

23 February 2017

TRANSPORT SELECT COMMITTEE INQUIRY INTO THE MARITIME GROWTH STUDY – SUBMISSION FROM MARITIME UK

Maritime UK welcomes the opportunity to submit to the Transport Select Committee its appraisal of the Maritime Growth Study, in particular progress to date and further opportunities, including those created by Britain's exit from the European Union.

Maritime UK is an “association of associations”, its membership mainly comprising the principal trade associations in the maritime sector, and embracing shipping, ports, maritime services (finance, brokerage, classification, insurance, legal services and information services) and the marine industries (shipbuilding, ship repair, marine manufacturing, marine technology and leisure craft management). Since its establishment in 2008, it has expanded to include the above activities together with regional associations, social partners and charitable institutions. With these credentials, Maritime UK has become the Government's industry partner in the delivery of the Maritime Growth Study.

Context

Britain's maritime industry is of strategic importance to the UK in two distinct ways. In its own right, it is a major economic contributor, with its net benefit to the country exceeding £22 billion according to Maritime UK's 2015 impact study. At the same time, as an island nation, Britain transports 95% of its exports and imports by sea, making its maritime supply chain critical to its economic and social wellbeing. For both of these reasons our maritime industries will continue to underpin the future success of the country in a post Brexit world in which global trading opportunities will have rarely been more important.

The economic and strategic importance of Britain's maritime sector has in recent years been unrecognized and under-appreciated. The country's maritime industries efficiently go about their business with no disruption. Despite their importance to the nation, they are rarely in the headlines and as they comprise mainly business-to-business activities they do not have the same political impact as rail, road and aviation. For these reasons in particular, the issues and opportunities of the maritime sector have, until recently, been overlooked by Government, and Britain's position as a maritime leader has been allowed to be threatened by aggressive and fast-growing maritime economies in Asia (most notably Singapore), Dubai and, closer to home, Denmark and other European countries. Favourable fiscal regimes are attracting shipowners elsewhere, there is pressure on our maritime service businesses as these activities tend to follow

shipowners, there has been under-investment in UK port connectivity, and Britain's growing marine industries have lacked recognition and encouragement. The Maritime Growth Study and its recommendations are therefore extremely welcome as tools to reverse these trends.

Progress on Maritime Growth Study Recommendations

Maritime UK believes that due to the Maritime Growth Study and the shared commitment to deliver on its recommendations, the levels of communication, collaboration and co-ordination between industry and Government on maritime affairs are at an unprecedentedly high level.

The attached document, prepared by the Department for Transport and Maritime UK, describes our joint view of the progress made against each of the Growth Study's recommendations. Maritime UK would comment additionally as follows:

Recommendation 1. The vision of Maritime UK is that "Britain provides a world-leading maritime offer." Its mission is "to drive forward an ambitious agenda for growth, to promote the UK as 'the world's maritime centre' and to unite the maritime community in meeting the challenges of tomorrow."

Recommendation 5. Officials from the Department for Transport are doing an outstanding job in galvanizing cross-Whitehall delivery of the recommendations of the Growth Study. Maritime UK sees the opportunity for more involvement from BEIS in supporting a maritime industrial strategy and is anxious to ensure that, alongside DIT, the Foreign & Commonwealth Office plays its part in identifying export opportunities through its embassies. The Department for Education has only recently been involved in the Growth Study having taken over responsibility for apprenticeships, and Maritime UK is anxious to see DfE participation grow.

Recommendation 6. Whilst there is as yet little visibility of a business case to change the status of the MCA, Maritime UK believes that this will be essential in transforming the Agency into a truly commercial and customer-focused organization capable of competing globally. Maritime UK is concerned that consideration is being given to increasing fees before a new value proposition has been created. The MCA can ill afford to lose ships from the UK Register during this period of transition.

Brexit Opportunities and Challenges

The pending exit of the UK from the European Union brings both opportunities and challenges for the growth of Britain's maritime sector, and these issues should now be incorporated into the response to the Maritime Growth Study.



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The UK Tonnage Tax is important in attracting inward investment. It incentivizes shipowners to administer their ships in the UK, therefore encouraging foreign companies to establish British bases, which in turn bring employment, the use of British maritime services and further indirect economic benefit. Particularly after Brexit it will be possible to make the UK's Tonnage Tax regime more competitive against Singapore, Dubai and other fast-growing centres by, inter alia, relieving onerous flag links, adding flexibility to strategic and commercial management tests, extending qualification to types of shipping currently excluded for unjustifiable reasons, growing the permissible proportion of chartered-in tonnage, etc. Separate work with DfT to increase SMarT funding will also help to make the vital training component of UK Tonnage Tax more affordable to potential entrants.

