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OPERATION OF A TANKER

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1. REGISTRATION OF THE VESSEL

A procedure of registration of sea-going vessels, tankers, in particular, is regulated by norms of the Merchant Shipping Code and Order of the Ministry of Transport No. 145 dated November 29, 2000 "On approval of the Rules for registration of vessels and rights to them at commercial sea ports".

Registration of vessels is carried out by the service of the harbor master. Registration is carried out on the basis of an application of the right owner, party of the contract, or person authorized by him with the duly executed power of attorney with him.

In case of registration of a vessel with the state register book the following documents must be produced:

- executed form of the register book;
- title documents (sales contract, contract for building of the vessel, and others);
- tonnage certificate;
- certificate of navigation;
- classification certificate;

It means, that by the time of registration of the vessel all the documents should be prepared.

A form of the register book basically provides technical characteristics of the vessel. In addition, the form should state rights and encumbrances to the vessel, IMO identification number, and call sign.

The order provides a special procedure of registration of the vessel with the bareboat charter register book. Registration of the vessel is carried out on the basis of application of the charterer of the vessel under bareboat charter, subject to enclosure of documents necessary for registration:

- extract from the register book of a foreign state where the vessel is registered directly before the change of a flag, subject to indication of a proprietor of the vessel and mortgagee of registered mortgage of the vessel, or registered encumbrance of the vessel of the same nature if mortgage or encumbrance are established;
- written consent of the proprietor of the vessel or mortgagee of registered mortgage of the vessel or registered encumbrance of the vessel of the same nature for transferring the vessel under the National flag of the Russian Federation;
- document issued by competent authorities of the foreign state, where the vessel is registered directly before the change of a flag, which confirms that the right to sail under the flag of such state is suspended for a period of granting the right of the vessel to sail under the National flag of the Russian Federation;
- original and copy of bareboat charter;
- certificate of navigation;
- tonnage certificate;
- information of the vessel's identification number given by the International Maritime Organization;
- document which confirms that the charterer of the vessel under bareboat charter meets the requirements made to the proprietor of the vessel in accordance with item 1, article 15 of the Merchant Shipping Code of the Russian Federation;

- decision of the Ministry of Transport of the Russian Federation on provisional concession of the right to sail under the National flag of the Russian Federation to the foreign vessel, and on determination of the name of this vessel.

In accordance to the article 16 of the MSC, the right to sail under the Russian flag is granted since the time of registration of the vessel in one of the register books of the Russian Federation (State shipping register, ship book, and bareboat charter register). Thus, after registration of the vessel with one of the registers the Certificate of navigation under the flag of the Russian Federation will be given to the applicant.

As it follows from the information, written above, the vessel should pass a survey, and get a call signal before it's registration. In case of registration with the bareboat register it is also necessary to collect all the above listed documents.

2. PROCEDURE OF RECEIVING OF A LICENSE FOR THE SHIPBOARD RADIOSTATION

A procedure of the issue of a license for the shipboard radio station is regulated by Instruction of the First Deputy Minister of the Russian Federation for Communication and Informatization No. 37-y dated June 04, 2002 and by Regulation "On cooperation of Federal State Unitary Enterprise "Chief Radio Frequency Center" and Federal State Unitary Enterprise of radio frequency centers of federal districts on security of regulation of the use of radio frequencies and radio electronic facilities for civil application" approved by Order of the Ministry of Communications No. 226 dated November 12, 2001.

In accordance with these documents, licenses of shipboard stations for sea-going vessels are executed and issued by Federal State Unitary Enterprise "Chief Radio Frequency Center" on the basis of applications presented by shipowners through branches (divisions) of radio frequency centers of federal districts at the subjects of the Russian Federation in location of the port of registry of the vessel or directly through Federal State Unitary Enterprise of radio frequency centers of federal districts, when the port of registry of the vessel or a relevant radio frequency center of a federal district are in the territory of the same part of the Russian Federation.

