree behind him and background as a lay preacher in the Free Wesleyan Church, King Tupou fancies himself a financial whiz; he generated millions during the 1980s selling Tongan passports, with Ferdinand and Imelda Marcos among eager customers; investigated the feasibility of taking a share of the world’s problematic used-tyre stockpiles and incinerating them for profit in Tonga; appointed a Californian magnetic health products salesman to the position of Court Jester cum financial adviser, who then lost the $A43 million he was entrusted with and disappeared.

The fledgling maritime nation wasted no time making its mark upon the world; Tongan flagged ships hit the headlines, beginning in October 2001 when the dry cargo ship Tawake Oma cracked a fuel line and leaked oil into Sydney Harbour. In January the following year, Israeli authorities seized the freighter Karine A carrying fifty tons of contraband weaponry and munitions destined for Gaza, while elsewhere the US Navy and the Maltese government detained and unsuccessfully searched two other Tongan flagged vessels for similar cargoes. In August, Sicilian police arrested fifteen Pakistani al-Qaida suspects on a Tongan registered cargo ship. In December the Washington Post reported at length on the use by al-Qaida of the FOC system, and the involvement of the Nova company, incorporated in the US and Romania, with a track record in people smuggling, suspected of using Tongan flagged vessels in terrorist related activity. In February 2003 the anti-crime International Maritime Bureau warned that a Lebanon-based crime syndicate was using the Tongan flag in a multi-million-dollar cargo theft and fraud operation in the Eastern Mediterranean.

NEWCASTLE, AUGUST 2002

The Australian flagged bulk carrier Wallarah was sold offshore to a one-pound, one-share UK com-
pany, renamed and registered in Tonga as the *Ikuna*. For sixteen years the ship had worked out of Newcastle manned by Australians. While the going had been tough in the former steel city, the vessel was regarded as a community asset and crews had done some wage sacrificing to keep the ship going. The *Wallarah* was the last of a port-based fleet that once plied the coastal and river routes of NSW. Even as late as a decade ago, the port was still home to some one thousand seafarers.

After dry docking and a refit the *Ikuna*, managed by an Australian registered corporation Intercontinental Ship Management, sailed to Port Kembla in the hands of an imported replacement crew of Tongans. On Tuesday, 24 September the vessel arrived at Port Kembla Grain Terminal. While loading it developed a dramatic and dangerous thirty-degree list, nearly injuring two Graincorp workers. Next day the *Illawarra Mercury* headline said it all: WORKERS CHEAT DEATH AS CARGO SHIP LURCHES.

Later voyages saw local maritime unionists, the South Coast Labour Council, and community activists mount protests when the vessel used Port Kembla. Preferably an Australian crew should be working the ship, they argued. And if not, then the foreign crew should be paid a fair wage. Information indicated the Tongans were receiving less than a tenth the monthly earnings of their Australian counterparts. The protests generated considerable media attention.

**FEBRUARY 2003**

The tailored corporate heartland of Sydney’s North Shore: landscaped gardens; tinted office windows; designer decor; hired indoor greenery, pampered and waxed and manicured to exude the illusion of perfection, where nothing wilts or dies; a neighbourhood of aromatic coffee shops and languid eateries; a photogenic air-conditioned world that insulates and cocoons corporate decision makers and their managers from the realities of their bottom-line *weltanschauung*.

Lunchtime, and fifty maritime workers, members of the MUA, and supporters rally outside the offices of Intercontinental Ship Management, protesting the company’s use of Tongan registered ships on the Australian coast employing foreign crews at substandard rates.

The protesters are the worm in the bud. Their attitude is ‘we know where you live’. With their lunchtime presence, placards, speeches, deputation, and accompanying national and international media attention, they aim to challenge the corporate comfort zone; maybe engender a bit of embarrassment for those who would prefer to feature in a dutiful glossy trade or business journal than be linked in the public mind with the world of sweat, toil, exploitation, and opportunism.

Among the protesters are some old faces, men in their mid-to-late 70s, early 80s. They are a constant at these sorts of protests; retirees with fire in their bellies, not yet spirited away to nursing-home limbo. They are part of a national community of former trade-union militants, seamen, wharfies, miners, currently formalising a national trade-union solidarity organisation; their motto, ‘Retired from work, but not from the struggle’.

During the 1998 War on the Waterfront old timers like these played a key logistical role supporting the union picket lines that formed nationally, manning phone lines, answering queries, doing any number of humdrum chores that freed up union resources: churning out leaflets, organising food supplies, arranging toilet facilities, carrying messages deemed too sensitive to leave electronic or paper trails.

