BLUEPRINT FOR GROWTH

Building a strong UK shipping industry outside the European Union

UK CHAMBER *of* SHIPPING

UK Chamber of Shipping 30 Park Street, London SE1 9EQ
Tel: +44 (0)20 7417 2800 **Email:** query@ukchamberofshipping.com
Web: www.ukchamberofshipping.com **Twitter:** @ukshipping

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Introduction

The UK Chamber of Shipping represents 170 companies in the maritime service sector. It is an industry that moves 95 per cent of the country's international trade and supports 250,000 jobs. The UK is a world centre for: maritime law; finance, broking and insurance; maritime education; ship management; marine manufacturing; and engineering.

Leaving the European Union (EU) will not change many of the UK's greatest strengths – its time zone, common law, English language and geographical position. Nor will it change the fact that the UK, as a cultural hub with excellent public infrastructure, is a place where people from around the world want to live and develop their talents.

However, the nature of its trading relationships, the regulatory environment that manages them, and the reputation of the UK as an outward-looking, global nation could change.

Depending on the nature of the separation, leaving the EU could be to the benefit or detriment of the UK – as, indeed, it could be to the remaining members of the union. This document sets out what the shipping industry believes are the absolute priorities for the UK Government ahead of its negotiations.

In short, these are:

- preserve existing ease of doing business
- ensure business has access to the world's brightest talent
- reform domestic maritime policy to put the UK on the best possible footing after Brexit.

CHAPTER ONE

Essential priorities to protect and grow UK trade and shipping

To preserve the benefits and ease of existing UK–EU trade, which allows the free flow of exports and imports

Within the European Single Market, all tariffs, taxes and inspections on goods – whether for fiscal, health, trading standards or statistical purposes – are applied at the point of origin or at the point of sale, rather than at the point where the goods crossed a frontier between two countries. Controls on goods and the vehicles carrying them, moving between the UK and its immediate neighbours, were discontinued on 1 January 1993, improving logistical efficiencies and delivering enormous socio-economic benefits for UK businesses and consumers.

The removal of customs controls stimulated huge growth in trade between the UK and its EU neighbours, with goods being carried by ferries, container ships, general cargo and bulk carriers. The number of heavy goods vehicles (HGVs) carried on high-volume, short sea ferry routes through Dover grew by 150% between 1992 (the last year of customs controls) and 2015, to 2.5 million. This represents 17% of the UK's current international trade in goods and is worth around £120bn annually. A further 1.48 million HGVs each year are now carried through the Channel Tunnel – which had not opened in 1992, but which now complements the ferry routes – and, like them, is predicated on no customs controls and rapid transit times.

The UK and Ireland are a special case, with the UK providing a vital land bridge for Ireland's trade to EU markets. On these routes, volumes have grown even more steeply, especially on high-volume routes servicing Dublin; the number of HGVs through Holyhead grew by 627% and those through Liverpool by 273%.

This growth was only made possible by the removal of customs controls. At each of the ports that have experienced the strongest growth, new berths have been added – enabling them to handle larger ships – but the areas of the terminals where the traffic is processed have remained largely unchanged. The huge increase in port capacity is due almost entirely to the fact that lorries do not have to stop and await permission from customs either before embarking on a ship or leaving the port and proceeding inland. Instead, they can drive straight though the terminal. Significantly, the growth at terminals handling unaccompanied trailers – which, typically, have longer dwell times in ports, so the removal of customs controls had less impact – has increased by a more modest 16.4% between 1992 and 2015, to 732,000.

The maintenance of current trade volume is critically dependent on traffic continuing to pass through ports freely. Every year, £120bn worth of goods is transported on ferries to and from Dover alone, and the reimposition of significant customs checks and controls will have a profoundly negative effect on the ferry sector – and on the UK's ability to trade with the European continent.

So it is imperative that Britain's representatives treat the maintenance of unimpeded trade through UK ferry ports as non-negotiable.

To facilitate the growth of UK trade with the wider world, and to position UK shipping as the prime carrier of international trade in new global markets

UK shipping is a service provider to the UK's industry and manufacturing sectors, and the country's global trade has grown impressively. The number of containers shipped through UK ports – directly to places outside the EU, or indirectly via feeder vessels for transshipment on the continent or to other EU destinations – grew by 110% between 1992 and 2015, to 5.59 million containers; 48% of all traffic travelled between UK and non-EU ports. The UK share of international liner cargoes is typically only about 20% on large vessels arriving in northern Europe from the Far East, and shipping lines' routes, processes and systems are again predicated on serving the UK as a seamless part of the larger European market.

Global trade is the driver of shipping growth, and UK shipping must be positioned both to take advantage of new and emerging market opportunities in the future, and to retain its existing market share in Europe.