Radio frequency centers of federal districts or their branches check the availability of documents that confirm the right to operate the vessel, correctness of completion of all boxes of the application, and the availability of documents on the basis of which the shipboard radio equipment is brought from abroad or bought in the territory of the Russia, as well. They draw a conclusion, which is sent to Federal State Unitary Enterprise "Chief Radio Frequency Center" along with the application. The application may also be sent directly to the Federal State Unitary Enterprise "Chief Radio Frequency Center". In this case the ship owner must present a notarized certificate of ownership or other documents, which confirm the right to operate the vessel, along with the application.

It is necessary for the vessels sailing in international waters to make an entry in the International list of shipboard radio stations. For this purpose the shipowner should conclude a contract with settlement body of Russia State Unitary Enterprise "Morsvyazsputnik" (address: 42, Varshavskoye Shosse, Moscow, 115230, tel. 967-18-50, 967-30-07, fax: 967-18-52, 967-18-34) and present a completed form in addition to the application before submitting an application to the radio frequency center of the federal district or its branch (division).

Executed licenses for shipboard radio stations are sent by the Chief Radio Frequency Center to branches (divisions) of radio frequency centers of federal districts at the subjects of the Russian Federation in location of the port of registry of the vessel. After payment of invoice made out by the Chief Radio Frequency Center, as well as invoice of the radio frequency center of a relevant federal district for performing works in respect to registration of radio electronic facilities specified in the license for the shipboard radio station, the branches (divisions) of radio frequency centers of federal districts at the subjects of the Russian Federation give these licenses to the ship owners.

The license is usually given for 3 years, but it is also possible to give the license without composition of radio equipment for 6 months.

3. ESTABLISHMENT OF THE INTERNATIONAL SAFETY MANAGEMENT CODE

The International Safety Management Code is a standard of establishment of the management system of safety operation of vessels and prevention of pollution (ISM Code) in the shipping company. The Code is regulated as obligatory requirements of SOLAS-74 and was incorporated in the Convention in 1994. According to requirements of chapter IX of SOLAS-74 the Code is applied to oil tankers, chemical tankers, gas carriers, bulk vessels and cargo high-speed vessels with gross tonnage of 500 and more tons since July 01, 1998.

All shipping companies, which operate the vessels making international trips, must work out and introduce into their production the safety management systems (SMS) corresponding to the requirements of the ISM Code. Principles of functioning of the SMS are applicable to any shipping company irrespective of the number of vessels. Introduction of the ISM Code provides safety operation of vessels and safety environment for humanity. It also prevents accidents and pollution of the sea. The SMS should be approved by the government of the state under the flag of which the vessel has the right to sail.

As stated above, Regulation of the Government of the Russian Federation No. 447 dated June 19, 2002 "On licensing of carrying and other activity carried out on sea transport" establishes in item 4, that conformity of a licensee and every vessel used for transportation of cargoes to the ISM Code requirements are the licensing requirements and conditions in carrying out of transportations of cargoes by sea transport. Therefore, it means, the license will not be given without obtaining the certificate of compliance for the shipping company and vessel.

The Russian Register of Shipping carries out the survey of vessels and company for conformity to the ISM Code requirements. The Register of Shipping maintains Rules for management of safety operation of vessels and prevention of pollution. The Rules establish a general procedure and conditions of survey of vessels and company for conformity to the ISM Code.

The Document of Conformity of the Company (DCC) and Certificate of Safety Management (CSM) are the documents, which confirm the fulfillment of the Rules. The CSM is issued for every vessel and the DCC is applied only to the types of the vessels, which have been produced for the initial survey. A possibility of issuing a provisional DCC and provisional CSM is allowed. The provisional DCC is issued for 12 month if the safety management system existing in the company provides the fulfillment of obligatory norms and rules as well as the use of codes, directions and standards, recommended by the IMO, the RF Government, and the Register. The provisional CSM is issued for 6 months in case of availability of a new vessel or a new type of the vessel in the company. Conditions of the issue of the provisional CSM are:

- DCC refers to this type of the vessel;
- SMS introduced on the vessel includes the basic elements of the Rules and has been carried out before the issue of the DCC;
- Captain and command personnel got familiar with the SMS and planned measures for its introduction;
- Instructions, which are obligatory to be applied on this type of the vessel, are given before leaving for the voyage;
- Plans of internal checks of the vessel for the near 3 months are approved;
- Documentation related to the SMS is made in the working language or in the language, which is understood by the crew.

