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## **The Pandemic's Impact On Shipping: Cyprus' Action Plan**

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# THE PANDEMIC'S IMPACT ON SHIPPING

## CYPRUS' ACTION PLAN



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### Pandemic's Impact on Shipping generally

International trade and shipping play a key role in the transportation of essential supplies, foods and other necessities, a role which becomes even more significant during the ongoing COVID-19 pandemic. The continuing global outbreak has had a major impact on global shipping, affecting all shipping sectors from passenger ships to container ships and oil tankers. Further, the crisis caused by it escalated to unprecedented levels in Europe and globally, with a severe impact on health, people and economy. Many countries have responded to the pandemic by imposing lockdowns and/or restricting movement causing a severe disruption to the shipping industry while reduced manufacturing activity greatly affects shipment volumes and traffic.

It therefore comes as no surprise that the COVID-19 outbreak impacted marine traffic and the shipping industry, not least due to:

- the limitations in movements of passengers and crew members (heavily affecting passenger ships) which reduced both the income generating side and the operations / manning side of the industry, and;
- the lockdown measures in various Member States, reducing international trade and thus income generation on one hand, and increased competition for the remaining routes / sources of income on the other.

Since the start of the COVID-19 crisis, (inter alia) the EU Commission, the EU Member States, the International Maritime Organization (IMO) and generally the shipping industry have been taking measures to ensure the continuity of operations and thus the security of supply. However, as the COVID-19 pandemic continued to roll, ports have faced an unprecedented number of vessels at anchor and vessels queue up waiting for a spot to unload cargo.

### Cruise ship sector

Cruise ships, passenger/ro-ro ferries and other types of passenger ships are the 3 ship types mostly affected by COVID-19. Before the outbreak, the industry had enjoyed impressive growth, however, large coronavirus outbreaks on board a number of cruise ships, travel restrictions and port closures put the industry on hold. Every major cruise line in the world suspended departures sometime in March/April this year as the coronavirus outbreak grew with some returning to operations in limited number of vessels and areas sometime in August. In this new environment, cruise operators will face uncertain liabilities. A number of cruise lines face coronavirus-related legal action from crew, passengers and investors.

### Shipping Insurance

In terms of the ship insurance industry, while it is too early to estimate the increase in insured loss, it is

thought the biggest impact of pandemic-related insurance claims for marine will be felt by the cruise ship and protection and indemnity sectors, through ship-owners' liability to passengers and crew and disruption to operations.

The cargo insurance sector is also likely to see claims as lockdown measures cause delays to goods held in storage or in transit. High-value, perishable or temperature-sensitive cargo is particularly at risk of damage or reduced value, as the outbreak disrupts supply chains.

The coronavirus pandemic has brought about sudden changes for cargo transportation. Although cargo transportation is widely recognized as an essential activity, a number of cargo handling companies shut down operations during the outbreak while ports have been operating under restrictions. Delays may also result in cargo damage to perishable or temperature-sensitive goods. Damaged goods and containers are the most frequent causes of insurance industry claims in the shipping industry.

Ship-owners run the risk of delays and machinery breakdown as the pandemic hinders essential maintenance and servicing. Disruption in supply of spare parts and essential consumables like lube-oil and hydraulic oils can delay scheduled maintenance or result in crews using alternative grades or brands. At the same time, travel restrictions may affect the ability of specialist engineers to access ships to make repairs. These could have a detrimental effect on the safe operation of engines and machinery and potentially cause damage or breakdown.

### **Crew change**

The difficulties surrounding repatriation and crew changes also have a major impact on the shipping industry and on the seafarers themselves and have been identified as a priority issue. Seafarers have been collateral victims of the crisis, as travel restrictions imposed by governments around the world have left tens of thousands of them stranded on ships, or unable to join ships and thus created significant hurdles to crew changes and repatriation of seafarers, which has led to a growing humanitarian crisis as well as significant concerns for the safety of seafarers and shipping. Extended periods of working on board a vessel can lead to crew fatigue, which is known to be one of the underlying causes of human error, estimated to be a contributing factor in 75% to 96% of marine incidents.

