

# "BUILDING OUR INDUSTRIAL STRATEGY" GREEN PAPER RESPONSE

Maritime UK welcomes the opportunity to respond to the Government's '*Building our industrial strategy*' green paper on behalf of the maritime sector.

## **ABOUT MARITIME UK**

Maritime UK is an "association of associations", its membership mainly comprising the principal trade associations in the maritime sector, and embracing shipping, ports, marine and business services. 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 sector's promotional body and is uniquely positioned to respond to this consultation on behalf of the sector.

A number of individual Maritime UK members have replied to the consultation. This response seeks to highlight the common themes from each submission, and signals Maritime UK's intent to coordinate a series of ambitious sector deal bids.

## **THE MARITIME SECTOR**

The UK maritime sector is of strategic importance to the UK in two distinct ways:

1. In its own right, it is a major economic contributor, with its net benefit to the country exceeding £22 billion and supporting over 500,000 jobs.
2. 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 sector 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.

Industry has been working closely with government to implement the Maritime Growth Study. We see the industrial strategy, and a series of maritime sector deals within, as powerful tools to increase the pace of this work. Together we can ensure that the UK maritime sector is best-placed to serve the rest of the economy, and enhance its role as competitive, innovative and dynamic world-leading sector.



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The green paper is a welcome start to the development of an industrial strategy for the UK.

We believe the ten pillars identified within the green paper to be a sensible way of identifying and responding to the challenges that need to be addressed. The maritime sector plays a critical role within each pillar, and will be crucial to ensuring success by increasing productivity and delivering growth across the UK.

## **SCIENCE, RESEARCH AND INNOVATION INVESTMENT**

Many of the world's leading maritime industry research and training institutions, manufacturers and service providers are located in the UK. The sector features globally recognised and industry-leading brands that drive forward key developments in equipment, product design and technical innovation.

Research and Development in the maritime sector is extensive, supported by the world-class capabilities of UK universities and research institutes. The UK's maritime research landscape is further enriched as a result of the large numbers of small and medium-size enterprises (SMEs) at the forefront of R&D and innovation.

The UK has the potential to be a leading player in maritime autonomy and therefore the challenge area of robotics and artificial intelligence in the Industrial Challenge Strategy Fund is welcome. Indeed, maritime autonomy is an area where we are considering a sector deal bid. Skills implications will be a key part of this discussion.

Industry and academia have developed proposals for the creation of a 'national maritime research centre', which brings together the UK's excellent academic and research institutions, with industry, to address the demands for applied R&D spanning TRL (technology readiness levels) 3 to 7. In recognition of the existence of a number of highly valued bodies around the country, the Centre should be based on a hub and spoke model, similar to that of the High Value Manufacturing Catapult or the Composites Catapult in Bristol, to fully utilise the substantial infrastructure which currently exists in the UK. We are likely to be working on sector deal bid here too.

The government's intention to commission independent research on approaches to commercialisation is to be welcomed.

Businesses will invest more in R&D with support from government, but require clear guidance on what grants are available, followed by a simple and quick process to apply and access the funding.

## DEVELOPING SKILLS

### Technical Education

We welcome the Government's commitment to Technical Education. The maritime sector does not suffer from most of the problems itemised in the Green Paper, however; there is no "bewildering choice" of qualifications, for example. We can do more to clarify the options available, but for the most part both employers and individuals have readily-understood routes to professional qualification, most of which lead to certification which is recognised world-wide.

We worry that the Government's strategy may, paradoxically, end up *undermining* technical education because it follows Lord Sainsbury's too-stark distinction between 'academic' and 'technical' skills. All of us in a modern economy - and certainly all of us in the maritime sector - need both academic and technical skills, and the more sophisticated the skills required, the more that is true.

In particular we would commend as a model the path taken by trainee officers in the Merchant Navy, whose training is usually a three-year multi-part sandwich course including 12 months training spent at sea (a far higher ratio of on-the-job training than that recommended by Lord Sainsbury), culminating in an HNC, HND, a Foundation Degree, or a Scottish Professional Diploma. The goal for these trainee officers is 'Officer Of the Watch' status, which is recognised worldwide because it meets the criteria set by the International Maritime Organization. (These programmes are not statutory apprenticeships).

