



MARITIME
UK

2020 BUDGET MARITIME UK SUBMISSION



Dear Chancellor,

The UK is one of the world's leading maritime nations. Not only does the sector bear unique responsibility for enabling trade with the rest of the world, but we also export innovative maritime products and services. With cutting-edge technology, high-quality design and manufacturing, unparalleled expertise in services and major investment opportunities, the UK can claim to be the natural home for global maritime business.

However, this should not be taken for granted. Maritime is the most global of industries and other countries are keen to establish and strengthen their positions as competitive alternatives. The decision to embrace maritime in countries like Singapore and across Scandinavia means the UK's historic position as the default place for maritime investment and business is being aggressively challenged.

Maritime makes a unique contribution to coastal communities across Britain. Economically and emotionally hard wired into the fabric of these communities, following our withdrawal from the European Union, we have a golden opportunity to transform their fortunes by backing this sector. A sector forecast to double in size to \$3trn by 2030. Already supporting a total 1.1m jobs, adding £46.1bn to the national economy and investing over £500m each year in our ports, the sector is well placed to contribute to a national renewal for our coastal communities, and in doing so rebalance our economy.

There is no greater moral or economic challenge than responding to climate change, and the sector is committed to reaching net zero by 2050, but there is a tremendous amount for us to do to get there. Both in finding the technological solutions to move vessels, and then to be able to service them in our ports and across inland waterways. Meeting the challenge will require serious investment by both industry and government, and we must act now. Alone, industry will not be able to get us there.

The government has made a positive start on this agenda through Maritime 2050, however there are specific regulatory changes that need to be implemented and key projects that must receive government investment to enable the next stage of delivery to ensure our position through the next decade.

We look forward to engaging with you and your team on this agenda and working together to ensure that the UK is able to realise its potential in the coming decade following our withdrawal from the European Union.

Harry Theochari
Chair, Maritime UK

Introduction

The new government has set out its priorities for the budget, and we believe that the UK’s maritime sector is uniquely placed to support action against those priorities.



Levelling up and delivering growth across all parts of the country

With the maritime sector making a substantial macroeconomic contribution to all nations and regions of the UK, support for the sector will benefit the entire country. With the sector globally forecast to double in size by 2030, we can genuinely support growth in all parts of the country, rather than simply shifting economic activity from one part to another. Through a combination of new Free Ports, regulatory changes, investment in infrastructure and domestic procurement, we have an agenda to transform and renew our coastal communities.



Tackling climate change and meeting the government’s net-zero target

The UN’s International Maritime Organization, based in London, has set an international target of 50% reduction in greenhouse gas emissions by 2050. With the UK setting an even more ambitious target, there is a real opportunity for the UK to gain first-mover advantage and to then export new products and services across this most global of industries. Maritime transport is also by far the most carbon efficient mode for moving goods and provides an opportunity to support wider government objectives by moving goods from road and rail to vessels by coastal and inland shipping.



Boosting trade and championing free trade

The maritime sector is responsible for enabling 95% of all UK international trade, totalling over £500bn per year. Government’s ambition to increase UK trade following withdrawal from the European Union will be delivered by this sector. Moreover, the maritime sector exports its own products and services with global pre-eminence in several areas.



Strengthening the union

By its nature the sector is UK-wide, primarily but not exclusively focused around the coast. One of the industry’s key national projects, a new UK-wide research and innovation vehicle, is based on the concept of uniting all parts of the country to realise the total value of expertise and capacity found across the country. Based at the University of Strathclyde and with spokes at different locations across the country, it will be central to the UK finding the technological solutions to realise maritime decarbonization.

The maritime sector makes a substantive macroeconomic contribution to the UK through turnover, Gross Value Added (GVA), employment and through the compensation of employees. It is estimated that the sector directly supported just over £47 billion in business turnover, £17 billion in GVA and 220,100 jobs for UK employees in 2017. The marine engineering and scientific (MES) and shipping industries are the largest constituent industries in terms of economic activity, contributing £5.1 billion and £6.1 billion in GVA respectively, and directly supporting around 81,900 jobs and 59,400 jobs in 2017.