IMO has issued recommended protocols for crew joining or leaving a ship, ensuring safe ship crew changes and travel during the coronavirus outbreak. IMO and other organizations have repeatedly urged governments to designate as "key workers" seafarers, marine personnel, fishing vessel personnel, offshore energy sector personnel and service provider personnel at ports, regardless of nationality. This keyworker designation will ensure that seafarers are exempted from travel restrictions and are able to travel to and from ships - a key element in allowing crew changes to take place.

### **Cyprus' Action Plan**

Cyprus Government is actively supporting the recommendations from the IMO, European Union, International Labour Organization and International Chamber of Shipping. by adopting measures early enough to facilitate crew changes in Cyprus ports, whilst ensuring the safety of public health. Cyprus is one of the countries which has designated seafarers as "key workers". Since May 2020, around 5000 seafarers have been repatriated or have been able to return to work through Cyprus, and a great

number of vessels of all types have visited Cyprus ports from all over the world, some of them remaining at Cyprus anchorages for a long period of time.

Pursuant to the Decree issued by the Ministry of Health of Cyprus titled “the Infectious Diseases (Determination of Measures against the Spread of COVID-19 Coronavirus Decree (No. 30) of 2020” , crew changes are possible at Cyprus ports provided certain conditions are met. The main conditions under which the entry and stay in the Republic shall be allowed of sailors and crew members of ships, who arrive on vessels that are docked in the harbours of the Republic, are:

(a) for the sailors and crew members of vessels, which arrive in the Republic from Category A countries and provided they have not docked during the preceding 14 days in a country not belonging to Category A, no molecular examination would be required for the COVID-19 disease.

(b) the sailors and crew members of vessels arriving in the Republic from Category B countries, provided they have not called within the preceding 14 days at a port of a country not belonging to the categories A and B, in accordance with the categorization, shall present a negative molecular examination certificate for the COVID-19 disease, valid 72 hours before the departure of the vessel, or the said persons shall be subjected to a molecular examination at the place of anchor and they shall remain on board the vessel until the result is issued.

(c) for vessels arriving in the Republic from countries which do not belong to the Categories A and B, the sailors and crew members: (i) are obliged to have completed 14 days in self-isolation and filled out a particular form issued by the Ministry of Transport, Communication and Works, as part of the protocol for change of crew, (ii) are obliged to undergo molecular examination for the COVID-19 disease upon disembarkation, (iii) these persons shall remain on the boat or in places of compulsory isolation (quarantine) until the result of the examination is out.

(d) if the persons referred to in paragraphs (a) to (c) above, are tested positive to the COVID-19 disease, they shall remain in a state of compulsory isolation (quarantine), subject to the medical protocol of the Ministry of Health.

The relevant decrees issued by the Ministry of Health of Cyprus also permit the long-term stay in anchorage of vessels, including cruise ships (warm lay-up). Also, the Minister of Transport, Communications and Works of Cyprus announced several restrictive measures for both the Cyprus Ports Authority and Contractors, Operators, and licensed agents for port services and port installations to implement. These relate to the disembarkation of passengers and crew, the crew of commercial vessels performing international voyages - who must return to Cyprus and strictly comply with the instructions of the Medical and Health Services - and the movement of members of the UNIFIL Command based onshore.

The Cyprus Shipping Deputy Ministry (SDM) formally announced in mid August a new revised procedure for facilitating crew changes in a more practical and effective way in accordance with the relevant instructions of the Minister of Transport, Communications and Works regarding the operation of Ports and Port Facilities as well as the related protocol for crew changes during the COVID-19 pandemic.

Generally, right after the outbreak of the pandemic, SDM has introduced special arrangements in order to ensure protection of public health and limit the spread of the virus but at the same time ensuring that

it remains fully operational and continuous to provide its services without any disruption, so that all ships registered under the Cyprus flag will continue to operate as usual. Thus, all requests, enquires and other documents regarding transactions in SDM are submitted electronically. All certificates, licenses and other documents issued by SDM are sent with registered mail and if the applicant requests it, by PDF form via email. Entry in the premises of SDM is only allowed to individuals that have scheduled appointments with officers of SDM.