A scope of the SMS documentation presented to the Register for approval is determined by the Register in accordance with the approved Manual or Certification. Requirements to documentation and a procedure of certification are established by the Certification system of shipping companies for conformity to the requirements of the ISMS (document is worked out by the Ministry of Transport).

As a rule, documentation necessary for certification is worked out by a specialized organization. It allows carry out the survey in a quick form. **In case of an independent elaboration of necessary documents, the procedure of approval of the documents by the Register is much more complicated.**

The company should assign a person responsible for safety of navigation. This person should take special courses and be certificated by the Ministry of Transport. The assigned person is responsible for provision the vessels with all resources and support of coastal services; he also should have a possibility of contact with the company management and be available for the vessels.

After preparation of all the documents, the Register is provided with applications, and representatives of the Register come to the company to check the safety management system and to issue provisional DCC and CSM. Provisional documents are issued even if all the formal requirements are observed. This is explained by the fact that the safety management system should be duly introduced and start to work. Only after that the permanent documents will be given.

4. OBTAINING OF A LICENSE FOR CARRIAGE OF CARGOES BY SEA TRANSPORT

In accordance with Law of the RF "On licensing of specific kinds of activity" No. 128-Φ3 dated August 08, 2001 the licensing kinds of activity include carriage of cargoes by sea transport. The law does not provide licensing of activity related to carriage of oil products, therefore, in order to perform activity related to carriage of oil products it is necessary to obtain a general license for carriage of cargoes by sea transport.

The procedure of issuing a license for carriage of cargoes by sea transport is regulated by Resolution of the Government of No. 447 dated June 19, 2002 "On licensing of carriage and other activity carried out on sea transport". This document establishes a list of documents required to obtain the license:

- a) application for receiving the license;
- b) copies of constituent documents and a document,
- c) copy of the certificate of registration of a licensee with a tax body;
- d) document conforming payment of a license fee for consideration of the application for granting the license by a licensing body;
- e) copy of the diploma of graduation from a marine educational institution of the official responsible for carriages of cargoes by sea transport;
- f) copies of the order on appointment of the official responsible for exercise of control for observance of the norms of safety and prevention of pollution of the environment, as well as copies of this official's diplomas, conforming the graduation from a marine educational institution by specialty "marine navigation" and for the right of the command personnel to take a relevant post in the crew of a sea-going vessel;
- g) copies of documents issued to the licensee and every vessel in accordance with the International Safety Management Code;
- h) copies of shipping documents – certificate of navigation under the national flag, certificate of ownership, certificate of navigation and classification certificate. If the licensee is not a proprietor of the vessel, a copy of the document, which confirms the use of the vessel on other legal ground should be presented;
- i) information of certification of crew members of sea-going vessels.

The Resolution also establishes the following licensing requirements and conditions in performing carriages of cargoes by sea transport:

- a) fulfillment of requirements of international treaties of the Russian Federation and standard acts of the Russian Federation for security of safety of navigation and prevention of pollution of the environment by the licensee;
- b) availability of vessels with the licensee as ownership, or on other legal ground, which are used for carriage of cargoes, and which have relevant shipping documents to be issued by the body for registration of vessels and by the body for technical supervision and classification of vessels;
- c) conformity of the licensee and every vessel issued for carriage of cargoes to the requirements of the International Safety Management Code;
- d) availability with the licensee of the official with higher professional marine education who is responsible for carriages of cargoes by sea transport;

e) availability of the official who is responsible for exercise of control for observance of the norms of safety of navigation and prevention of pollution of the environment, who has higher professional marine education and diploma, confirming the right to take a relevant post of the command personnel in the crew of a sea-going vessel;

f) manning of the vessel with certificated crew members in accordance with international treaties of the Russian Federation and standard legal acts of the Russian Federation in the sphere of certification of seamen as well as provision of the practice of their training on the vessels by the licensee;

g) presentation by the licensee to the licensing body of information about any changes in the composition of vessels declared by him for performing carriages of cargoes by sea, not later than during the 30-day period.