Industry is concerned that the UK's current statutory residency rules are an obstacle to attracting inward investment and that other models in countries such as Norway and Germany are more flexible. In order to make UK ship-owning more attractive, any Tonnage Tax reform should be accompanied by a review of residency rules in order to make UK ship-owning more attractive to the net benefit of the British economy.

London continues to be the world-leading centre for ship financing, but much of this is via branches of foreign banks based here. Industry is concerned that British banks, particularly those which have entered into public ownership, have been constrained in their ability to engage in ship finance, with the potential to miss out on valuable income streams and to limit the attractiveness of the UK's total maritime offer. In order to support the attractiveness of the UK as an international ship financing centre after the departure from the EU, it is important that British banks are not constrained in this respect.

A key result of leaving the European Union will be that the UK will increase its volume of global trade. Given that, as an island nation, Britain transports 95% of its imports and exports by sea, it is vital that our ports have better connectivity with major industrial and distribution hubs in the heart of the country. Many road and rail connections to ports are in need of upgrading and in view of the importance of the export supply chain, port connectivity should be placed on a par with other major transport infrastructure projects including HS2, CrossRail and London airport expansion. Land available at ports next to deep water, and with excellent road and rail connections, is a major asset capable of attracting fresh investment in new manufacturing; this in turn can help to drive exports and growth and re-balance the economy.

Maritime UK is very keen to see an ambitious industrial strategy for the maritime sector, and will be submitting a bid for a sector deal. The marine industry comprises a large number of SMEs, over 70% of which export, representing a major income stream for the UK. We are beginning to see a renaissance in British shipbuilding, most particularly smaller technologically advanced vessels alongside large naval contracts, but to accelerate this trend it is important for Government to provide support for SMEs to capitalise on this positive trend and recognize the economic benefit of UK procurement and an end-to-end UK supply chain, able to withstand international competition which is often subsidized. There are strong economic arguments for favouring domestic procurement and we are keen to explore this further with Government, particularly as Britain will not be tied to European competition rules in the future. Industry is very supportive of the MoD-led National Shipbuilding Strategy and wishes to see it extended to embrace all

One voice for UK shipping, ports, marine and business services.

types of shipbuilding, at the same time adopting the recommendations of Sir John Parker's independent report. Finally, Maritime UK is aware that Government has launched a review of R&D support for industry within which the maritime sector has so far been overlooked, whereas there are major opportunities for the UK in technologically advanced projects such as autonomous shipping.

The ferry sector in particular is most concerned about the impact of Britain's departure from the Customs Union and the enormous difficulties which this could bring to the movement of trucks and trailers across the English Channel, North Sea and Irish Sea. For example 17% of all British exports pass through the port of Dover which has an average throughput of 7,000 lorries per day, with an all-time peak of 10,558 on 23 November 2016. There is simply no space for vehicles to stop in the port and await clearance, nor any capability within the transport chain to generate declarations. If controls are to be applied to ro-ro traffic between the UK and its neighbours, these need to be focused on the purchase/sale of goods rather than on their arrival in or departure from the UK: with declarations demanded from importers/exporters (modelled perhaps on existing Intrastat declarations) rather than from hauliers or ferry operators and any physical stops and examinations undertaken remotely from the port. From a logistical perspective, ferry terminals are more akin to the Irish Land Boundary than to other UK ports, and whatever arrangements are devised for the Land Boundary are likely to work at ferry terminals too. Applying an old-style customs process, as exists at container terminals, at ro-ro ports would cause transport systems on both sides of the Channel to become gridlocked. Maritime UK recognizes that this must be handled through an ongoing dialogue with DExEU, and HMRC and other Departments responsible for health controls.

As in other global industries, many businesses in the maritime sector have chosen to establish European holding companies in the UK which is one of a number of EU member states which does not apply withholding tax to dividend and interest payments. A series of EU Tax Directives, for example the Parent Subsidiary Directive, facilitates these financial movements between member states, but as these directives fall away after Brexit, new forms of agreement will be urgently needed to prevent international businesses moving their European holding companies to other locations, to the detriment of the UK economy. Maritime UK welcomes HM Treasury's acknowledgement of this issue and continues to emphasise the importance of satisfactorily resolving this issue in the course of exit negotiations.

Maritime UK recognizes the political necessity of controlling the scale of immigration into Britain but is anxious that inadvertent consequences for the maritime sector are avoided. As a global industry, essential staff of various nationalities must continue to be allowed to work in the UK as necessary to maximize the performance of UK-based companies. This is particularly important in attracting foreign shipping and shipping service companies into the UK as they will typically wish to use existing employees to support the build-up of their UK establishments. Similarly it is important that reciprocal arrangements exist to allow UK nationals to fill essential positions overseas. UK-based ships, particularly those with very large crew complements such as cruise ships, frequently require crew changes and rely on the unimpeded movement of crewmembers between UK airports and ports. Maritime UK is anxious to ensure that such movements are not restricted through additional bureaucracy.