The UK Chamber had called for a new commission to develop trade deals, so welcomes the creation of the Department for International Trade with this express purpose. New free trade agreements (FTAs) should include access to 'maritime services' and, in general, target:

- major economies with which the EU has negotiations pending but no agreement concluded – for example, Canada, India and Brazil
- other major economies, outside current EU agreements, with which the UK would want to establish or re-establish trading links – for example, Australia and New Zealand
- emerging economies with which the UK, given greater agility, is now able to conclude bi-lateral agreements more rapidly than it could when negotiating EU multilateral ones.

To create a simple and straightforward visa regime that enables UK shipping companies to compete in world markets.

All shipping companies, in the UK and overseas, rely on people with seafaring experience for technical and managerial roles ashore. So, too, do many businesses in the wider maritime sector; indeed, the skill and expertise of such personnel is a key point of competitive advantage. The UK shipping industry invests heavily in training seafarers. In 2014/2015, there were nearly 2,000 cadets in training with UK shipping companies, almost double the number a decade previously. Many of these individuals can be expected, later in their careers – and after serving at sea for some years – to move on to employment ashore with UK shipping companies. Others will doubtless be employed overseas, because UK-trained seafarers are highly regarded internationally.

Seafaring is a global profession, so the pool of people with seafaring experience is also global. To be competitive, UK shipping companies need to be able to draw on talented and experienced personnel worldwide, just as can their competitors in overseas shipping centres, such as Singapore and Dubai. At the moment, the awkward, slow and unpredictable UK visa regime makes it excessively difficult for UK shipping companies to recruit personnel from outside Europe, or even to bring in existing personnel from their overseas offices. To some extent, these difficulties are mitigated by the ability to draw skilled personnel from European countries. However, several shipping companies have already relocated skilled marine roles away from the UK, and others have deliberately not located skilled marine functions in their UK offices, because of the visa regime.

For the UK to remain a global maritime centre – in which shipping companies and other businesses can prosper and grow and which attracts inward investment from overseas shipping firms – it needs to introduce a visa regime comparable with those in competitor jurisdictions. It needs to facilitate, rather than obstruct, the transfer of skilled personnel around global shipping companies' offices, and it needs to help UK-based companies to source personnel on the basis of expertise and talent, rather than their nationality. The visa process needs to be simple, straightforward, predictable and stable; above all, it needs to inspire confidence among shipping companies that it is designed to support their business.

Visas are of similar importance to the UK's world-leading maritime education sector. Officer training in the UK entails college-based study for either a Foundation Degree or an HND, interspersed with time at sea onboard ship, invariably outside UK waters. Hence the training lasts a minimum of three years, although the college phases account for less than two years.

The current rules of Tier 4 of the Points-Based System ensure that visas are only available for sub-degree courses, which run for two years or less. As a result, many officer trainees from overseas are being prevented from studying in the UK.

Overseas students make up 40% of the overall student body for those programmes affected, paying £7m per annum directly in fees. Without these overseas students, there will be fewer courses available to British students as they would no longer be viable. The risk that overseas students would breach their conditions of entry to the UK is very low – there is a much greater incentive for them to return home and obtain employment as ships' officers.

The problem would be resolved if the validity of the visa for these sandwich scheme maritime programmes was measured over the duration of the college time only; students could then stay within their 24-month limit because the remaining time is spent at sea outside the UK.

To ensure that tourist and business visitors to Britain are welcomed with a simple, quick and effective system for entry into the UK, and that UK citizens returning home are processed quickly at border controls

International travel to and from the UK continues to grow. While much of this growth has been in aviation, around 21 million passengers a year travel between the UK and neighbouring countries by ferry, and cruise travel has increased very significantly. The number of passengers beginning and ending a cruise at a UK port has almost doubled over the past decade, to two million last year. Over the same period, the number of passengers visiting UK ports on day calls as part of a cruise grew by 170%, topping one million for the first time in 2015.

Such visitors bring considerable value to the UK. Every cruise passenger who comes ashore is estimated to be worth £85 to the local economy, and families and tour groups arriving by ferry for a holiday in the UK will clearly contribute substantially during the course of their stay. Similarly, holidays and short breaks to neighbouring countries – in particular to France, Belgium, Holland and Ireland – are a well-established and much-loved feature of the UK travel scene, whether for family holidays, school trips, shopping excursions, skiing breaks or sports tournaments. This travel, however, is mostly discretionary; potential passengers can easily be deterred from going – or from travelling to the UK – by requirements for tourist visas or by hostile and disagreeable border controls; and competition from neighbouring countries for cruise-ship calls is particularly strong.