Also SDM, in an effort to support shipping companies and owners of Cyprus Ships and to enable them to address the difficulties encountered due to the coronavirus outbreak has adopted urgent provisional measures relating to (inter alia) the extension of the validity period of certain seafarers certificates (such as Certificates of Competency, Certificates of Proficiency, Medical Fitness Certificates, Seafarer's Identification, and Sea Service Record Books) until 31/12/20 under specific conditions and where safety is not comprised. Acknowledging that Cyprus flag vessels and their operators alike are encountering increasing difficulties in arranging the surveys, audits, inspections and servicing activities required under national and international regulations due to a lack of availability of surveyors and auditors, travel restrictions, limited access to port facilities and the shutdown of many airports around the globe, SDM has extended the annual/intermediate/ period or renewal surveys for all ships' statutory certificates under certain circumstances and it may accept a remote inspection in lieu of the onboard survey, whenever the Recognised Organisation (RO) proposes that any of the above-mentioned surveys may be carried out by remote inspection techniques. In the event that the authorised RO is unable to attend the vessel to complete a survey or inspection leading to the endorsement or renewal of a relevant certificate, then a short-term certificate may be issued with validity of not more than 3 months from the date of expiration of the current certificate or the closure of the required window for the conduct of the required activity. It remains the responsibility of the operator and the Master to ensure that the vessel is maintained and operated in accordance with the statutory requirements for the duration of the short-term certificate. However, on expiration of the short-term certificate or earlier if circumstances permit, a survey or inspection, must be completed and a new certificate issued, aligned with the expiration date of the previous certificate.

In the current climate, SDM, the Cyprus Government and various Cypriot shipping associations, are working hard to support (inter alia) the Cyprus shipping industry and to provide guidance and recommendations as it is obvious that the pandemic has severely impacted the shipping industry and its operations, but unexpectedly resulted to the rapid advancement of technology. Due to physical distancing, digital tools and solutions are more important than ever. In this respect, SDM is working towards the development of a digital port state control platform and also is exploring the possibility of remote audits.

Another solution that is currently explored and has been widely applauded is the digital certificates. Given the current situation and the barriers in physical interaction, the digital certificates provide significant efficiency gains for the maritime sector, by reducing the administrative burdens for stakeholders and also reducing the document handling costs. Cyprus has made significant progress to simplify formalities and to transform the services to a paperless environment that will increase efficiency and attractiveness of the Cyprus Ships Registry and its relevant services. SDM is in the process of formulating a series of actions that will turn all its services digital creating the framework conditions for one-stop-shop.

Cyprus, being aware of the massive economic impact of COVID-19, including its possible medium and long-term effects on the shipping sector, is evaluating all the available options and through the European Recovery and Resilience Facility (ERRF) is examining ways to assist the sector to recover from the drastic downturn in passenger numbers and freight movements. The ERRF is strongly linked with the transition towards a “green and digital Europe” and on that basis, Cyprus is exploring ways to support the industry in the deployment and use of sustainable vessels, alternative fuels and the digital transformation of the shipping sector.

### **What the future holds**

Despite of all the efforts, supports the recommendations from (inter alia) the IMO, European Union, International Labour Organization and International Chamber of Shipping, future is here and is still unpredictable. The pandemic shows no signs of abating, there is no medical treatment for the moment that would allow mankind to return to its pre-COVID-19 way of living and working. It is a situation that is evolving day by day and the effects could be deep and long-term. What shipping will look like post COVID-19, is unclear.

With the above in mind, there are certain actions that shipping businesses may consider to take in order to face the challenges ahead such as:

- Review the terms of existing contracts and assess if there is the need to renegotiate terms or exercise contractual rights such as termination for force majeure, material adverse effect or breach;
- Check insurance policies for coverage;
- Think carefully before entering into new contracts to ensure that the terms envisage and are sufficiently flexible to deal with the uncertainties ahead;
- Check loan facility terms and approach lenders/financiers to discuss restructuring terms;
- Review employment arrangements and understand the availability of relevant state support and the process for seeking it;
- Establish practical policies for staff interaction with third parties, including suppliers and contractors and take measures to ensure the wellbeing and protection of staff;
- Invest in the digital and technological advancements;
- Develop business continuation plans that are sufficiently sophisticated to allow businesses to adapt to rapidly changing circumstances; and
- Prepare for disputes and take measures to minimise risk through effective contract management, adequate record keeping and evidence preservation.

Although coronavirus has struck at a difficult time for the maritime industry as it implements IMO 2020 (reduction of sulphur emissions), navigates issues such as climate change, political risks and piracy, the pandemic is calling for the shipping industry to adapt to new realities in order to secure public health and safety, whilst continuing its important role in transferring world trade.

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