After quantifying the indirect economic impacts through the industry supply chains and induced effects on expenditures, it is estimated that the Maritime Sector helped to support a total of £46.1 billion of GVA in 2017. This implies that, for every £1 in GVA directly contributed on average by the sector, a total of £2.71 in GVA was supported across the UK economy. These aggregate economic impacts associated with the Maritime Sector also extend to turnover, employment and the compensation of employees. It is estimated that the Maritime Sector helped to support a total of £108.8 billion in turnover, 1,066,000 jobs and £21.6 billion through the compensation of employees in 2017.

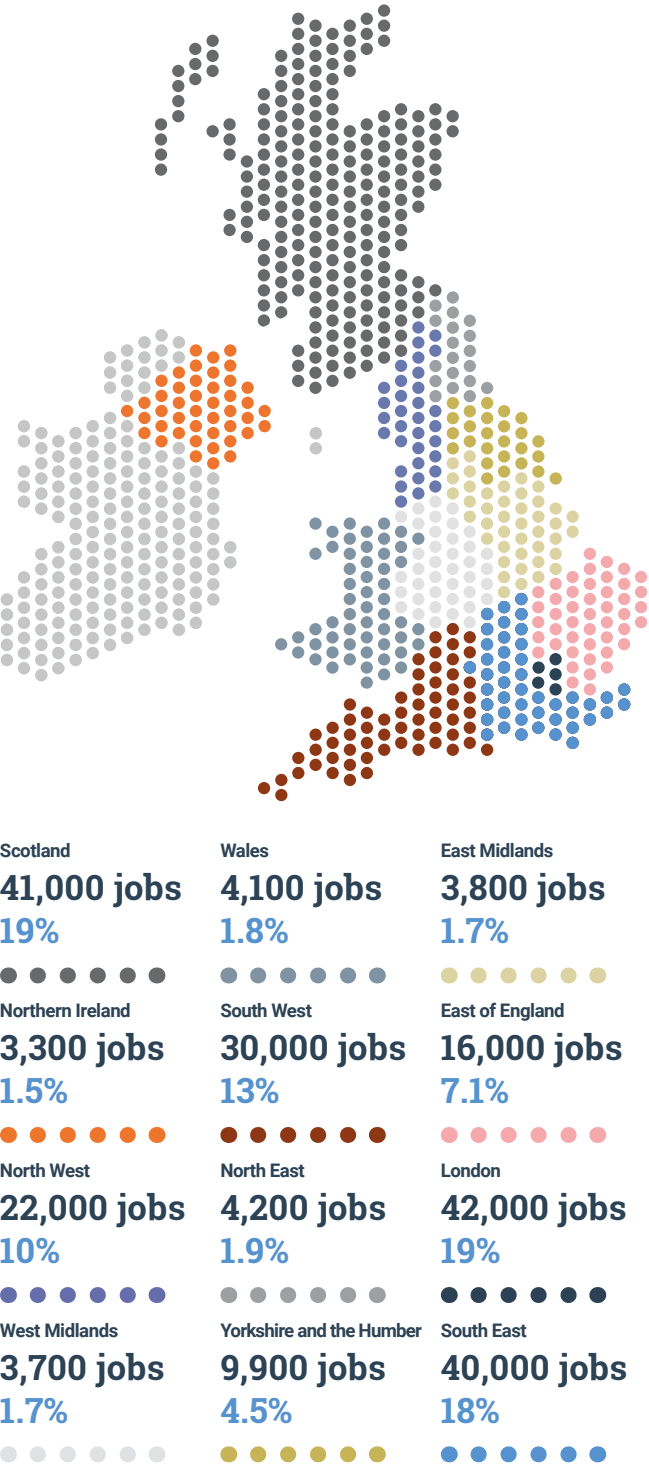
TABLE 1

Turnover in 2017	Direct Impact	Indirect Impact	Induced Impact	Aggregate Impact
MARITIME TOTAL	47,372	38,878	22,591	108,842
Shipping	18,936	16,546	9,481	44,963
Ports	4,768	4,790	2,780	12,338
Leisure marine	2,807	2,294	1,407	6,508
Marine engineering and scientific	14,239	9,861	6,111	30,212
Maritime Business Services	6,608	5,375	2,805	14,789

