



Flying the flag

Choosing the right flag for your yacht can influence its value throughout its life as well as affecting day-to-day operations, says Philip Naylor, safety and security manager at Burgess Yachts.

WE FIND THAT FLAG STAFF ARE KNOWLEDGEABLE, EXPERIENCED AND WANT TO PROTECT THE FLAG'S REPUTATION. WHERE THEY VARY IS IN THEIR ABILITY TO RESPOND QUICKLY AND PRAGMATICALLY TO UNUSUAL SITUATIONS.

Selecting a country of registration for your yacht can be driven by anything from the reputation of the country itself through to beneficial ownership structures and taxation. It is often seen as a complicated decision based on a range of advantages and disadvantages. It may therefore serve to treat it as a two-stage process: firstly, choosing the shipping registry under which the design is approved, the construction is supervised and the completed yacht is certificated, and secondly, deciding which flag to fly once in service. These need not be the same and a yacht can be reflagged immediately upon delivery. The decision can boil down to international maritime regulations and how they have been adapted over time to accommodate large yachts.

All ships that trade internationally have to comply with regulations on safety, pollution, crew competence and more. These are agreed at UN level by the International Maritime Organization (IMO), and are adopted in the form of international conventions which each UN member state ratifies by writing them into their national law.

They are really aimed at large commercial ships where industrial design principles apply. It's why, in 1997, the UK Maritime & Coastguard Agency (MCA) developed the very first Large Yacht Code – a set of 'yacht-friendly' rules that would achieve an equivalent standard while allowing for the design and construction of good-looking, high-quality vessels.

The MCA Code was adopted by the other Red Ensign shipping registers and is a ready-made, recognised standard for countries aiming to attract large yachts. Other registers have produced their own codes, with a broader range of registration categories for more flexible operation, and greater

flexibility in how some regulations are interpreted and applied.

The choice of code for a new-build yacht defines its standard for the rest of its life. In our experience, a yacht that is designed, constructed and maintained in accordance with the REG Yacht Code (YC) can be re-registered with another REG member (or one of the other principal yacht registers) quite easily and at low cost. It can be more complicated, and probably more expensive, to re-register a yacht that has been designed to another yacht code's standards. That's not to say other codes are of lesser quality but rather that their standards are not as widely understood or accepted.

A REG register will often employ its own surveyors to supervise the construction and issue the necessary certificates of conformity, giving the owner an additional measure of quality assurance. This can also lock in additional residual value – it makes it easier to switch flags and the yacht becomes a known quantity to brokers and future purchasers.

Once built and certified, an owner should choose the shipping register that best suits their requirements. Considerations could include the quality of legal title provided by registration, finance and ownership structures, tax planning, whether the yacht is going to be used commercially, and the perceived quality of flag.

Registration confers nationality on a yacht and the certificates of registration and compliance act like a passport, and the warmth of welcome by the authorities will vary according to the ship's flag. The most influential factor here is the safety performance of a flag and its ranking on a table produced by the Paris Memorandum of Understanding on Port State Control.

A flag administration with a good inspection record will be assigned to the Paris MOU White List and their ships will be able to call at ports without much difficulty or intervention. Lesser-quality flags are assigned to the Grey List, and their ships are subject to much more attention from safety inspectors. Really poor-quality flags that accept substandard ships are consigned to the Black List, which is to say they are not welcome at all.

From an operational perspective, the optimal flag choice would be influenced by cost, responsiveness and customer focus. Burgess works with six yacht registers on the White List. The differences between them are marginal and differentiation comes down to a combination of responsiveness and attention to customer requirements – particularly when a problem requires urgent solution. We find that flag staff are knowledgeable, experienced and want to protect the flag's reputation. Where they vary is in their ability to respond quickly and pragmatically to unusual situations. A flag administration that responds to an enquiry promptly by reciting the regulatory requirement is of no more value than another that takes three days to decide how it can be very flexible.

The perfect scenario would be a yacht designed and constructed to a universally recognised code such as the REG YC, then certificated and registered with a REG flag that specialises in large yachts. That will give the yacht an internationally recognised pedigree, locking in value at the outset. If an owner wishes to re-register the vessel with another flag, they can do so quite easily and without being too concerned about the need for adaptation or upgrading to meet the requirements of the new flag administration. **PN**