Tourism within Europe depends absolutely on the ability of passengers to travel when they wish to do so, free from any requirement to obtain a visa in advance. At the moment, this freedom is guaranteed – for Britons travelling to Europe and for Europeans travelling to the UK – by the EU Treaty. Those rights are now in doubt, with the prospect that the Treaty may no longer apply, and an alternative legal framework will be required. To provide reassurance to would-be passengers – and to enable travel businesses to plan, bearing in mind that cruise itineraries are typically scheduled at least two years in advance – the UK Government should affirm that Europeans will continue to be welcome to travel to Britain, and will not need to obtain a visa (or equivalent authorisation) in advance. It should also seek reciprocal assurances in respect of Britons travelling to neighbouring countries.

CHAPTER TWO

Urgent reforms needed for the UK to compete globally

To transform the UK Ship Register so that it provides a high-quality, prompt and responsive service to its shipowners and attracts tonnage to the UK flag.

The UK-registered merchant fleet is at the core of Britain's maritime industry and the Red Ensign at the centre of its identity as a maritime nation, providing an assurance of quality and enabling UK-flagged ships to trade freely around the world. British shipping companies are, of course, free to register their ships wherever best suits their business – but ships flagged in the UK are more likely to be owned and managed in the UK, thus earning wealth for the country. There is also a greater likelihood that UK-flagged ships will be crewed by British seafarers, so contributing to the maintenance and renewal of the maritime expertise and experience on which the wider sector depends. The health and sustainability of the maritime sector depends on the health and sustainability of the UK-registered merchant fleet.

In 2015, the fleet measured 13.7 million deadweight tonnes, having increased modestly over the previous 12 months. However, the fleet remains 18% smaller than five years ago and still only accounts for 0.8% of global tonnage. As a badge of quality, the UK flag is attractive to shipping companies, and its fees are competitive. Its disproportionately small share of the world fleet is attributable, in large part, to the poor service currently given to shipping companies by the Maritime and Coastguard Agency (MCA). Its levels of service consistently compare unfavourably with those of other ship registers, particularly in relation to its core function of flag-state surveys and technical advice on statutory requirements. A much stronger focus on customer service is needed if the MCA is to compete with other ship registers and attract tonnage to the UK register.

Specifically, the MCA needs to welcome operators of quality tonnage and facilitate the flagging of their ships into the UK. Bringing onto the UK flag a ship that is already flagged on another quality register should be a simple and quick administrative process, which does not involve the MCA questioning the judgment of its counterparts or demanding that the ship be modified. The MCA also needs to define clear standards for routine elements of its core flag-state service, such as guaranteeing that a surveyor will attend a UK-flag ship within six hours of a request from the shipowner, and issuing ships' certificates immediately after successful completion of a survey/inspection. Equally, when approached for specialist advice on the interpretation of a particular International Maritime Organization (IMO) requirement – or on how a generic provision applies to the specific circumstances of a given ship – the MCA needs to provide advice promptly and accurately, to enable shipowners to meet their customers' requirements.

If such reforms were made, the UK Chamber of Shipping and its partners would work closely with the government to promote the UK flag to international companies.

To increase the number of cadets to at least 1,200 per year by 2020, and reduce the cost of cadet training through the SMarT Plus strategy

Government Support for Maritime Training (SMarT) funding contributes £15m for seafarer training through programmes approved by the Merchant Navy Training Board (MNTB). The fund currently trains some 750-800 cadets per year. The Government has guaranteed that SMarT will remain for the lifetime of this parliament, with a review to be carried out to ensure its ongoing effectiveness and efficiency.

UK seafarer training is believed to be the second-most expensive in the world, which acts as a deterrent to companies investing in Britain's workforce.

The UK Chamber, MNTB and the Nautilus International trade union are working together to boost the numbers of British seafarers, and are proposing a new, enhanced programme called SMarT Plus.

If implemented, SMarT Plus would result in significant additional funds being provided by the Government to cover the costs of academic courses within the cadet programme – for example, foundation degree, Scottish professional diploma and higher national diploma (HND), but not higher national certificate (HNC) – plus related accommodation and subsistence costs. In return, employers would commit to employing newly qualified seafarers for at least one year. This would offer a means for junior officers to progress more easily in their careers, at a lower cost to the employer.

If the existing SMarT fund was doubled, it would increase the total further education spend across the UK by less than 0.3%, suggesting the SMarT Plus option would be good value for money for the Government and companies. It would also significantly increase the likelihood of job creation for British seafarers.

To provide a level playing field for the British supply chain in the awarding of government contracts.