Average productivity in the Maritime Sector – as measured through the GVA generated by each job – exceeds that of the national average. Average productivity in each maritime industry also exceeded the national average in each year from 2010 to 2017.

Map showing contribution of the sector to all nations and regions of the UK.

Figure 1: Regional breakdown through the employment directly contributed by the Maritime Sector, 2017



Note: Figures subject to rounding to nearest 1000 jobs. Source: UKCoS, British Marine, PwC, FAME, ONS, Cebr analysis



Maritime UK's budget submission urges the Chancellor to consider action in the following areas:

1

Supporting maritime growth in coastal communities to help level up all parts of the United Kingdom

Responding to the government's commitment to 'level up' the economy, government should make certain, specific changes to planning rules to speed up the pace of private investment by ports in their communities, invest in connectivity and infrastructure and procure the Royal Navy's new support ships in the UK to provide work for yards and to develop their exportability capability.

2

Building a comprehensive package to support decarbonisation in the maritime industries

Building on the Department for Transport's efforts to establish Maritime Research & Innovation UK with industry and academia as the national collaborative body to identify technological solutions to maritime decarbonisation, the government should provide funding to accelerate its work. Recognising that propulsion is only one part of the puzzle and that no port in the world has established the means to receive vessels with new propulsion technologies, government funding to green our maritime infrastructure will be needed.

3

Supporting more SME maritime companies to export

Building on Department for International Trade's five-year plan for maritime exports and investment, Government should introduce a dedicated maritime sector GREAT marketing campaign and establish a Maritime Trade Fund to enable SMEs to attend the major international trade shows for the sector across the world.

1

Driving growth in coastal communities to help level up all parts of the United Kingdom

Large parts of our country have felt that globalisation has not benefited them. Many coastal communities have lost traditional industries, and have not seen them replaced. Hardwired into the economic and emotional fabric of coastal communities, maritime can drive new growth and doesn't simply need government funds to do so.

Coastal communities have seen much weaker economic growth since the financial crisis than other parts of the country. While the size of Britain's coastal economy grew by 7.5% between 2010 and 2017, the rest of the country's economy grew more than twice as fast, by 17.1%. The economic growth gap between coastal communities and other parts of the country is greater than was the case before the financial crisis.¹

Whilst our ports clearly need government investment in better connectivity and associated maritime activity like shipbuilding and ship repair, they are eager to invest more of their own money, quicker. It is testament to international investor confidence in the British economy that our ports have little difficulty in raising investment capital.

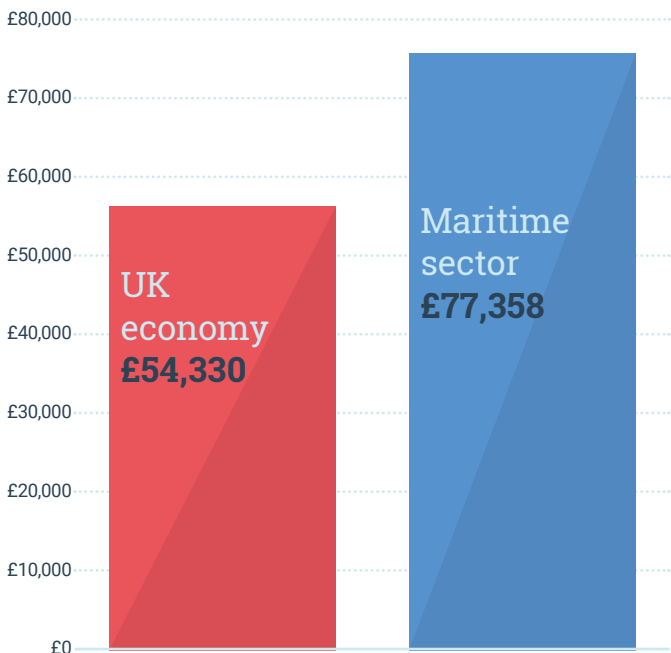
We estimate that if government makes a small number of specific modifications to the planning and development rules, our ports will invest an additional £100m of their capital each year. That's on top of the £500m they currently invest in their communities. Maritime is 42% more productive than the national average, so backing maritime makes smart economic sense.

