

FAS SET TO INCREASE GLOBAL MARKET SHARE

As a fiscally attractive and competitive, internationally recognized quality open ship registry, the FAS—after an overhaul during this year—is likely to attract hundreds of merchant vessels, according to the Faroese Maritime Authority (FMA).

THE FAROE ISLANDS open ship registry, the FAS, is undergoing a serious overhaul during the spring and summer of 2006 in an attempt to refocus the registry for global competitiveness. Following a one-year consideration, a task force report with recommendations was submitted in early February to Björn Kalsö, Minister of Fisheries and Maritime Affairs, proposing legislative adjustments for the FAS along with renewed commitment to comprehensive service and international marketing. According to task force chairman Óli Hans Hammer Olsen, managing director of the Faroese Maritime Authority (FMA), the report has been generally greeted with enthusiasm.

First floated more than ten years ago amid high hopes of rapid success, the limits to the competitive strength of the FAS have become soberingly apparent over the years. With a total of only 35 international merchant vessels registered in the FAS as of early 2006, what resembles a new sense of realism may have put the issue into perspective.

However, since the FMA was established under the home rule government of the Faroes, the prospects of the country becoming a popular flag jurisdiction for merchant ships have gradually become more visible—possibly partly as a result of a powerful lobby led by the likes of Mr Olsen, who himself happens to possess a highly relevant expertise as a professionally trained, internationally experienced master mariner with an additional master's degree in Shipping and Logistics.

For the FAS to succeed in attracting more vessels, according to the task force report, the strategy to pursue will have to be a clear positioning of it as a whitelisted, quality open registry. Underpinning that strategy, the remarkably large number of Faroese navigators and marine engineers makes up a powerful base that can be combined with construction competences and a host of professional, financial and maritime services. Additionally, the international-standard regulations of the FAS

with regard to social security, health care, safety and the environment may also serve to attract shipowners looking to build good public and employee relations.

“When it comes to maritime matters, the Faroe Islands has a unique base of knowledge and technical skills,” Mr Olsen maintained with reference to the country's approximately 3,400 persons—one eighth of the entire workforce—that qualify as trained navigators or marine engineers.



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“Faroese people are intimately connected to the sea in their daily lives,” he said. “Our experience with a rigorously controlled, closed ship registry that covers hundreds of commercial fishing vessels, together with our experience with the FAS, lays a solid foundation for building a successful quality open registry. What the task force really recommends is that we offer a unique service to advise vessel owners and help them comply with our high standards—which is something they will appreciate, inasmuch as time-consuming and ‘disruptive’ PSC [Port State Control] regulations and inspections are becoming tougher by the month. The idea is to make life easier for those with vessels registered in the FAS by making sure that the Faroese flag stays firm on the ‘white’ list of the Paris Memorandum of Understanding.”

“If we take a look at sea vessels with a gross tonnage of 1,000 and more, we have in the world approximately 31,000 ships. If our open registry had a market share of one percent, we would considerably increase the number of ships registered in the FAS.”

A few months ago, the FAS was complemented by a new tonnage tax regime that serves as an option to the 18-percent company profits tax principle. The tonnage tax option has been praised as a sign of progress but has largely been viewed as not adequately attractive in the marketplace. As to the taxing of employ-



ees on vessels registered in the FAS under the other option—the company profits tax system—a 36.12-percent withholding tax is currently levied with a built-in refund to the employer corresponding to 28 percent of the taxable wages paid, effectively leaving a 8.12-percent income tax with the Faroese government treasury.

The task force report recommended that the tax deducted from employee salaries be reduced to 23 percent and that the refund to the employer be increased likewise, reducing the effective income tax to about 5 percent. As to the current tonnage tax regime, the report advised a 25-percent reduction of the weight fee charged per net ton, while

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Primary assignment: preserving and improving safety at sea. Main tasks include preparing laws re. safety at sea, approval of minimum safe manning on ships, certification on ships upon surveys, issuance of certificates of competencies to seafarers. All regulations issued by the FMA correspond to and fulfill International Maritime Organisation (IMO) requirements. Reporting to the Ministry of Fisheries and Maritime Affairs, FMA cooperates with international organizations including the International Maritime Organisation (IMO) and the classification societies.

likewise advising financial incentives to encourage registration of multiple vessels and large-tonnage vessels. Moreover, the report recommended that the existing three registration fees under the tonnage tax system be merged into one single fee in a progressive scale that rewards higher tonnages, and a maximum registration fee of USD 25,000 to charge for vessels with a net tonnage of 50,000 or above.



FMA managing director Óli Hans Hammer Olsen; Samskip's Helgafell joined the FAS registry in 2005 (top); FAS registered car and passenger ferry Norröna (bottom right).