Oil and gas

The UK is one of the main producers of oil and gas in the North Sea, generating more than £40bn of revenue each year and contributing £2.2bn in production tax in 2014/2015. The sector supports more than 330,000 jobs, with around 200,000 people employed in the supply chain (Oil & Gas UK, 2016).

Decommissioning

Decommissioning is a new industry that will involve removal of the large installations from the North Sea. Over the next 35 years, the sector could employ 40,000 people and be worth £50bn. If the UK becomes the first country to initiate decommissioning work, British companies will be in an excellent position to export their expertise to other nations. The costs of decommissioning are high – it is suggested they will exceed £30bn over the next 15 years – although the UK Government has introduced a Decommissioning Relief Deed, reducing the costs by 50 per cent.

Offshore renewables

The UK Continental Shelf (UKCS) has long been regarded as one the best places to develop offshore wind and tidal farms, with the largest installed offshore wind capacity in the world. Under a strong growth scenario, the sector could deliver £7bn gross value added to the UK economy in 2020/2021 and support more than 30,000 full-time jobs. However, a firm commitment from the Government on a domestic employment development strategy is missing (IRENA-GWEC).

The offshore support vessel (OSV) sector is essential to the UK's offshore supply chain. British companies that operate these vessels have a leading reputation in the oil and gas and renewable energy sectors. They offer a wide range of support services, including: rig supplies; emergency standby cover; towage; anchor handling; diving support; subsea intervention; and construction. The recent fall in oil prices, the decline of oil and gas production levels from the UKCS, and the delay of decommissioning projects have put great pressure on the UK's supply chain. This has resulted in a considerable number of vessels being phased out of commercial operations and the loss of thousands of jobs ashore and at sea. In addition, protectionist legislation in other markets – such as the USA and Brazil – limits the opportunities for UK companies to operate overseas.

The UK Chamber does not seek similar protectionism for the sector, but it believes strongly that the Government should create a level playing field for UK companies by applying criteria of greatest economic benefit to Britain, when awarding contracts for work in the oil and gas and offshore renewables sectors, and in cable laying. It should consider the extent to which HM Treasury will benefit – from greater tax revenues and reduced expenditure on social security in respect of people who are able to join or re-enter employment – when considering bids for work on projects in these sectors. If contracts are awarded to foreign companies – even when UK companies have been available to carry out the work – the funds invested by the Government are going overseas, instead of being ploughed back into the UK economy through increased employment and income. Bidders should be required to set out the minimum UK supply chain content that they would use as a condition for entering the tendering process.

To provide funding to the dedicated maritime education and training institutions to update their premises, infrastructure and facilities to match the highest standards of provision throughout the UK, and to employ dedicated staff with relevant seafarer expertise and certification.

There are a small number of further and higher education establishments in the UK that offer seafarer education and training programmes. These facilities are either based on a specific maritime campus or integrated within the educational facility as a whole. UK seafarer education, training and certification is widely prized, and attracts considerable numbers of overseas students who want to train as seafarers, as well as non-UK seafarers seeking higher-level certification training. The UK also supplies expertise and training to other countries. However, the condition of the premises and infrastructure of each establishment is variable, as is the equipment available at each – including ship simulator suites and related technology for learning. A block funding grant should be made available to each of these establishments to make their facilities world class, so they can establish learning environments that are second to none, with regular updating as required.

In addition, the salaries that educational establishments are generally able to offer are not conducive to attracting seafarers certificated at higher levels and with wide seagoing experience. Such people command high salaries while working at sea, and many do not pay tax on their earnings – so those who wish to make a move ashore into the education profession, to pass on their knowledge and train future generations of seafarers, currently have to take a considerable salary cut. To attract the best of such seafarers, salaries at educational establishments need to match those that can be achieved at sea.

To transform the seafarer written and oral examination system and certification process into an effective, efficient and cost-

effective service that meets industry and seafarer needs.

The current examination system and process for issuing seafarer certification needs to be overhauled to ensure it is: educationally rigorous and takes into account current practice; responsive to industry and seafarer needs in terms of the availability and frequency of oral examinations and the suitability of written examinations; and cost-effective, using current techniques and good practice to issue certificates of competency and related documents efficiently.

At the moment, a letter of initial assessment (LIA) – required by those with existing qualifications and expertise (including RN officers) – and a notice of eligibility – required by officer cadets and seafarers to apply for an oral examination – can take many weeks to process, delaying the opportunities for seafarers to gain certification. The severity of the delays can have a deleterious effect on career progression: officer cadets may suffer 'knowledge fade' because of the extended period of time between completing their education and training course and being able to book and take the oral exam. Those with existing qualifications and expertise cannot organise and undertake the identified training and/or sea time until the LIA has been received; this can take many months – we are aware of more than five months in one instance and this does not appear to be untypical.