With the sector due to double in size by 2030, coastal communities can be at the heart of the UK's rising to that global challenge, bringing jobs and prosperity to all parts of our coastline. We seek enhanced engagement with MHCLG to progress these proposals.

Coastal communities, particularly in the North East of England, would receive an immediate boost from government procuring the three new Fleet Solid Support Ships in UK yards.

The "coastal community wage gap" widened substantially in 2018. Average employee annual pay in coastal communities was about £4,700 lower than in the rest of Great Britain in 2018. This compares with a wage gap of about £3,200 in 2017.²


Figure 2: Productivity (GVA per worker, 2017)



Review of planning and development rules

Industry proposes a number of changes to planning law and other legislation that will allow ports to invest more quickly and flexibly, and with greater confidence. This increases the capability of the UK to trade with the world, absolutely essential however Brexit plays out with 95% of the UK's trade in goods passing through its ports. Importantly, many of the reforms suggested in the plan will not just boost UK ports, but the coastal communities around them.

UK ports currently invest £600m each year, with £1.7bn in the development pipeline. They are keen to do more. It is estimated that there would be a £100m uplift in investment by ports if our proposals were implemented.



Unlock at least

£100m

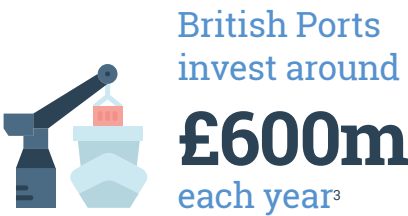
further private investment by ports each year

Common sense reform of local planning law is central to the plan, in order to give ports greater ability to invest and grow.

- We should broaden the scope of Permitted Development rights for UK ports to make investment faster and easier and increase the potential for growing good, value added jobs. This requires speed in decision making and enabling ports to be agile in responding to investment opportunities, including where UK ports are in competition with EU alternatives, and expanding activities into new and higher value areas.
- We need a revised definition of 'operational land' so it better reflects the modern major ports business, and covers the full area used by multimodal ports – so that regulation recognises that the activities of modern ports are not to the ship to shore transfer, but that they are important centres for distribution chains, manufacturing activities and provide a wide array of services.
- If a development is going to have a significant positive impact on trade and investment, this should be recognised as a material consideration in the planning process. This is already set out in the National Policy Planning Framework, and it is important that this principle is consistently applied.

- We need to streamline decision making at ports, and a review of the Coastal Concordat is needed to clarify responsibilities between marine authorities and local councils. Ideally, we need to establish one single lead authority on these matters, to make a clearer and more accountable process for planning.
- The defined stage gates feature of the planning process used for Nationally Significant Infrastructure Projects (NSIP) should be more widely applied, in order to ensure greater certainty in the planning process.
- The needs and opportunities for ports should be included in local strategic spatial plans, in the same way residential, commercial and industrial developments are currently considered.
- Similarly, masterplans for ports should be given formal status in the planning process, in exactly the same way residential masterplans are already considered.
- Coastal communities are unique in what they can deliver for the economy and it is important that we encourage investment, jobs and trade in these areas as much as possible to harness this. Special consideration should be applied to coastal communities in the NPPF, much in the same way it already considers rural communities.
- We should explore pro-trade, pro-investment 'port zones' around specific port areas and their hinterlands. With a strong business case and local support, this policy has the potential to greatly enhance regional economies as well as boosting the UK's capability to trade with the world. The concept could be extended further to 'free trade zones', a tried and tested method which has been successful elsewhere in the world, including in the USA, Europe and Asia.
- We should review environmental regulations with the aim of creating a system which is both good for trade and ensures high standards of environmental protection. For example, we should seek to favour innovative enhancements rather than inflexible 'like for like' approaches to environmental re-provisions.