Illustrating the sector's readiness to embrace intelligent change, we fully support the enhancements recently proposed to the training model for junior officers, promoted as "SMarT Plus". 'SMarT' is the Support for Maritime Training provided by the Department for Transport. The SMarT Plus proposal, backed by the UK Chamber of Shipping, the Merchant Navy Training Board and both maritime trade unions, and will result in an increased number of officer cadets for modest additional cost to the Department for Transport.

### Apprenticeships

We are keen to see some stability in policy, so that the emphasis can switch from structural reform to the bigger task of encouraging more employers to use apprenticeships effectively as part of their workforce development programmes. The Government should make sure that in its communications to employers it tells them about *all* the apprenticeships available; the current web pages for the Institute of Apprenticeships feature only new-style Standards, and give no indication that existing framework-style apprenticeships even exist. That's unhelpful to employers.

We want apprenticeships at Level 2 to continue. We cannot comment on other sectors, but for us a Level 2 apprenticeship most certainly provides good progression for apprentices who have already achieved Level 2 academic qualifications. Apprentices gain an excellent foundation of skills which enable them to be

genuinely useful, and set them off on a path which offers good prospects for progression to higher levels based on their proven ability.

We support the proposal to simplify access to apprenticeships by adapting the UCAS model and applying it to them. This has long been talked about; we should get on with it. A simple transfer of the UCAS model may not be right, however, because apprenticeships are jobs. Employers must remain free, as they are now, to recruit direct without being forced to use a national vacancy system; any other approach is likely to put some employers off. The system should also be UK-wide, showing opportunities right across the country. It is common in the maritime sector for people to travel long distances for the right job, and any vacancy system created should support that.

### Upskilling

We are pleased to see the emphasis given to upskilling. Technological change in the maritime sector brings improvements both in safety and in competitiveness, which we very much welcome, and though most employers support their people as they invest in new developments, we also want to make sure that no one is left behind by technological change.

A simple step the Government could take is to provide people with a good range of information about what they can do themselves to improve their skills, and the financial help available to them. Government is inclined to adopt a “tied house” approach to these things, promoting only its own products and services. We recommend you instead to run a “free house”, promoting good quality products and services regardless of their origin. That will be more useful to people.

## INFRASTRUCTURE

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.

We welcome the government’s move to establish long-term investment in infrastructure developments.

In addition, economic benefits to the UK economy can come from looking beyond the country’s land mass and including the whole of our Exclusive Economic Zone (EEZ). A study by the then Department for Business Innovation & Skills supported by the Department for Food, Environment & Rural Affairs, Maritime &

Coastguard Agency and The Crown Estate identified that a seabed mapping programme of the 70% of the UK's EEZ which is currently not in the public domain, effectively an 'ordnance survey' of the seabed, would generate GDP benefits four to five times the cost. This has been the experience of Ireland, Norway and France.

The outputs would make better quality data available to meet the economic and environmental needs of the country leading to new opportunities to share data and achieve innovative ways of mapping data in the future. The programme would support and develop the UK's leading role in maritime autonomy, as these pioneering and innovative UK vessels would be suited to gathering the data. The government should view this programme as an essential investment into the public knowledge of our island which is of equal importance to the road and rail improvements envisaged in the Green Paper.

The maritime sector also requires that access is maintained to waterfront sites. Boat builders, for instance, need access to waterfront premises to undertake their day-to-day business. It is vital that strategic waterfront sites are not lost to those ventures perceived to be more lucrative, like property developments.

## **FINANCE**

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.

## **ENCOURAGING BUSINESS TO START & GROW**

The Government needs to bring back the Manufacturing Advisory Service (MAS). Before this body was cut as a result of the 2016 spending review, it was starting to make significant inroads into the UK's marine industry, engaging with small manufacturers across the sector and helping them to become more productive and access the support available. While it had been hoped that the Local Enterprise Partnerships and Growth Hubs would replace MAS, our members and their member companies suggest this has not been the case.

MAS was helping many small marine manufacturing companies to make changes to their processes, helping them modernise and consider alternative options. In what is effectively a cottage industry, this external input was extremely valuable in helping small companies make changes that enabled them to grow.

