

MARITIME
UK

2021
BUDGET
MARITIME UK
SUBMISSION



Dear Chancellor,

As an island nation, the UK has maritime in its DNA. Not only does the maritime sector keep freight flowing, but we also export innovative maritime products and services. With cutting-edge technology, high-quality design and advanced manufacturing, unparalleled expertise in services and attractive infrastructure investment opportunities, the UK can claim to be a natural home for global maritime business.

This past year has brought into sharp relief the critical role the sector and its key workers play in keeping supply chains open and the country supplied with food, medicine, and energy. Like the rest of the economy we serve, maritime has felt the devastating effects of the pandemic. Nowhere is that clearer than for the cruise industry, where the voluntary suspension of operations in March 2020 is estimated to have cost 52,000 jobs.

Research maps coastal economies as amongst the most severely impacted by the pandemic. Given the sector's primary location around the coast, the performance and recovery of this sector is directly linked to that of these coastal towns and cities.

As you prepare your budget to support the economy and rebuild from the pandemic, we write to set out our priorities to support the maritime sector and to explain how we can support the rest of the economy and government's agenda.

Decarbonisation is the greatest challenge facing every part of the economy, but an equally great opportunity for those ready to seize it. Whilst maritime offers the most carbon-efficient mode for moving goods, the sheer volume of goods

transported by sea and through UK ports each year means significant emissions are produced. The decarbonisation of maritime is therefore essential for efforts to reach the Government's Net-Zero targets. Positive steps have been made in 2020, with government recognising maritime as a "difficult to decarbonise" sector in its ten-point plan with £20m in technology funding, but 2021 must be a real year of transformational action. We have developed a robust plan to kick-start a world-leading decarbonisation programme in the UK and create 75,000 green-collar jobs across Britain.

We have a package of measures to unlock coastal economic development by building upon the Government's Freeports programme and driving infrastructure investment around the coast.

Having left the European Union, this sector, perhaps more than any other, has a real opportunity to make 'Global Britain' a reality by facilitating global exports and imports as well as by trading maritime products and services. Government should support more businesses to export and help their recovery in doing so.

We look forward to working with you and your team to realise this agenda and enhance the UK's position as a globally competitive maritime nation that creates high-quality green jobs in coastal towns and cities around the United Kingdom.

Sarah Kenny
Chair, Maritime UK

Introduction

The maritime sector is well-placed to support government's priorities for this budget:



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 Freeports development, regulatory changes, investment in infrastructure and domestic procurement, we have an agenda to transform and renew our coastal communities.



Tackling climate change and meeting net-zero targets

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 by far the most carbon-efficient mode for moving goods and provides an opportunity to support wider government objectives by moving the transportation of goods from road and rail to vessels by coastal and inland shipping.



Making Global Britain a reality through increased global exports and investment

The maritime sector is responsible for enabling 95% of all UK international trade, totalling over £500bn every year. Government 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.



Ensuring a sustainable recovery from the Covid-19 pandemic

The UK maritime sector supports 1.1 million jobs across the UK and is a significant contributor to coastal economies across the country, where the effects of the pandemic have been felt the hardest. It is therefore uniquely placed to deliver economic recovery and growth in these areas.



Rejuvenating shipbuilding

Government has resolved to support a rejuvenation in UK shipbuilding and build upon the UK's competitive position in naval, leisure and certain parts of the commercial shipbuilding sector. By investing in decarbonisation, incentivising R&D investment, developing future skills, and procuring strategically, the UK can begin to substantially grow its shipbuilding enterprise, including its supply chain. No major shipbuilding nation retains its position today without significant public support.



Leveraging our science superpower

The solutions to get the maritime sector to net zero are not fully ready and therefore require significant investment in science and research. The global nature of the decarbonisation challenge means a global market for UK expertise. As the world becomes more cognisant of the importance of our oceans, the UK is at the front of the pack when it comes to understanding and protecting the marine environment. Whether that is through removing microplastics or understanding how warmer waters are impacting upon marine life, the UK should fuse its maritime pedigree with its science prowess to lead on these global issues.