- We welcome several of these opportunities for improvement being considered within the freeports consultation – we strongly support the improvements proposed and wish to stress that such improvements to planning frameworks could and should be available to all ports, not limited to freeports.



Investment in infrastructure and connectivity projects

In 2018 government published its Port Connectivity Study as has started to deliver against its recommendations. Investment in infrastructure provides a four-fold return and is critical to connecting coastal communities to major manufacturing, distribution and population centres across the country.

The development of transport connections to our ports should be considered equally as important, if not more so, as the other major transport infrastructure operations currently underway, such as High Speed 2, Crossrail and the expansion of London’s airports.

Once you leave the port gate, you see that connectivity to the main markets and to the other ports is poor. There is not enough capacity on our rail network, most of the motorway network must operate beyond capacity and there are too many constrictions on the road network to allow for the efficient transfer of goods.

Increasing the volume of coastal shipping – moving goods on ship around different parts of our coastline – could also help, but the development context needs to be right. Many post-industrial coastal communities are crying out for

redevelopment, and their proximity to ports and the sea make them uniquely attractive for manufacturing, distribution and as centres for maritime innovation and collaboration.

Maximising the value to the UK of its major maritime locations is highly dependent on the connectivity of those ports to the rest of the economy. Key freight corridors that enable the UK to trade with the world via its key global gateways should be prioritised and planned on an integrated basis, both geographically and across transport modes – with a greater incorporation of the benefits of trade as part of assessments. More action that boosts the transfer of freight from road to rail and water will drive both economic efficiency and environmental sustainability.

Energy connectivity

Coastal regions are frequently, inevitably given the geography, at the end of power lines. As transport and industrial processes and machinery evolve in terms of environmental performance it is overwhelmingly likely that these processes and assets will become more electrified. Greater priority should be given to major areas of maritime activity in terms of network planning and capacity charging/contracting needs to reflect the timelines of the sector. Doing so puts in place an essential building block for a more sustainable maritime sector the UK, better enables key sectors like renewable energy and is one that is more likely to speed green investment by the sector.

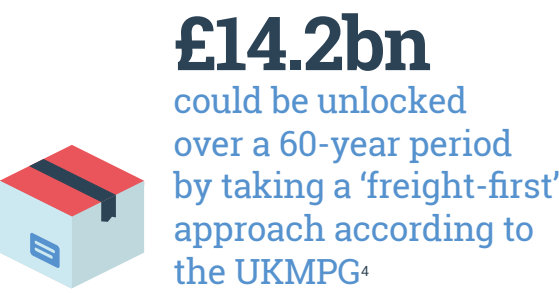
Digital connectivity

The future of many industries – not just maritime, but certainly including it is increasingly digital. Like energy connectivity, coastal regions are frequently, inevitably given the geography, at the end of lines. Greater priority should be given to major areas of maritime activity in terms of upgrade work. Doing so also boosts the ability of coastal regions to act as locations for the digital industries of tomorrow more generally.

Increasing capacity

Congestion on key routes and locations in the country obstructs the UK economy, amounting to 50,000 HGV hours wasted every day (19 million per annum) and 3 million tonnes of rail freight restricted annually, costing an estimated £539 million every year.

Prioritising improvement on just 2.4% of England’s road network and key routes in Scotland and Wales, together with just 7 out of around 1,000 major junctions on the rail network would transform our freight network and unlock value to the UK economy which far outstrip the cost of investment.