The written examination system would also benefit from a complete overhaul, to take advantage of current practices and certification – similar to the way in which the DVLA now requires people to pass a theory exam before applying for their driving test. Theory tests are multiple choice, available on demand in a considerable number of locations, and results are provided immediately on completion of the test. While this may not be relevant to all aspects of seafarer knowledge-based testing, practical elements to support and confirm specific knowledge could be assessed through simulated activities on portable devices. This would not negate the need for the oral examination, which is considered to be fit for purpose and of valued rigour. The syllabus requirements for all the examinations will need to be up to date with current good practice and technology on board vessels, and to cover the base-level requirements of STCW (the international seafarer training regulations) in an appropriate and pragmatic manner.

The examination and certification system should include:

- notices of seafarers' examination eligibility within 10 working days of an application by an eligible applicant
- oral examination slots within a month;
- certificates of competency within 10 working days of passing an oral exam
- letters of initial assessment within six weeks of application
- automatic and immediate reimbursement of any application fee in all cases where these standards are not met.

To transform the Trailblazer apprenticeship development process in England to meet employer and industry needs properly

The Trailblazer development process is hugely bureaucratic, and has rigid policy requirements that are predicated on ideological dogma. These requirements are not differentiated to cater to industry requirements or effective training practices with identified value, rigour and quality assurance. Seafarer education and training arrangements within the shipping industry are robust, have been developed over time, and are monitored and updated constantly to ensure they meet industry needs. These arrangements are developed and put in place through the MNTB – the shipping industry's skills body – which is constituted by employers, social partners and the maritime education and training institutions, in conjunction with the Maritime and Coastguard Agency – the industry regulatory body. All training programmes include an appropriate educational qualification, practical training, and application of developing skills on board ship to meet the regulatory sea-time requirements, and are a partnership between employers and education with trainees. The programmes are approved through the MNTB and go through an annual reapproval process to ensure that the industry national occupational standards and STCW are met.

The current Trailblazer requirements and process take no account of existing good practice, and employers have to jump through hoops of differing –

and constantly changing – size. These bear no relation to the practicalities and realities of the industry, which operates within a strict international regulatory regime and employs seafarers from all parts of the UK, as well as from overseas. For example, it is completely unacceptable and untenable that the current industry training for entry into enclosed spaces cannot be included as a set course within the apprenticeship standard – yet this is what apprenticeship policy dictates. Likewise with a new Maritime Caterer apprenticeship at rating level, which is not allowed to include specific food safety qualifications or a cooking qualification that would bring valuable coherence to the range of qualifications that shipping companies use when recruiting staff.

The validity, rigour and quality assurance requirements of Trailblazer apprenticeships are not being questioned, but should be at the core of developments for new apprenticeships where none have existed previously. However, where existing systems and processes are demonstrably valid and rigorous, and assure quality – and are fully supported by employers – they should be recognised as apprenticeships where requested by the industry, and certainly for the purposes of accessing the new apprenticeship levy funding. Given that the Scottish government is consulting on wider use of such levy monies, which will probably include current seafarer training programmes as approved by the MNTB, an iniquitous system – and funding – of seafarer training between England and Scotland may be in danger of appearing. This will be to the detriment of shipping companies, with reduced opportunities for young English nationals to embark on a career in the industry.

To implement Directive 2015/1794 in the UK.

Directive 2015/1794 amended the EU directives on protection of employees after their employer's insolvency, European Works Councils, the information and consultation of employees, collective redundancies and transfer of undertakings as regards seafarers. Most of the amendments bring these directives into line with current UK law. However, the amendments in respect of transfer of undertakings provide important confirmation and clarification that a transfer consisting exclusively of one or more seagoing vessels is not a transfer of an undertaking for the purposes of the directive.

This is highly significant because a ship is a uniquely mobile asset, and the buying, selling and chartering of ships is a key component of the business of a shipowner. Decisions need to be taken rapidly to maximise the benefit from the prevailing market conditions – making the consultation requirements of the directive (and UK law) wholly impracticable. When a company sells a ship, the crew members serving on board are either retained by the company and deployed on different ships, or discharged. Any requirement that the crew must transfer with the ship will reduce the attractiveness to a buyer, and will not suit members of the crew if the ship is to be put to use in another part of the world.

This directive was developed by the European social partners for the maritime transport sector and has the strong support of the UK Chamber. It is very important that this directive is implemented while the UK remains a member of the EU. The transposition deadline is 10 October 2017.

CHAPTER THREE

Opportunities for UK shipping outside the European Union

To identify and remove outdated and burdensome regulation through a new 'red tape challenge', delivering a regulatory environment for shipping that is driven globally and free from gold plating.

