

Bareboat Chartering 101

So... you have a yacht and want to make some money out of chartering your vessel. This article will provide you with the guidelines to have your U.S flagged vessel "charter ready".

In order to be in full compliance with the rules and regulations, a basic understanding of what a bareboat charter operation must be established. The information provided along with various definitions can be found in the Passenger Vessel Safety Act of 1993. In simple terms, a bareboat charter is a written charter agreement that provides no crew and the crew is not specified by the vessel owner. In this type of agreement, the charterer pays the crew and has the option of selecting the crew while retaining the authority to dismiss the crew for cause. Important note, full possession and control over the vessel must be vested in the charterer.

There are seven elements that need to be met in order to have a valid bareboat charter operation:

1. The charterer must have the option of selecting and paying crew. This means that the vessel owner may provide a list of qualified Captains, typically three or more to the charterer to select from or the charterer can find their own crew. If the charterer wants to hire their own crew, then the owner of the vessel may require general levels of proficiency for whatever crew is retained.
2. The master and crew shall be paid by the charterer.
3. All food, fuel, and stores are provided by the charterer.
4. All port and pilotage fees are paid by the charterer.
5. Insurance is obtained by the charterer at least to the extent of covering liability not included in the owners insurance.
6. The charterer may discharge, for cause, the master or any crew without approval from the vessel owner.
7. The vessel is surveyed upon delivery and return to the owner.

There are some aspects of the bareboat charter operation that may require further clarification:

- A bareboat chartered vessel shall NOT carry more than 12 passengers without a Certificate of Inspection (COI). This includes a scenario in which two charters meet at anchor each with 12 passengers and decide to nest; at no point can either one of the vessels carry more than 12 passengers without a COI. A charter vessel is considered to be carrying "passengers" whether moored or underway.

- The charter operation starts at the time the contract is signed. This includes the vessel being moored, anchored, or any other operation for that pre-determined period of time.
- A bareboat charter contract may not provide or dictate a crew. The charterer must be able to select a crew and have the ability to discharge the crew. The intent of this is to give the charterer ownership over the vessel and its crew. Providing or dictating the crew means that the charterer had no part in the selection process of the crew. If there is a selection of three or more masters, it is not considered as provided since the charterer chooses the vessel's crew.
- The owner of the vessel may NOT be the vessel master, be part of the crew, or in any way be on board during the vessel's charter. If the owner of the vessel is involved in any of the mentioned actions the requirement of rendering ownership is not met.
- The charterer is NOT considered a passenger, there can only be one charterer. It is not uncommon that several individuals charter a vessel, in this case, one person would be considered the charterer and the rest would be counted as passengers.
- A survey of the vessel must be completed and documented upon delivery and return to the owner. The extent of the survey is at the discretion of the charterer and needs to be documented as such; it is the equivalent to inspecting a rental car.

If you find yourself in a situation in which you require clarification on any of these aspects, feel free to contact your nearest Coast Guard Prevention Department to assist you with any questions you may have. Our goal is to promote safe marine operations within the scope of law.