Licensing of carriages of cargoes by sea transport is performed by the Ministry of Transport of the Russian Federation. The term of the license for performing carriages by sea transport is 5 years.

5. OTHER DOCUMENTS REQUIRED TO OPERATE A TANKER

As it follows from the requirements made to the documents necessary for licensing, the shipowner, in addition to documents for conformity to the ISMC, should prepare the basic shipping documents for the vessel initially.

Besides the general shipping documents, the following specific documents for tankers can be named:

- International oil pollution prevention certificate (IOPP certificate) and supplements according to form A and B;
- International certificate of pollution prevention in cargoes of harmful liquid substances in bulk – NLS certificate;
- Certificate of insurance, or other financial guarantees in respect to civil liability for oil pollution damage;
- TOVALOP certificate, insurance.

IOPP certificate is an obligatory ship's document for all kinds of vessels, but it's is of a special importance for tankers because of the specific nature of cargoes being transported. The certificate is given on the basis of Chapter I, article 5 of MARPOL. The article establishes that the International oil pollution prevention certificate is issued to every tanker with gross tonnage of 150 RT and over, and any other vessel with gross tonnage of 400 RT and over. The Convention also establishes a form of the certificate as well as a form of supplements (Supplement 4 of the Convention). The certificate is issued by the Register on the basis of survey of the vessel.

NLS certificate is a specific for tankers and is also issued on the basis of MARPOL (Supplement II. The Rules of pollution prevention by harmful liquid substances carried in bulk). International certificate of pollution prevention in cargoes of harmful liquid substances in bulk is issued after survey which is carried out by the Register. The initial survey is carried out before putting the vessel into operation or prior initial issue of the certificate. It includes the full inspection of the structure, equipment, system, arrangements, devices and materials, and is carried out to verify that the structure, equipment, system, arrangements, devices and materials fully meet the applicable requirements of the Convention.

Necessity of issuing the Certificate of insurance and TOVALOP Certificate is established by the International Convention on civil liability for oil pollution damage. In accordance with the Convention, every vessel, which has on its board more than 2 thousand tons of oil should have a certificate that confirms the availability of financial guarantee for possible losses from oil pollution. Without such certificate vessels cannot transport oil and oil products between ports of countries signed the Convention. Taking these facts into account in 1969 owners of tankers concluded between them a voluntary agreement for liability for oil pollution - TOVALOP (Tankers Owners' Voluntary Agreement for Liability for Oil Pollution). TOVALOP Certificate is issued in insurance against risk of pollution of the sea from oil and oil products with one of the clubs. On the basis of this certificate the authority of the contracting country issues the Certificate of insurance. The requirements and procedure of the issue of it are established by article VII of the Convention. In the Russian Federation the issue of the Certificate is regulated by Order of the Ministry of Transport No. 147 dated November 25, 2002 "On approval of the Rules for issue and check of the certificates of insurance or other financial security of civil liability for loss from oil pollution". In accordance with this Order the certificate is given by the harbormaster.

Owing to introduction of the International Code for protection of vessels and port facilities (Code of PVPF), the vessel should have a specialist, who is responsible for the protection of the vessel and who has a certificate of the Ministry of Transport. The certificate is issued after taking course at the company authorized by the Ministry of Transport.

From July 01, in accordance with the Code of PVPF, certification is obligatory for all vessels. It means that every kind of transport should have a relevant certificate, documentation, and necessary

additional equipment; the crew should be trained and prepared. The specialization of a vessel protection officer may be got by chief mates, but only if they take a course of training at educational centers accredited for such purposes.