Shipping is a truly international industry, so should be regulated internationally through the IMO to create a level playing field for all owners and avoid skewing competition by the creation of regional and national regulation. The IMO also understands shipping, so is well placed to flag up the need for regulation and to develop it where and when required. The EU has a long track record of gold plating IMO regulations when it believes they do not go far enough, which can place European shipping at a competitive disadvantage to the rest of the world.

The UK Government's Red Tape Challenge scrapped or amended more than 3,000 domestic regulations, saving businesses more than £850m a year. Brexit presents the UK with an ideal opportunity to review all the EU-specific regulations and remove those that place an unreasonable burden on industry without adding true advantage.

EU gold plating is legion, and includes the following (by no means exhaustive) list of examples:

- The Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships 2009 – the Commission adopted the European Union Ship Recycling Regulation 1257/2013 (EUSRR). Viewed as an interim measure to address the global issue of ship recycling, the EUSRR came into force in December 2013, and its requirements apply between the end of 2015 and 2020. It broadly corresponds to the terms of the Hong Kong Convention, but includes significant additional obligations – such as banning beaching, and additional materials on various lists, while the question of a ship-recycling financial instrument continues to be discussed.
- Athens Convention – maritime liability for death or injury of passengers. The EU, while encouraging the 2002 Protocol to the Athens Convention and other IMO amendments to come into force, decided to bring in its own Passenger Liability Regulation. This extends the compulsory

insurance requirements to domestic carriage by sea within a single member state on board ships of a certain category and – if a member state so wishes – to all domestic sea-going voyages. The Regulation also introduces a number of additional measures intended to enhance the payment of compensation to passengers.

- STCW Chapter VIII-1, as amended in Manila, on fitness for duty (minimum hours of rest) was needlessly gold plated by revisions to the EU Minimum Training Directive with the insertion of a line prohibiting exceptions to the minimum 10-hour rest in any 24-hour period, which was not stated explicitly in STCW.
- EU MRV is likely to be more demanding than the IMO MRV, thereby adding considerably to the administrative burden faced by European shipowners and all vessels calling at EU ports. Specifically, the EU scheme demands the inclusion of what is called 'transport work'.
- EU biocidal products regulations have banned a range of anti-fouling paints that are allowed by the IMO. Those that are permitted are, generally, ineffective, can make the ship less energy efficient, and are less durable, so the hull needs treating more often.
- The National Maritime Single Window Directive 2010/65/EU. This gold plates the IMO Fal Convention, which establishes global standard forms – and their data content – for ships to use when reporting their arrival (or departure) at ports. The directive requires these forms to be submitted electronically and before arrival, so depriving shipowners of the choice about which method of submission suits them best. In particular, it precludes the simple and age-old mechanism of the Master signing the documents and handing them to the agent when the ship comes alongside.
- The EU Energy Efficiency Directive adds an extra layer of reporting on carbon. This has been enacted into UK law by the Energy Saving Opportunity Scheme (ESOS) and though the UK is open to exempting shipping – given that the industry is already covered by MRV and the mandatory carriage of a Ships Energy Efficiency Management Plan (SEEMP) – the Commission is reluctant to amend the directive to allow this.
- The Sulphur Directive gold plates the IMO regulations laid down in MARPOL Annex VI, both in terms of ships in ports and, more generally, in all European waters after 2020.

- EU Water Framework Directive (WFD). Strict compliance with the EU WFD means that scrubbers cannot be used inside the 12-mile limit of any EU MS because they discharge into the water – even though the discharges have been shown to be innocuous. This, in effect, removes any financial benefit of fitting scrubbers.
- The EU Stockholm Agreement adds additional requirements for ro-ro stability within European waters, over and above the Safety of Life at Sea (SOLAS) regulations.

To introduce greater flexibility into the tonnage tax regime, so that it underpins all sectors of the UK shipping industry.

The success of the UK shipping industry and the wider maritime cluster is founded largely on the tonnage tax regime. This offers a stable and low-tax environment that enables UK shipping companies to compete in global markets, renew their fleets and invest in skills. Economic analysis shows that, in 2013, £4.9bn of UK GDP was directly attributable to tonnage tax, 78,500 jobs were dependent on it, and £1.2bn of tax revenue was generated by it. Introduced in 2000, the regime reversed a long-term decline in the UK merchant fleet. In its first five years, the UK-owned fleet doubled in size and the (smaller) UK-registered fleet grew by 250%.