£17 billion in GVA

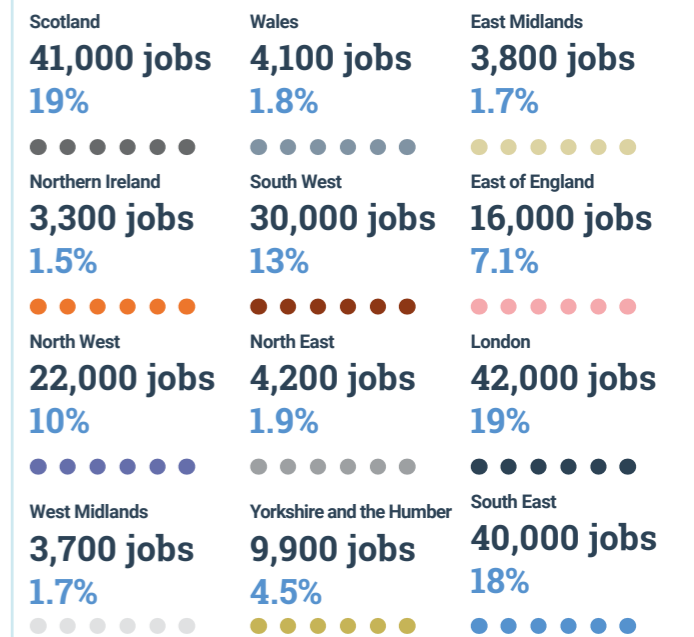
The maritime sector makes a substantive macroeconomic contribution to the UK turnover, Gross Value Added (GVA), employment and through the compensation of employees. It is estimated that the sector directly supported just over £47 billion in business turnover, £17 billion in GVA and 22,100 jobs for UK 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.

£47 billion in business turnover

After quantifying the indirect economic impacts through the industry supply chains and induced effects on expenditures, it is estimated that the maritime sector helped support a total of £46.1 billion of GVA in 2017. This implies that, for every £1 in

VA 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 support a total of £108.8 billion in turnover, 1,066,000 jobs and £21.6 billion through the compensation of employees.

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 of the latest five years for which data is available.



Source: State of the Maritime Nation (2019)

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

1



Decarbonisation and green recovery

Green growth will be key to the economic recovery and sustainability of both the maritime sector and the broader economy. Achieving net zero by 2050 requires decisive action across the economy from both industry and government: there are opportunities for the UK to be at the forefront of important developments in green technologies and deliver first-mover advantage. COP26, to be hosted in Glasgow in November 2021, will provide an unrivalled opportunity for the UK to showcase the steps it is taking and the offer it makes to the rest of the world to partner on this shared mission. Building a comprehensive package to support decarbonisation across the maritime industries will ensure a sustainable and sustained recovery for the sector.

2



Regional growth and levelling up

Supporting maritime growth in coastal communities will help level up all parts of the United Kingdom in line with the Government's levelling up-agenda. Hardwired into the economic and emotional fabric of coastal communities, the maritime sector has a unique opportunity to drive new growth and encourage investment, bringing with it jobs and prosperity to the areas hardest hit by the impacts of the Covid-19 pandemic.

3



International trade and inward investment

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 2017, and the UK pitch covers cutting-edge technology, high-quality design and advanced manufacturing, and an unparalleled expertise in services. Having left the European Union, there is an opportunity to reappraise the UK's attractiveness as a global maritime capital, and that opportunity should be grasped. Beyond Freeports, there is more that can be done to attract FDI to infrastructure projects in the sector and to attract globally mobile maritime businesses to the UK.