- Ensure that freight has a higher priority in UK transport planning and funding allocations;
- Establish key capacity constraints on a cross transport mode basis
- Build in the benefits of trade through freight on a consistent basis in project appraisals;
- Develop the business cases for investment in key bottlenecks taking into account the benefits and opportunities across transport modes.

Procuring the new Fleet Solid Support Ships in the UK

Building the Fleet Solid Support Ships in the UK would contribute to the nation’s prosperity and not be in contravention of state aid rules, with both France and

Germany amongst others procuring comparable vessels domestically. There would be a direct tax and National Insurance return to the Treasury worth up to £215m – 20% of the contract cost.⁵ It would also guarantee a high UK content, stimulating the supply chain, driving productivity improvements and aiding exportability of UK capability.

Building FSS in the UK could help support other industries, potentially the steel industry if the use of UK steel was built into the contract as other nations do.

¹ www.smf.co.uk/publications/falling-off-cliff
² www.smf.co.uk/publications/falling-off-cliff
³ www.britishports.org.uk/system/files/documents/18_03_06_-_uk_port_infrastructure_project_pipeline_analysis_report_-_march_2018_0.pdf
⁴ www.mdst.co.uk/identifying-the-multimodal-strategic-freight-network-and-the-value-of-improving-its-operation
⁵ www.cseu.org.uk/wp-content/uploads/2018/10/JN-A4-Fleet-Support-Ships-Brochure.pdf

Build a comprehensive package to support decarbonisation in the maritime industries

 **\$1.4-1.9tn**
Will be needed to decarbonise the global shipping industry

There is no greater challenge facing our world than climate change, and the maritime sector will play its part in responding to the challenge. UK industry is committed to the government’s world-leading decarbonisation target.

Investment in Maritime Research & Innovation

With DfT support, we have established Maritime Research & Innovation UK, which brings together the UK’s brightest from across industry and academia to find the solutions to deliver maritime decarbonization. Having run a national competition to identify those solutions, we now seek further government match-funding to accelerate their realisation. As the most global of sectors, the export opportunity for the country that gains first-mover advantage are considerable.

The first stage of the initial funding calls have been significantly oversubscribed with solutions proposed including Clean Fuels (Ammonia, Biomass, Hydrogen) for large marine engines, Electric Propulsion, Vessel Efficiency (antifouling, autonomy, design, operations, etc.) and Wind Power.

We now seek discussions with government on the level of match-funding required to develop these proposals.

Investment in greening maritime infrastructure

Developing new fuels or propulsion technologies are just one part of the decarbonisation story. During the development and then operation of these new solutions, our ports will require the ability to receive ships. That will require reception facilities including new bunkering and significant new power supplies. Many of these investments will require upfront cost, which might not necessarily be attractive in the short-term. Therefore, Government support to overcome barriers to investment in green maritime infrastructure is required.

Achieving net zero by 2050 requires decisive action across the economy, including developing a range of approaches and technologies.

Industry has proposed to the International Maritime Organisation (IMO) the establishment of an International Maritime Research and Development Fund, to be financed by a mandatory contribution of US\$2 per tonne of marine fuel. This will generate US\$5 billion of funding over a 10-year period into order to accelerate the research and development of zero-carbon technologies. A global R&D fund such as this is also likely to attract funding from other sources. At the very least, the UK Government should support this initiative at the IMO whilst also specifically helping the UK shipping industry by investing in UK R&D initiatives that will set up the UK as a world leader in such research thereby helping to ensure that part of the global fund is invested in UK based research.

Delivering power generated from clean sources to ports will require a national strategy based on regulation as well as financial support. No port in the world has successfully introduced the provision of shore power without Government support, whether that be national or regional.

It has been estimated that it would require around £185m (before network reinforcement costs) of Government funding to replicate a Norway-style co-investment scheme for installing onshore power facilities in the UK at a reasonable scale. (Add reference number)

Source: UKMPG analysis, based on scaling a number of specific viability studies for the installation of onshore power supply in a number of UK major ports.