The UK tonnage tax regime is, however, constrained by EU state aid rules. European Commission guidelines on state aid to maritime transport make it impossible to offer an attractive tonnage tax option for ship-management companies. They also discriminate against ships flagged in the Red Ensign Group registries outside the UK and remove the freedom of tonnage tax companies, when acquiring additional ships, to choose a flag that suits the needs of their business. These arbitrary provisions will cease to apply once the UK is outside the scope of EU state aid rules, and full advantage should be taken of this opportunity to introduce greater flexibility into the UK tonnage tax regime. Permitting the introduction of more ships into tonnage tax would facilitate the renewed growth of the UK-based merchant fleet and – through the tonnage tax training commitment – increase the number of cadets in training. In addition to constraining the design of the UK tonnage regime, EU state aid rules also inhibit the freedom of HM Revenue & Customs (HMRC) to administer it efficiently. Specifically, they require HMRC to seek approval from the European Commission before updating the regime – and this approval process is unpredictable and slow. Giving HMRC the freedom to act on its initiative – by opening new election windows for companies to opt for tonnage tax, for example, or by varying the spread of a tonnage tax company's training obligation across cadets, rating trainees or junior officers studying for a second certificate – would enable it to administer the regime in a way that is more responsive to market developments and to shipping companies' evolving needs for personnel.

The UK to have a stronger voice in the IMO, free from EU coordinating constraints, thereby providing leadership to others and bolstering the UK's negotiating ability.

The UK is currently subject to EU coordination in the IMO on all issues for which the IMO can claim competence – that is, for all issues for which the EU has a directive or regulation. In effect, this means it cannot publicly take a contrary position in plenary discussions. This constrains the UK across a wide range of issues, including many of the environmental regulatory debates, safety and employment. The EU is represented in the IMO by the Commission, which in itself causes an inner tension because, in effect, a non-elected executive body instructs governments on which lines to take.

At present, about 10-20 per cent of all IMO regulation falls under EU coordination, with another 10-20 per cent in a grey area that can be argued either way. Increasingly, the EU is seeking to bring this grey area firmly under its 'control'.

In the event that the UK is no longer bound by EU coordination, it would be able to take a contrary position to the EU if desired, across a wide range of issues. This is a situation fully realised by Norway, which seeks to influence EU regulation by taking a strong position in the IMO. By becoming more vocal, the UK should regain a position of leadership and influence within the IMO – currently diminished by EU membership – that would restore its role as a leading maritime nation in its own right and a guiding influence for future regulation.

This may also have the positive benefit of attracting more shipping companies to the UK that would appreciate operating in an environment of strong, but pragmatic, regulation.

To ensure the continuation of mutual recognition of seafarers' qualifications throughout the European Economic Area

The standards of competency attested to by Certificates of Competency (CoCs) – issued to UK officers by the MCA – are accepted for service on ships registered in all member states of the European Economic Area (EEA). Likewise, operators of UK-registered ships may engage holders of CoCs issued by any other EEA member, subject to them passing an English language proficiency test and – in the case of senior officers – proving their knowledge of UK legal and administrative processes.

This is to the advantage of UK shipping companies and UK seafarers. Shipowners commit an offence if they allow a vessel to put to sea without a pre-specified number of crew members on board, so frequently need to recruit crew with little notice. The ability to recruit from any EEA member state is essential, because it not only ensures that ships are able to operate in accordance with their schedules, but also that they can be kept on the UK flag. This is particularly important in instances where there is no suitable UK CoC holder available to take the role.

The system of mutual recognition also means UK officers can accept employment from companies operating ships under the flags of other EEA member states, which brings employment and earning power into the UK. In addition, some companies operate mixed-flag fleets, with some ships registered in the UK and others elsewhere in the EEA. The system enables UK officers to work on board any such ship without barriers – which increases their earning potential and facilitates the logistics functions of their companies. It is important that the UK retains the reciprocal arrangements that exist under the EU directives on mutual recognition of professional qualifications, to ensure that the opportunities for UK nationals on ships registered in other EEA member states are not jeopardised.

To extend the Seafarers' Earning Deduction so that all UK seafarers can benefit.

The Seafarers' Earnings Deduction (SED) allows seafarers resident in the UK to reclaim income tax that they have paid on their annual earnings if they have physically been outside of the UK at midnight on at least 183 days in that year. This condition excludes many seafarers working on ferries, in coastal trades and in the UK's offshore energy sector.

The restriction persists for historical reasons; the origins of the SED lie in the former Foreign Earnings Deduction, which was abolished in the 2000s. As the concession is focused on an occupational group, it is discriminatory and unfair to prevent seafarers from benefiting from it on the basis of the trading areas in which their ships operate. In some companies, there will be seafarers who are able to claim SED while others cannot – even though they may possess similar qualifications. SED supports the employment of UK seafarers who are needed for strategic reasons, and who are in great demand shore-side in the UK for the many thousands of jobs in the maritime cluster that require seagoing qualifications and experience.