1

Decarbonisation and green recovery

Maritime decarbonisation is essential to meeting the Government's legislative target of net zero emissions by 2050. Transporting freight by water is by far the most carbon-efficient mode of logistics for transporting of goods, however, the large volume of goods moving by sea and through ports mean that the emissions produced are domestically and internationally significant. Action is needed now to support the deployment of low emission vessels and infrastructure to maintain the UK's vital flows of goods whilst meeting an ambitious trajectory for net zero goals. Regulation alone is not going to be sufficient: building on the automotive experience, capital investment in maritime decarbonisation is needed to unlock the potential of industry and to kick-start the transition to zero emission shipping.



2050
target for net
zero emissions

Investment in research and innovation

The UK should be positioned as the world-leader in maritime decarbonisation and help leverage our scientific superpower and cross-sector collaboration by taking advantage of the fast-growing market for clean maritime technologies and fuels. Recent government-backed funding calls for clean maritime technologies through MarRI-UK have demonstrated the cutting-edge innovation of UK maritime businesses.

While the funding set out in the Government's ten-point plan makes useful feasibility studies possible, this is not enough to deliver transformation. Further injections of public investment,

matched by industry are needed, and the maritime sector has developed a business case for government investment of £1bn.



£1bn
government investment

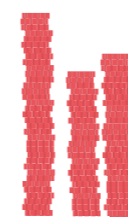
Investment in greening maritime infrastructure

Developing new fuels or propulsion technologies is 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 and refuel low carbon ships and other vessels making use of alternative fuels and technologies. That will require reception facilities including new bunkering and significant new power supplies. Many of these projects require significant capital expenditure, which following Covid-19 will be prohibitive for many businesses. Therefore, government support to overcome these barriers to investment in green maritime infrastructure is needed. This includes support for those parts of the sector involved in the UK offshore and gas supply chains to reach the net zero target and considering the environmental and economic case for coastal and inland shipping.



Net zero target
Support for UK offshore and
gas supply chains

In recent years ports have invested over £600 million of private capital each year, benefiting coastal economies through job creation and infrastructure investment, and through short-term government support and reforms to the planning process such as permitted development rights, ports will do so again in the future. Amongst other initiatives, this will be progressed by the Government's Freeport development across the country.



£600 million
of private capital invested in
benefiting coastal economies

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 £200m of government funding to replicate a Norway-style co-investment scheme for installing onshore power facilities in the UK at a reasonable scale. Government has supported Solent LEP in delivering shore power at the Port of Southampton, but a comprehensive national programme is required. The Government should therefore fund a programme of plug-in grants for vessels and support the roll-out of electric charging in ports.

Government should introduce financial incentives and investment initiatives (such as loan guarantees, reduced interest rates for installation of environmentally friendly equipment and export credits) that would encourage investment in green technologies by making environmental efforts sustainable.

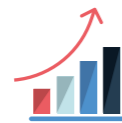




2

Regional growth and levelling up

Large parts of the country have felt that globalisation has not benefitted them, and many coastal communities have lost traditional industries that have not been replaced. Evidence also suggests that these coastal economies have also been the hardest hit by the impacts of the Covid-19 pandemic and must not be forgotten in the recovery process. Hardwired into the economic and emotional fabric of these coastal communities, maritime has a unique capacity to drive new growth in coastal towns and cities around the UK.



Growth for coastal towns

Investment in infrastructure and connectivity projects

Maritime industries such as ports are great economic contributors in their local areas, and government support to local infrastructure projects will have significant effects on economic hinterlands. Through a combination of investment in infrastructure, manufacturing, innovation and a focus on maritime participation, the sector can contribute to transforming and renewing these communities.

The connectivity of the UK's ports is key to maximising their value to the UK, as well as a key priority for coastal communities themselves. Improving the value of freight in strategic project decision making and taking a cross-modal approach to key freight carrying corridors would be two important systemic improvements.

Review of planning and development rules

Industry proposes several changes to planning law and other legislation that will allow ports to invest more quickly and flexibly, and with greater confidence. This includes broadening the scope of the Permitted Development rights, revising the definition of 'operational land', reviewing the Coastal Concordat, widening the application of 'Nationally Significant Infrastructure Projects' and reviewing environmental regulations.