The issue of certificates for the vessel is imposed on marine administrations, but this right is also delegated to the Register.

6. RESTRICTION OF OPERATION OF SEA-GOING TANKERS

The 50th extraordinary session of the Marine Environment Committee, which took place on December 01-04, 2003 at the IMO headquarters in London amendments to Supplement 1 to MARPOL Convention, 73/78 were adopted, and amendments in rule 13G were made, new rule 13H was introduced. The essence of the amendments is in the new periods of removal of old and single-hull tankers from service, and in the prohibition to transport heavy grades of oil on such vessels.

The revised rules determines three categories of tankers:

Category 1. Tankers, which do not meet the requirements of protectively located isolated ballast tanks with tonnage of 20 tons and over, transporting crude oil, diesel fuel, heavy fuel or other lubricating materials, as well as with tonnage of 30 tons and over transporting other oil products.

Category 2. Tankers which meet the requirements of protectively located isolated ballast tanks with tonnage of 20 tons and over transporting crude oil, diesel fuel, heavy fuel or other lubricating materials, as well as with tonnage of 30 tons and over, transporting other oil products.

Category 3. Tankers with tonnage of 5 tons and over but less than in category 1 and 2.

Tankers should be removed from service in accordance with the below schedule:

Category of tanker	Date or year of removal from service
Category 1	April 05, 2005 for vessels built before April 05, 1982 2005 for vessels built after April 05, 1982
Category 2 and Category 3	April 05, 2005 for vessels built before April 05, 1977 2005 for vessels built after April 05, 1997 but before January 1978 2006 for vessels built in 1978 and 1979 2007 for vessels built in 1980 and 1981 2008 for vessels built in 1982 2009 for vessels built in 1983 2010 for vessels built in 1984 or later

As an additional preventive measure to all tankers of Category 1, which will be in operation after 2005 as well as to all tankers of Category 2, which will be in operation after 2010 the condition control system (CCS), that provides more strict check of quality of survey of the vessel' general condition, will be applied

The essence of new rule 13H is in the prohibition to all single-hull tankers to transport heavy oil products (oil of heavy grades) from April 05, 2005.

Amendments in MARPOL 73/78 will take effect from April 05, 2005.

7. ISO CERTIFICATION

The Russian legislation does not require from shipowners to have obligatory certification of their services on the ISO system or any other kinds of additional certification, except those, which are provided by the international documents (ISM). Today the most part of shipping companies strive for certification of their services, first of all to be competitive in the international service market.

In the Russian Federation the Register is the basic entity carrying out the certification of shipping companies. The Russian Register of Shipping carries out the certification of the systems of quality management and control of environmental protection for conformity to the requirements of the ISO international standards, series 9000 and 14000 in various branches of industry and services, and first of all, in the sphere of shipping.

8. REQUIREMENTS TO CREW MEMBERS

Tankers are referred to the type of vessels, to work on which it is necessary to have special certificates. These certificates are given by the harbormaster, if the documents which confirm taking the courses are presented.

9. OPERATION OF THE VESSEL UNDER A FOREIGN FLAG

In accordance with Resolution of the Government No. 404 dated May 24, 2000 "On carriages and towing in coastal navigation by the vessels sailing under the flag of a foreign state" towing and carriage of cargoes in coastal navigation by the vessels under the foreign flag may be only in the following case:

- If for carriages and towing a specialized fleet is required, and it is absent among the vessels sailing under the National flag of the Russian Federation
- If it is necessary to provide urgent carriages and towing, and there is no possibility to do it by the vessels sailing under the National flag of the Russian Federation.

Therefore, work under the foreign flag in coastal navigation is impossible.

If the vessel plans to work only in international carriages, the inconvenience of the foreign flag is only in excessive port rates. That's why the chose of the flag will depend on a specific scheme of using the vessel.