The work MAS also did to support and advise on the reshoring of processes back to the UK was particularly welcome. Over the years many production functions in marine have been outsourced overseas due to costs and skills availability. In recent years, UK marine manufacturers have been looking at bringing this production back to the UK, to gain more control over the process and to counteract cost rises. While some of the LEPs have been capable of providing support, they are still not adequately resourced to meet the needs (and timeframes) that marine businesses want to work to. It is necessary to centralise this work/function again, to ensure that manufacturing businesses get quick and suitable support.

We are encouraged to hear that the BEIS is reviewing proposals to bring back MAS (or something like it) and we would strongly support central Government resource going into this. Our members would be happy to provide a list of case study companies who would welcome MAS' return and work with the Department to ensure that the new/returning body has the industry's support and meets its needs.

We are keen to see new start-ups entering the sector, and will give thought as part of the sector deal process as to whether industry and government can do more together to encourage this to happen.

## **PROCUREMENT**

The maritime sector sees huge potential opportunity in reviewing the existing rules around government procurement.

Where an acquisition strategy is to be based on an international competition, the concept of a "level playing field" must be assured so that the competition is unambiguously transparent and fair. What constitutes a "level playing field" needs to be tautly defined and should take account of those factors imposed on UK shipyards, manufacturing facilities and service businesses, all of which contribute inherently to greater costs and an unwelcome bias in the market.

Consideration should also be given to the level playing field concept over the life of the project. This does not mean we seek a diminution of regulation and standards and we would applaud the concept of a "balanced scorecard" for the assessment of value for money in shipbuilding and other defence tenders which must address not just the narrow procurement costs but the wider socio-economic benefits to the overall UK economy in a genuinely quantifiable manner

The importance of nurturing the UK supply chain so that the generation of innovation, much trumpeted by the Government, must become a reality, especially for SMEs. The Government needs to redefine "value for money" to include the creation of UK prosperity and the sustainment of UK supply chain health. For example, whilst it is recognised that all complex ship systems and materials for shipbuilding contracts placed in the UK cannot be sourced exclusively from the UK supply chain, a threshold should be established, in percentage terms of the overall contract cost, for a significant total of the overall value to be placed with companies, especially SMEs, in the UK supply chain and this should be rigorously enforced

The utilisation of government procurement to drive innovation should be adopted as a baseline requirement in public sector contracts.

More generally, much more could be done to simplify the public procurement process and encourage greater participation from SMEs across the sector. Work to explain the process, and increase awareness of opportunities should be delivered in partnership with the relevant trade bodies.

## **INTERNATIONAL TRADE**

Maritime has an unparalleled role in facilitating and enabling UK trade with the rest of the world. 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.

As the UK leaves the EU and looks to a future outside the European Union, there are numerous potential trade deals to be negotiated.

Our sector too has its own world-leading products and services to export, and together with government, we can do more to increase our competitiveness and promote our offering across the world.

A number of our members are Trade Challenge Partners, and their experience is that government support for exports is not consistent and does not permit long term planning. They find companies are rationing their moves into new markets because they cannot receive timely information on the availability of support mechanisms.

A coherent programme of long term state support for exporters is long overdue. This scheme should persist through and survive changes in government. It should include much closer working of government and industry in identifying, undertaking and fulfilling what are likely to be government to government contracts. It has to be realised that it is the whole UK enterprise that has to be competitive vis-a-vis the exports and economies of other countries and that winning and completing the largest export contracts requires active and detailed government participation.

There needs to be better familiarisation and knowledge across the sector with customer and supplier working together to encourage competitive expertise and products. Growth in the domestic market will encourage and develop enhanced indigenous capability which can then be exported. Effectively, the creation of a virtuous circle of capability enhancement between domestic and export markets. Government procurement programmes can be an important driver of this process and thereby create an exportable proposition.

In comparison to many of our international competitors the UK needs to undertake far more long term bilateral government to government deals. The Foreign & Commonwealth Office (FCO) and Department for International Trade (DIT) need to build an awareness and capability for those working in posts to become a truly overseas sales force for the UK, hunting for business rather than just facilitating enquiries many of which come too late. Equally, every effort should be made to retain market specialists in post, as the loss of experienced individuals can have a serious impact upon the effectiveness of individual export efforts.

The foregoing effectively calls for a 'Team UK' approach emulating competitor countries such as Norway, Germany, France and Japan. This approach could be applied across the whole spectrum of business activity.