The justification for the 183-day rule disappeared many years ago and its removal is long overdue. All UK-resident seafarers should be entitled to reclaim the income tax paid on their earnings as seafarers.

To protect the National Insurance Contributions of UK-resident seafarers.

Council Regulation 883/2004 on the coordination of social security systems states that seafarers resident in the EU and employed on ships registered in

EU member states will, in most cases, be subject to the National Insurance Contribution (NIC) provisions of the state whose flag the ship flies. The regulation operates to ensure that contributions paid into the social security system of one EU member state will count towards a seafarers' eligibility for contributory benefits claimed in another.

If and when Regulation 883/2004 ceases to apply to the UK, the records of UK seafarers who have spent time working on ships registered in other EU member states may be affected. The UK might revive reciprocal agreements with other member states that were superseded by EU Regulations, although the provisions of each agreement will vary. The Chamber believes that the Government must ensure that UK seafarers suffer no adverse consequences in terms of their entitlement to social security benefits from the UK.

To restore duty-free allowances for passengers travelling between the UK and countries in the EU.

UK Chamber of Shipping members are clear: the No1 priority for the ferry sector is for trade to flow unimpeded through UK ferry ports. The restoration of duty-free allowances would be little consolation for the reintroduction of customs checks.

However, passengers on most international journeys are permitted to import a limited allowance of goods free of duty and tax – typically, 200 cigarettes, one bottle of spirits or two of fortified wine, and a small quantity of perfume. This global norm is established in the World Customs Organization's International Convention on the Simplification and Harmonisation of Customs Procedures ('the Kyoto Convention'). Such allowances are enjoyed by passengers arriving in the UK from outside Europe, but were abolished on international journeys within the EU in 1999.

Duty-free allowances are very much appreciated by passengers; a visit to the duty-free shop is seen as a fun treat at the start and end of a holiday, with the added excitement of getting a bargain. In the last year in which they were available, duty-free purchases by passengers travelling within the EU – by all modes of transport – were estimated to amount to £4bn, with travel to/from the UK accounting for approximately £1bn. The volume of such sales demonstrates their value to passengers – and, clearly, the revenue from them made a material contribution to the sustainability of the ferry services concerned. There is no reason to suppose that duty free would be any less popular with passengers travelling between the UK and neighbouring countries in Europe today than it was in 1999 – or, indeed, than it still is among passengers travelling to/from countries outside the EU.

Once travel between the UK and EU countries ceases to be classified as intra-EU, the UK will be free to restore duty-free allowances to passengers on such journeys. So, too, will France and Ireland and other EU countries in respect of passengers arriving from the UK. Doing so would meet an evident demand from passengers, enhance the travel experience, and help sustain the travel market through a period of potential uncertainty. The system of vendor control that operated in the 1990s – whereby allowances were policed at the point of sale, so no-one could purchase more than their individual allowance – offers a proven way of controlling how much each passenger can bring in without the need for routine and disruptive customs checks on arrival.

CHAPTER FOUR

Final word

These policies will provide the UK shipping industry with the opportunity to succeed long into the future. They will ensure a large UK-based maritime workforce and the growth of the industry's already significant economic and fiscal contributions.

The Government is not alone in its responsibility to grow the maritime economy; the UK Chamber of Shipping takes its responsibilities seriously too. That is why it offers free membership to British start-up shipowners. We strongly encourage government to join us in encouraging a new generation of maritime entrepreneurs.

The UK Chamber is also committed to promoting the UK as a place to do maritime business to inward investors, as part of promotional body Maritime UK – an official partner of the 'Britain is Great' campaign. Industry and the Government must now deepen their resolve to attract new business to Britain. The UK Chamber of Shipping has made a permanent offer to the Government to work with any company around the world that might be considering relocation to the UK. We restate that offer here.

It is vital that the Government makes good on its pledge to secure a strong and positive deal with the European Union, and to forge new and deeper trading relationships elsewhere. It is no less vital that it delivers significant reform of existing shipping policies – particularly in relation to the flag – so that the industry is on its best, most competitive footing.

Shipping is one of the UK's most important industries. It is a source of economic prosperity in major cities and small communities across the country. All those committed to building a strong future outside of the European Union must be committed to building a strong and competitive maritime economy.

Key contacts

CEO

Guy Platten
gplatten@ukchamberofshipping.com

Head of Communications

Jonathan Roberts
jroberts@ukchamberofshipping.com

Director of Policy

David Balston
dbalston@ukchamberofshipping.com

Championing
and **protecting** the
UK shipping industry