10. CONCLUSION

Undoubtedly, for starting the work in the market of carriages of oil products it is necessary to establish a company with the charter that states the goals of its establishment. There are no any special requirements to the company at the stage of its establishment. If there is a possibility, the existing organization may be taken and a new line of activity may be imparted to it. All requirements will arise at the stage of preparation of the company for direct activity on carriages: the requirements to the company personnel, organization of work of the company and the vessel itself.

In the main essence, the scheme of the beginning of work is the following:

1. Registration of the company;
2. Acquisition of the vessel or concluding a bareboat charter;
3. Obtaining of call signal, tonnage certificate, classification certificate and certificate of navigation;
4. Registration of the vessel with the State Register book or bareboat charter register, obtaining of the certificate of ownership and certificate of navigation under the flag of the Russian Federation;
5. Manning of the vessel with crew in accordance with the international requirements.
6. Appointment of persons who are responsible for safety and cargo transportations by sea transport. The qualification of such persons should be duly confirmed.
7. Submitting an application for obtaining of the license for shipboard radio station;
8. Obtaining the other ship's documents in accordance with the international conventions;
9. Beginning the procedure of establishment of the ISMC, obtaining of provisional CCD and CSM;
10. Obtaining the license for cargo transportations by sea transport.

In case of acquisition of the tanker into ownership it is necessary to take into account the new requirements of the IMO concerning the removal of obsolete tankers from service.

If the vessel is used under bareboat charter it is necessary to observe the same scheme as in the case of acquisition of the vessel into ownership, with the exception of the fact that instead of the Certificate of ownership the harbor master issues only the Certificate of navigation to sail under the Russian flag. It can be explained by the fact that the vessel will sail under the Russian flag and will obey the Russian laws, therefore, all formal requirements (licensing, survey, establishment of the ISMC, requirements to the crew) should be observed as if the vessel was in possession of a Russian company.

As is evident from the first section (Registration of the vessel) a peculiarity of the scheme of using the vessel under bareboat charter only consists of the list of the documents which should be collected in order to register the vessel at the port.

Another considerable difference is connected with customs clearance of vessels when using the various schemes.

When the vessel is acquired into ownership the treatment of the Release for domestic consumption use will be used (articles 163 and 164 of the Customs Code of the RF). The treatment supposes payment of customs dues (5% customs dues of the customs cost of the goods and 18% VAT).

When the vessel comes under bareboat charter the treatment of the Temporary import will be used. The treatment of the temporary import of goods into the territory of the Russian Federation is regulated by relevant provisions of the Customs Code (articles 209-214) and by Order of the State Customs Committee No. 1067 dated October 08, 2002 "On approval of the Regulation of customs treatment of temporary import (export) of the goods".

The amount of customs payments collected in this treatment will depend on the way of using of the vessel. The point is that Resolution of the Government No. 448 dated June 21, 2002 "On exemption of sea-going vessels temporarily imported into the customs territory of the Russian Federation from imposition of customs dues and taxes" allows getting full exemption from payment of customs dues provided that the vessel is used only in international carriages.

Concerning amounts of periodical payments. In accordance with Direction of the State Customs Committee No. 702-p dated July 03, 2001 "On some issues of the application of customs treatment of temporary import (export) of the goods" in case of partial exemption from payment of customs dues and taxes, for each full and partial month three percent of the amount of customs dues and taxes is collected which would be payable if the goods are released for free circulation (5% customs dues of the customs cost of the goods and 18% VAT).

There is a variant of using the vessel, which at the initial stage allows getting away from the necessity of taking the difficult procedure of licensing. The point is in using the company, which has a license for transportation of cargoes by sea transport and which had passed the procedure of survey for conformity to the ISMC (Operator). The Operator deals in the issues of crewing and technical management, but the issues of financial operation of the vessel are on the actual shipowner.

Taking into consideration, that the company-operator has already received the license for the transportation of cargoes, it is just necessary to make transportation agreements from the name of this company. The forms of confirming the operator-company as a ruler may be accomplished in different variants. (It can be ship management agreement, or agreement on cooperation.)