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Vessel Lay-Up



SHIPS

Vessel Lay-Up

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Introduction

A vessel is said to be laid-up when trading has been suspended and it is placed out of commission for a period of time. It may be moored alongside a berth, at anchor or secured to a buoy.

There are a number of reasons why a shipowner may wish to lay-up a vessel, but it is very often influenced by the economic trading conditions. If the demand or charter rates are such that the vessel is operating at a loss, then it may be in the owner's interest to reduce operating costs and vessel wear and tear by taking the vessel out of service.

The decision on where and how to lay-up a vessel must be properly considered and approval sought from the Flag State, classification society and insurers. It is essential that the vessel is maintained in a safe and secure condition and that the environment remains protected.

The principal factors when choosing the type and location of a lay-up, and its effect on P&I insurance, are considered in this briefing.

Types of Lay-Up

There are principally two categories of lay-up: hot and cold.

Hot Lay-up

Hot lay-up would be suitable for a vessel out of service for a relatively short period of time, with different levels of downscaling the on-board operation and the length of time required to reactivate the vessel.

The vessel must be securely moored in a safe port location. It is common for the vessel to be laid-up near potential cargo trade routes.

Machinery will be kept operational and Flag State and classification society requirements must be complied with.

Manning levels would normally be reduced to below those prescribed in the minimum safe manning document. A vessel with manning levels at or above statutory minimum manning requirements would be considered as "idling" rather than laid-up.

Cold Lay-up

If a vessel is to remain out of service for a longer period of time, then cold lay-up may be considered suitable.

In cold lay-up, the vessel is moored in a safe port location and all systems are shut down. However, emergency power may be maintained or in some cases the use of a temporary generator set. The location may be remote so access to vessel may be limited.

Usually there will be no crew remaining on board during cold lay-up. However, the risks associated with fire, flooding, mooring and security must be fully considered. This may mean that the attendance of some personnel may be required on board at times. These persons are often shore-based.

The vessel's equipment and systems should be preserved and details included in a lay-up plan. The preservation measures should be appropriate to the weather and environmental conditions expected at the lay-up site.

The vessel's original equipment manufacturers should also be consulted about critical equipment to ensure appropriate and comprehensive precautions are taken.

The lay-up plan should also include an outline of the maintenance required to prevent the deterioration of the vessel's machinery, equipment and structure.

The time to reactivate a vessel following a period of cold lay-up may take several weeks. There may also be a need to go to dry-dock before resuming trading.

All preparations during the lay-up should be well documented as it is very likely that the reactivation crew will be different from the lay-up crew.

Humidity presents a challenge when a vessel is in cold lay-up. The generation of moisture through high humidity levels can damage sensitive electrical and electronic equipment. It can also lead to the corrosion of metals as well as forming mould. Proper air dehumidifying is a critical factor in preventing these problems.

Vessel Lay-Up (cont.)



Machinery and systems shut down and preserved for cold lay-up

New challenges – Long term fuel storage

Long term fuel storage has taken a recent twist. Traditional residual marine fuels such as RMG 380 could remain stored in ship's tanks for long periods without any significant degradation. But the IMO 2020 sulphur cap has seen a move towards an array of diverse sulphur-compliant fuels, notably very low sulphur fuel oil (VLSFO) products, some of which are known to have potential long-term storage issues.

There have been numerous reported cases of VLSFOs found with high sediment levels and poor stability characteristics and even stable fuels which become unstable in a matter of weeks. This can severely adversely impact the storage life of the fuel.

Some VLSFO products are prone to waxing and are at risk of solidifying during storage if not maintained at the correct temperature.

The risks associated with the long-term storage of distillate fuels, such as marine gas oil (MGO) are well-established. Such products can age and suffer from microbial contamination as well as waxing.

In all cases, proper planning is vitally important to prevent fuel-related issues during lay-up or upon reactivation. Fuel additives are available to assist with stability and long-term storage, but their use should be discussed with the experts. Incorrectly used, additives can exacerbate the problem.

For more information on fuel storage and instability issues please refer to Signals 120 – The changing face of fuels [link](#).

Classification Society and Statutory Requirements

There are a number of interested parties who should be consulted prior to the lay-up of the vessel and upon reactivation.

Classification Societies

When considering lay-up, the vessel's classification society should always be consulted for their particular requirements.

In general terms, as long as the shipowner properly notifies the classification society, class will be maintained. It is usual for the class status to change to "laid-up" and some classification societies may require periodical lay-up surveys.

Many International Association of Classification Societies (IACS) members provide annexes in their rules or other guidelines covering classification society requirements, recommendations and survey requirements for laid-up vessels.

Flag State

Flag State should be notified when the vessel is laid-up or is taken out of service for a prolonged period of time. Most Flag States require some form of official notification.

Requirements can vary, ranging from a simple notification to the submission of a detailed lay-up plan that includes manning levels and contingency plans.

During the period of lay-up, the minimum safe manning document does not apply.

ISM and ISPS Certification

Depending on the type and period of lay-up, Flag States or recognised organisations acting on behalf of Flag States may suspend or withdraw the vessel's Safety Management Certificate (SMC) and International Ship Security Certificate (ISSC).

When the vessel is reactivated, surveys and/or audits will be required before the certificates can be re-issued.