⁶ www.ucl.ac.uk/bartlett/energy/news/2020/jan/decarbonisation-shipping-will-take-place-land-well-sea



3

Supporting more SME maritime companies to export

As well as enabling the UK’s global trade through ports, on ships and by providing services like vessel insurance, the sector offers world-leading maritime products and services for export across the globe. The total value of UK maritime exports was £12.4 billion in 2010⁷. The UK pitch covers cutting-edge technology, high-quality design & manufacturing and unparalleled expertise in services.

With increasingly aggressive competitor jurisdiction, the UK’s pre-eminent role is threatened. We have worked with the DIT to create a five-year plan for maritime exports and investment, but now need to see delivery against its recommendations. Two impactful, quick wins, would be the full integration of the sector into the GREAT campaign with a ‘Maritime is GREAT’ marketing campaign in relevant markets and the establishment of a Maritime Trade Fund to support SME and trade association attendance at the key trade shows in growing and traditional markets across the world and to help facilitate increased trade through overseas missions and networking events.

This funding would support those who are new to exporting under the ReadytoTrade campaign.



Supporting actions within five-year plan

The sector has worked with the Department for International Trade to create a five-year plan for maritime exports and investment. This plan has the right actions to increase the value and number of UK companies exporting

and to increase the level of investment into the sector. However, there is a real need to get on and deliver the actions within the plan. Most pressingly, on both funding for SMEs to attend overseas trade shows and the establishment of a sector marketing campaign in light of impactful campaigns from competitor maritime nations.

The government’s Tradeshow Access Programme does not work for the maritime sector, and we therefore propose the establishment of a dedicated Maritime Trade Fund, which includes the potential for industry match-funding. The Fund would support SMEs attending overseas trade shows and we would work with the government to establish and administer an audit process to demonstrate its return on investment.

In the spirit of the five-year plan, the Maritime Trade Fund should be set in line with the recommendations and commitments it makes over the medium term so that companies can plan their international engagement with confidence. As well as funding individual businesses it would support other projects within the five-year plan such as getting new companies to export, and could be administered by the existing Trade Challenge Partners.

By comparison to international competitors, the German “Made in Germany” export programme supports companies at the main maritime trade shows. They give companies 50% of their costs including hotel/flights/standbld/space. This means that more German companies travel to the shows, this enables them to meet more contacts, learn about more opportunities and therefore win more export business. The Singapore export programme provides 75% support at two long haul shows. At the recent Marintec China exhibition there were 115 German companies in the “Made in Germany” pavilion, whilst there were just eight in the UK pavilion.

⁷ <https://www.maritimeuk.org/media-centre/publications/state-maritime-nation-report-2019/>



About Maritime UK



Maritime UK is the umbrella body for the maritime sector, bringing together the shipping, ports, services, engineering and leisure marine industries. Our purpose is to champion and enable a thriving maritime sector.

Supporting over 1 million jobs and adding £46.1bn to our economy, maritime is responsible for facilitating 95% of UK global trade, worth over £500bn per year. The UK maritime workforce is 42% more productive than the average UK worker.

Maritime makes a greater contribution to the UK economy than both rail and air combined.

The sector the fundamental enabler of British global trade and exports its own innovative products and services. With cutting-edge technology, high-quality design & manufacturing, unparalleled expertise in services and major investment opportunities, the UK is the natural home for global maritime business.

Maritime is a vital part of our island nation’s heritage and of our modern economy – supporting jobs, driving innovation and enabling trade. The sector also enables millions of people to enjoy the recreational benefits of the UK’s coastal and inland waterways.

Our members are: British Marine, British Ports Association, Cornwall Marine Network, CLIA UK & Ireland, Institute of Chartered Shipbrokers, London International Shipping Week, Maritime London, Mersey Maritime, Nautilus International, Seafarers UK, Society of Maritime Industries, Solent LEP, Maritime UK South West, The Baltic Exchange, Trinity House, UK Chamber of Shipping and the UK Major Ports Group.



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