Two days later, one of those present at the lunchtime protest, the Ancient Mariner, has just turned 80. As many guests as he is old gather at a celebratory birthday function in a Western Sydney Workers’ Club; most of those present are well into their 70s. A simple, friendly affair; three-course meal, some speeches, a few drinks, and lots of stories about the old days. The Ancient Mariner began his working life in England, saw North Atlantic convoy action during the Second World War, ran the deadly gauntlet on merchant ships to Murmansk, fronted up in the Army on the beaches of Normandy in 1944, then, back in the merchant marine, came on to the Australian coast during the Cold War, and stayed. A meticulous seaman, he proudly sees himself as part of a seafaring tradition and craft reaching back across centuries. And always proud to be a trade unionist.

**MARCH–AUGUST 2003**

March: a Canadian investigative television team is in Sydney gathering material on the Australian activities of Canada Steamship Lines (CSL). The company bought two Australian coastal freighters following the scrapping of the Australian National Line by the Keating government in the early 1990s.
These were eventually reflagged in the Bahamas, the Australian crews fired and replaced with Ukrainians on wages and conditions well below Australian standards. Recently CSL hit the Canadian headlines. Last year the multimillion-dollar international company, which mostly uses FOC vessels, was heavily fined after one of its ships dumped oil in Canadian waters. More recently its head, Paul Martin, former Canadian Finance Minister sworn in as Prime Minister in December 2003—eds], has been variously accused of tax avoidance and conflicts of interest as a shipowner and politician. There are also controversial allegations that Martin has had financial dealings with the family of the corrupt former Indonesian dictator Suharto. Among Australian seafarers, his name is mud.

During May 2003 while the Cypriot FOC bulk carrier Stone Gemini was in Newcastle port, desperate crew members called it quits, went on strike and sought outside help. They came from Sri Lanka, the Maldives, the Ukraine and Russia. Living conditions on board were squalid; the ship was well past its use-by-date. Toilets would not operate, the food supply was almost exhausted and they were down to half a can of baked beans and the scrapings of a margarine container. Some had paid manning agents back home for the chance of a job, and a deposit system operated whereby money was forfeited if anyone complained to reputable maritime authorities about working conditions. Back pay to the tune of $US100,000 was owed. Word got out to the local ITF official based in Sydney, and matters were eventually resolved in favour of the seafarers.

On 7 August 2003 the Full Bench of the High Court unanimously ruled that the Australian Industrial Relations Commission has jurisdiction over foreign ships and crew carrying Australian domestic cargoes on the Australian Coast. This followed a lengthy legal battle between Australian maritime unions and CSL, the latter supported by the Howard government hell-bent on keeping its piratical maritime policies free from the jurisdiction of Australian industrial law. The decision is a well-aimed torpedo at the advantages FOC traders currently enjoy under Howard’s patronage—cheap labour and non-compliance with domestic rules and regulations. It is also a win for human decency.

IT IS A WARM midwinter day with the feel of Spring about it. The Ancient Mariner and I are having a
couple of beers in what used to be a maritime worker pub; now given over to the mobile-phone-away-from-the-office set, long power-dressed lunches, and a bit of Trades Hall number crunching. The Mariner was giving me one of his talks. He jokes about being a university graduate: a Graduate from the University of Life, mate. But he’s not anti-intellectual, and over the years he’s sent me wads of photocopied material on maritime matters he thinks I should read, most recently a slab from Marcus Rediker’s Marxist study of the eighteenth-century Anglo-American maritime world, Between the Devil and the Deep Blue Sea (1987).

He held forth, angry in a quiet-voiced way: the Howard government’s maritime policies are undermining national security. The Australian merchant marine and the national fleet were central to the nation’s survival during the Second World War, an integral part of defence strategy, with the Australian merchant marine suffering a casualty rate of around 12 per cent. Once you get rid of your national fleet you also savage your shipbuilding and ship-repair capacities, and your access to highly trained seafarers so important to an island nation dependent on the sea for most of its imports and exports. What sort of national independence and room for independent political and economic manoeuvre does that leave Australia with generally, let alone in time of crisis?

As for the FOC system, that is a microcosm of globalisation and the free-market system, a brew of corruption, opportunism, greed, untramelled exploitation of labour, with social responsibility thrown out the window, shell companies, tax avoidance, fraud, deception, criminality, death, injury, human suffering, the rich getting richer and money being shovelled up to a few at the top, and it all dressed up as modern business, free enterprise, pure market forces.

Here the Ancient Mariner paused and reached inside his jacket on the chair next to him. From his wallet he took a folded piece of paper, and pushed it across the table. I unfolded it, recognising the photocopied page and piece; thirty years ago he told me to read the book it is from, The Death Ship by B. Traven, a politically charged novel about the maritime underbelly, as relevant today as it was when first published in 1926. A small paragraph near the end of Chapter One was marked: “I have learned that it is not the mountains that make destiny, but the grains of sand and the little pebbles. Sounds philosophic, but it is the truth”. He looked at me and grinned.

Rowan Cahill is a labour movement historian and journalist.