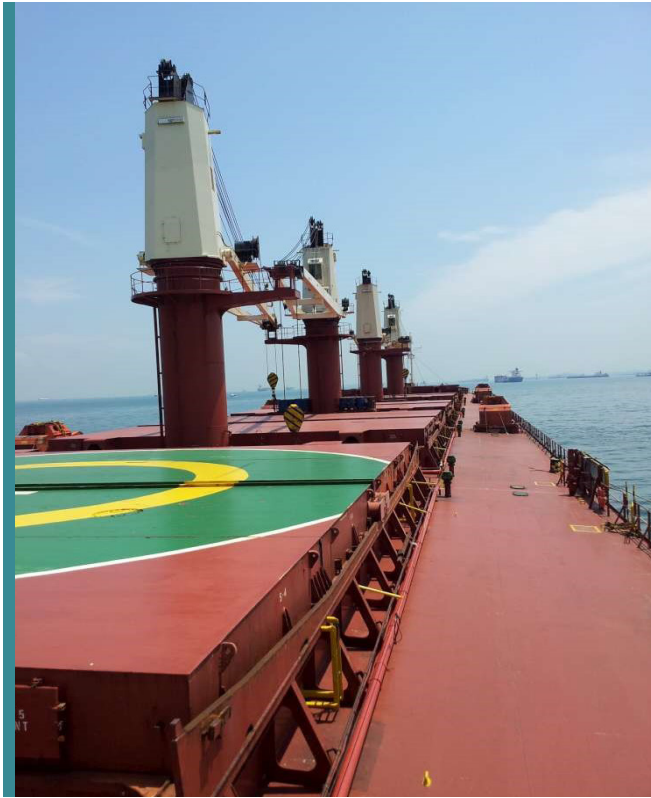
Reactivation

At time of reactivation, the vessel's Flag State and classification society will require any outstanding or overdue routine surveys to be satisfactorily completed.

In addition to any outstanding surveys, the classification society may carry out a reactivation survey. The scope of this survey will depend upon a number of factors such as the length of time in lay-up, the maintenance and preservative measures taken during lay-up, as well as the type and age of vessel.

There might not be a formal requirement of the classification societies to produce and follow a lay-up plan, but it can simplify and expedite the reactivation process if a suitable plan was in place and adhered to.

Vessel Lay-Up (cont.)



North P&I Requirements

The following section should be read in conjunction with the Club's Rule 15 and the renewal circular for the relevant policy year.

Notification

Members are reminded of the Club's requirements in respect of any entitlement to laid-up returns. Members should notify the Managers of their intention to lay-up a vessel providing relevant lay-up details.

The lay-up period should be for a minimum of 30 days.

A vessel is not considered laid-up if there is any cargo on board or if there is crew on board other than for maintenance, safety or security.

Safe Port Approval

The lay-up location should be in a safe port approved by the Managers in order to qualify for laid-up returns.

Guidance as to what constitutes a safe port should be sought from the vessel's classification society.

The local requirements applicable to specific lay-up locations and mooring arrangements are normally determined by the relevant port authority and an appropriate survey.

Members should be aware that a satisfactory survey of a location may need to be provided before the Managers can give approval.

A suitable lay-up declaration from an IACS classification society or a satisfactory survey report from an appropriate organisation, authority or specialist lay-up manager may be accepted in lieu of such a survey.

Class & Statutory Compliance

A vessel needs to be maintained in class throughout the period of entry. Therefore, all appropriate classification society requirements need to be complied with in order to maintain P&I cover.

All statutory requirements should also be complied with. Following the suspension or withdrawal of ISM or ISPS certification, the approval and acceptance by the Managers would be required for the continuation of P&I cover.

Reactivation

The Club must be advised in advance of any ship preparing to leave a period of lay-up. The ship may be required to undergo a survey in accordance with the requirements under Rule 30.

Laid-up Returns

In order to qualify for laid-up returns, the lay-up must meet the following criteria.

Vessel in **hot lay-up**:

- The lay-up location should be in a safe port approved by North's managers
- The lay-up period should be for a minimum of 30 days
- There should be no cargo on board
- The ship's machinery remains operational
- The crew level should be below that specified by the vessel's minimum safe manning document but sufficient to satisfy maintenance and security requirements.
- All statutory and classification society requirements should be complied with.

Vessel in **cold lay-up**:

- The lay-up location should be in a safe port approved by North's managers
- The lay-up period should be for a minimum of 30 days
- There should be no cargo on board
- The ship's equipment and machinery are not operational (emergency systems and temporary generator sets excepted)
- There should be no crew on board other than attending for maintenance or security.
- All statutory and classification society requirements should be complied with.

In accordance with Rule 15, the Managers have the discretion to agree a reduced allowance on laid-up returns if there are crew members on board, as may be the case with a hot lay-up.

For more information, please visit www.nepia.com    

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Vessel Lay-Up (cont.)

Further Information

North's current P&I Rules and renewal circulars can be found on its website:

www.nepia.com/latest/all-publications/rule-books-and-recommended-clauses/

www.nepia.com/latest/circulars

A list of the factors to be considered when choosing and evaluating a safe location can be found in Chapter 3 of the Lloyd's Register's publication "*A Guide to Laying Up Ships*" [here](#).

Disclaimer

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