Planning law changes

Looking beyond Freeports

The maritime sector has welcomed the Government's progress on Freeports and now calls on government to assess the various bids fairly and transparently. Industry is also focused on those areas that may 'miss out' on freeport designation and has set out a series of measures that could be implemented around the coast notwithstanding the freeports programme. These include planning reform, and other levers such as enhanced enterprise zone status, capital allowances and R&D tax credits.



Government must assess the various bids fairly

Renewing the National Shipbuilding Strategy



The right skills for the future

The National Shipbuilding Strategy, launched in 2017 has successfully reinvigorated the naval shipbuilding sector, with tremendous investment in new production facilities in Rosyth for the Type 31 programme, and the successful export of the Type 26 design to Australia and Canada. To generate a truly successful and sustainable enterprise however, it has been recognised that the scope of the strategy needs to expand to encompass the commercial, workboats and leisure sectors, and to strengthen the interdependencies in terms of skills, supply chain and innovation. This will require joint government and industry investment in innovation, research and development, developing the right skills for the future and supporting industry with a strategic approach to government procurement.



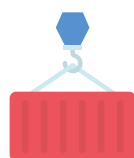
Support for sector-wide bodies

The development of skills should be supported by continued government support for sector-wide bodies such as the Maritime Skills Commission and the Maritime Careers and Diversity programmes. In this way, the shipbuilding enterprise can contribute to building back better, accelerating the decarbonisation of maritime, and support the levelling up agenda in coastal communities across all nations of the Union.

3

International trade and inward investment

As a global maritime hub, the UK's success is based upon its ability to attract business and individuals from across the world. Competitor jurisdictions aggressively promote their interests in an attempt to attract UK-based firms. As we seek to support the sector in its recovery from the Covid-19 pandemic and through Brexit challenges, there is an opportunity to maximise the opportunities that arise from the UK once again becoming an independent trading nation. The maritime sector is responsible for enabling 95% of all UK trade, totalling over £500bn every year and government's ambition to increase UK trade will be delivered by this sector. Moreover, the maritime sector exports its own products and services with global pre-eminence in several areas.



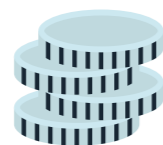
95%
of all UK trade

Investing in SME exports

Building on the Department for International Trade's five-year-plan for maritime exports and investment, government and industry should accelerate delivery of the recommendations set out in the strategy. Government and industry should accelerate delivery of respective recommendations within the five-year plan for maritime exports and investment, with a particular focus on:

- Development of a resourced campaign plan for each target market identified with targets for agreed industry-government 'wins'.

- Increase in SME funding for maritime businesses to aid recovery and expand international export activity.
- Creation of a GREAT maritime marketing campaign.



5 year plan for maritime exports and investment

Enhancing attractiveness of business environment

Industry has long wanted to see reforms to the shipping industry Tonnage Tax to enhance the regime's competitiveness. Whilst much can be done to boost competitiveness within existing EU competition rules, there are potential areas for reform that could go further. Industry supports the proposals with government. The UK should be a global centre for financing, which besides investment creates demand for other professional services. The UK should take a leading position in defining standards for maritime finance and develop specialist green finance products which address the growing demand for sustainable solutions, in order to capture this business and become a hub for marine asset managers wanting to invest in transition and ultimately green technology.



The UK
should be a global centre for financing



About Maritime UK



Over **1m**
jobs supported

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 every 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 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:

Belfast Maritime Consortium, British Marine, British Ports Association, CLIA UK & Ireland, Institute of Chartered Shipbrokers, Maritime London, Mersey Maritime, Maritime UK South West, Nautilus International, Shipping Innovation, Seafarers UK, Society of Maritime Industries, Solent LEP, The Baltic Exchange, The Workboat Association, Trinity House, UK Chamber of Shipping and UK Major Ports Group.



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