The launch and development of UK Export Finance has been a welcome support for companies of all sizes and can, with some justification, be viewed as 'best in class' against the UK's major competitors in the export market. The 'can do' approach by officials in UK Export Finance has been a breath of fresh air and we are aware of a number of worthwhile interventions by them to help industry secure much needed business overseas.

However, the partnership concept with Department for International Trade (DIT) (previously UK Trade & Investment) is flawed and does not operate like a 'partnership', with the TCPs (in the main not-for-profit bodies) expected to provide their expertise freely or for little reward, divesting their intellectual property, frequently to third party for-profit organisations commissioned by DIT to deliver their programmes.

The trade associations which qualified as TCPs should be entrusted to deliver mutually agreed programmes directly for DIT to ensure that industry truly benefits and savings are made to the government purse.

With an eye on the new international opportunities leaving the EU opens up, we want to see the removal of visa constraints which have hindered our world-renowned specialist colleges and universities from winning more export business.

Industry and government should agree priority export markets, aligning resources and maximising output. During this process it will be realised that whilst there are a number of exciting new markets for maritime products and services, existing and established markets are incredibly important too.

## **INWARD INVESTMENT**

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.





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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.

We believe that DIT's current inward investment focus is too 'reactive' and needs to be much more 'proactive', in a similar way to the UK's competitors. Our recent trade mission to China demonstrated that DIT has a limited awareness of key individuals of interest to the UK maritime sector. There should be far greater cross-sectoral awareness, where infrastructure investors, for example, are highlighted to all sectors, rather than solely those which marry with DIT's internal campaign targets.

### **LOCAL GROWTH**

From shipyards on the Clyde, to boat builders on the South Coast, The maritime sector contributes to economic development across the whole country.

Maritime UK is working with regional maritime cluster organisations, such as Mersey Maritime, to capitalise upon the triumvirate of industry, academia and increasingly powerful local government, to foster innovation, increase productivity and deliver growth. We are working to take this successful model across the UK, supporting existing clusters to share best practice, and support Maritime UK's vision of a world-beating maritime sector.

The proposed 'national maritime research centre', operating on a hub and spoke model, will link regional innovative centres of R&D excellence together, ensuring that national priorities are delivered by, and benefit, local economies too.

Whilst supporting regional development, we add that there remains a role for national frameworks, and we are keen to make sure that where regulations and programmes are best delivered UK-wide, policy should allow for this. In doing so, we can avoid making things more difficult for companies which operate in more than one locality.

### **SECTOR DEALS**

Maritime UK came into existence in part to respond to the concern that 'maritime' in the UK was fragmented and not well-defined. Having become the maritime sector's promotional body, with members comprising the

UK's shipping, ports, marine and business service industries, we are well placed to coordinate a series of ambitious sector deal bids.

We will engage the widest range of stakeholders within the sector through our member and non-member maritime community. A series of workshops on each potential sector deal will be organised with the relevant Maritime UK Working Group, and we look forward to Government playing an active role in these discussions.

Maritime UK will be submitting bids for a series of ambitious sector deals, covering specific projects in a number of key areas, including: **Innovation, Skills, Exports** and **Infrastructure**.

The CBI's submission to this consultation argues that a sector seeking a deal should meet one of the following criteria:

Sector deals should meet at least one of the following criteria to get support

1. Strengthening one of the UK's world-leading sectors
2. Potential to become a world-leading sector
3. Demonstrate strategic importance to the UK economy
4. Collaboration across sectors to take on economic challenges
5. A clear plan to help achieve the UK 2030 vision at scale

We believe that meets each of these criteria. Not only does the UK maritime sector lead the world in a number of key areas, but it is also clearly of strategic importance to the UK's economic future as a global trading nation.

David Dingle CBE, Chairman of Maritime UK, will act as maritime "sector champion", serving as the figurehead for the maritime sector's bid. Individual components or chapters of the bid will be brought forward in waves, led by relevant industry figures.

An ambitious UK industrial strategy can ensure that the maritime sector is optimised to facilitate, enable and create the form of global trading Britain necessary to deliver success as the UK leaves the European Union. But we can also ensure that a series of targeted sector deals deliver competitive advantage to the UK maritime sector, delivering growth and prosperity across the whole country.

Maritime UK looks forward to continuing to work with Government to ensure the maritime sector is at the centre of the country's future prosperity. We look forward to continuing to work with BEIS as we create and submit our ambitious sector deal bids.