Cruise ships and ferries need to land large numbers of passengers, frequently 3,000 or more, quickly and efficiently at UK ports. For cruise ships in particular, non-UK passengers are in transit during day calls, bringing significant economic benefit to local communities before departing in the late afternoon. We are concerned that if the landing of EU passengers is made conditional on the purpose of their visit (so, for example, tourists are admitted but those seeking work are not), an interview may be required in every case, making the process of disembarkation intolerably slow. Furthermore, if UK citizens are required to purchase visas and vice versa, the cost of cruises along with other holidays will increase. The introduction of hostile and obstructive border controls and visa charges may well drive significant cruise tourism away from the UK to the economic detriment of the country's tourism industry. The passenger sector of the UK shipping industry, along with the tourism industry, is anxious to ensure that appropriate agreements are made with European neighbours to preserve passengers' ability to travel freely.

Maritime Growth Study Evolution

Maritime UK believes that the Maritime Growth Study is a living document which will grow and evolve as each work phase is completed and new and different opportunities open up, exiting the EU being one such example.

Much of the current Growth Study rightly focuses on creating the foundations for growth – industry and government leadership, regulatory platforms, skills platforms and a marketing plan. Once these foundations are in place, further growth opportunities can be developed, and Maritime UK believes that future focus should be as follows:

Skills and Career Development Strategy. Constant development and investment is essential in order to maintain British competitiveness in the maritime sector. British labour will never be the cheapest in such a global industry and it can only be competitive by being the best. There is a global shortage of maritime skills, particularly amongst ship's officers, and there are opportunities for British seafarers to work across the world whilst repatriating their earnings back to the UK to the economic benefit of the country.

Export Strategy. Until recently, the UK's maritime export offer has been greatly under-estimated and has received only limited support from UKTI. Backed by the Maritime Growth Study, industry is building a comprehensive maritime export offer, which is a sizeable proposition capable of securing significant promotional investment. Maritime UK is organising its first maritime trade mission to Shanghai 28-30 March, with support from Government, and a shortlist of other prime export markets has been identified. These initiatives should form the basis of an export strategy which includes bundled offers, bilateral agreements and a rolling trade show programme.

Inward Investment Strategy. With the world's largest and most comprehensive maritime services industry and a competitive fiscal regime, the UK is a highly attractive base from which to administer international shipping. The tools used to promote British maritime exports are equally applicable to encouraging



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international shipowners and operators to establish bases in this country. The success of this approach will depend on achieving Tonnage Tax reform as described above.

Industrial Strategy. The renaissance of UK shipbuilding and the proliferation of SMEs involved in maritime manufacturing and technology has been described above. Harnessing and promoting these activities in a maritime industrial strategy which is given equal support to other sector strategies is vital to our future maritime success. A maritime industrial strategy should be a centre-piece of the next revision of the Maritime Growth Study.

Concluding Remarks

Britain has an enviable maritime heritage which has helped to maintain its reputation as a global centre. Over recent decades, the country's pre-eminence has faded due to a combination of factors, and what remains is exposed to intense competition particularly from the emerging economies in Asia. The Maritime Growth Study is a welcome recognition of the current situation and is galvanizing industry and Government to work together to reverse recent trends and to restore the country's position as a global maritime leader. The decision to exit the European Union places still greater focus on global trade and provides opportunities to increase Britain's maritime competitiveness. At the same time it underscores the vital strategic role played by the maritime sector in Britain's export supply chain. Maritime UK looks forward to continuing to work with Government in the present spirit of collaboration to position the maritime sector at the centre of the country's future prosperity.

Maritime UK looks forward to developing these discussions in the course of the Transport Select Committee enquiry.

A copy of Maritime UK's strategic objectives is enclosed.

Yours sincerely

David Dingle CBE
Chairman

MARITIME UK STRATEGIC OBJECTIVES

- Act as “One Voice” for the common concerns of the sector – amplifying its profile, identifying common issues and promoting joint policy positions through industry campaigns and messaging.
- Promote the UK as the world-leading maritime nation by coordinating promotional campaigns to deliver growth for the sector, addressing the outside world and serving the interests of the wider economy by enabling trade.
- Work in partnership with government and other sectors to build a business and regulatory environment which reinforces the UK’s world leadership.
- Deliver an industry-wide skills strategy which ensures that increased numbers of people enter and build their careers in the sector, at sea and on shore, thus meeting the future labour needs of the sector.
- Deliver a programme of regional cluster development to drive sector growth across the UK.
- Provide the highest level of member service through engagement, communication and measurable delivery.