



## Submission to Maritime Strategy Inquiry

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### **Citation for published version (APA):**

Gilbert, P., Bows-Larkin, A., Mander, S., Traut, M., & Walsh, C. (2013). *Submission to Maritime Strategy Inquiry*. No publisher name.

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## Written evidence from the Maritime Skills Alliance (MAS 001)

### Key Points

- the Tonnage Tax and SMarT funding regimes are working, and welcome, but there can be no let up: there is much more to do and competitors are hot on our heels;
- the maritime sector is an international sector, so in framing its arrangements to support skills, the Government needs to use the activities of competitor nations as its guide, rather than whatever arrangements suit the rest of mainland Britain;
- we need Government to tailor what it does to the particular requirements and circumstances of the maritime sector. Trying to make us fit arrangements designed for others does not work.

1. The Maritime Skills Alliance sets and promotes skills standards for the UK's maritime sector. Much of our work so far has been devoted to developing a suite of interlocking standards and qualifications which enable employees to progress both within their specialism and between sectors.
2. Founded in 2004 with three members, we now have 15: British Marine Federation, British Tugowners Association, Company of Watermen and Lightermen, International Jack Up Barge Owners' Association, International Association of Maritime Institutions, Maritime and Coastguard Agency, Marine Society and Sea Cadets, Merchant Navy Training Board, National Workboat Association, Passenger Boat Association, Port Skills and Safety, Royal National Lifeboat Institution, Royal Navy, Royal Yachting Association, and Sea Fish Industry Authority.
3. Thankyou for this opportunity to provide evidence to the Committee's enquiry. We will comment particularly on your fifth question: "what more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the maritime sector?".

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4. Two core features of the maritime sector are crucial to understanding the best way to ensure the supply of highly-skilled people we need to compete successfully:
  - the maritime sector is above all an international sector. There is a worldwide market for talent with strong, price-based, competition from beyond Europe (and to an extent within it). The frame of reference which Government should use in considering its position on maritime skills is what our competitors (in the rest of Europe and in Asia) are doing, rather than any other considerations which apply within mainland Britain. The biggest threat to maritime London is from Singapore;
  - skills acquired at sea provide an excellent (and often essential) foundation for what's known in the shorthand as 'Maritime London', the hugely successful cluster of shipping-related services in which Britain excels, and which makes such a valuable contribution to our economy and balance

of payments. Investment in a mariner's first career at sea is re-paid twice: while they are at sea, and again when they come ashore.

5. Good progress has been made in recent years to repair the damage done in previous decades, to attract and retain high calibre people, particularly at junior officer level. The annual intake of new officer recruits has broadly doubled since 2000, thanks in no small part to the training link in the **Tonnage Tax**, a distinctive feature of the UK's system, and which has bi-partisan support.
6. The present Government has reviewed its core funding for junior officer training through the **SMarT** fund (Support for Maritime Training) and re-committed itself to continuing the SMarT fund at least for the life of this Parliament. The MSA was pleased by that outcome, but this limited commitment must not turn into a stay of execution, because much remains to be done: recruitment is still below what we need; we are not yet seeing real competition for places as many other sectors do; and other countries continue to seek ways to compete more effectively with the UK's maritime sector. We look for a continuing commitment to SMarT funding and to the stability which that would bring.

The **Independent Review of Government support for maritime training**, established by DfT and reporting in December 2011, concluded:

There is a demand for UK trained seafarers at sea, which is enduring, and if action is not taken then potentially there will be a gap of circa 3,500 deck and engineer officers at sea by 2021.

There is a demand for UK trained ex-seafarers ashore. This is mainly for qualified and experienced officers, and likely to be met for the foreseeable future from existing training resources. The UK dominates this market with 80% of posts filled, and forecast to continue to be filled by UK trained staff. As at 2011 there is a current shortfall of some 1,100 ex-seafarers which will increase to a shortfall of 1,600 by 2021.

The requirement for UK trained ratings both at sea and ashore is relatively low albeit with a net deficit of circa 800 forecast nationally by 2021, however there is an immediate need to develop the next generation of UK ratings for the short-sea, coastal and offshore (including renewables) sectors.

Seafarers contribute significantly to the wider UK economy. SMarT has had a positive impact, over and above tonnage tax, in increasing the numbers of UK seafarers.

A number of options (which are consistent with already declared Government intent, or are practiced elsewhere), or a combination of them, might provide other cost-effective means of meeting the requirement.

To ensure the supply of trained seafarers for the future, Government intervention is still required. Although it is difficult to make a precise judgment on the effectiveness and efficiency of the existing funding arrangements, both the Panel and the consultants' view is that SMarT has proved successful in terms of wider economic benefit to the community generating return rates at £14,500 per annum in excess (i.e. 33%) of a UK worker displaying average productivity and represents value for money.

7. The Government has been very supportive of the sector and of the high profile we give to skills. The Alliance was, for example, pleased to welcome Stephen Hammond, the Shipping Minister, to a recent meeting, clearly demonstrating his commitment. The maritime sector is largely invisible to

much of the wider public, and to many people in positions of influence, so we hope that the Government will continue to take up opportunities to recognise and support what we do.

8. The wider Government (through BIS and DfE) has put **Apprenticeships** at the heart of its skills policy. We welcome that, because our approach to initial training in the maritime sector is, in everything but name, an apprenticeship – and also, we believe, a model of good practice. Sadly, we have found it particularly difficult to persuade the National Apprenticeship Service of that, and the long and tortuous, process of winning their approval for our arrangements has been particularly wearing and dispiriting, and badly damaged employers’ commitment to using apprenticeships.
9. In its quest to keep apprenticeship standards high (which we applaud) we look to Government for a more flexible approach to different industries, more sensitive to their different circumstances and traditions. This is most certainly not a plea to have rules bent to accommodate something second rate: in part, we had to give in and accept some of what the National Apprenticeship Service would not budge on, despite our well-founded belief that they were forcing us into a second-best path.
10. Where an industry has its own long-standing, employer-led, well-used, and regulator-approved industry programmes, Government should be very careful about applying its otherwise admirable principles in ways which might damage what already exists. We need a Government apprenticeship regime which accepts that there are different ways to get to our shared goal of high quality outcomes. There is a challenge there for BIS, and particularly for the National Apprenticeship Service, to design tests which reflect the *outcomes* which Government has specified, rather than narrow interpretations of acceptable processes.
11. We have also had a further difficulty in winning approval for our apprenticeship arrangements because of a conflict between home regulations and those of the European Union. (See the box below). Though this has just (this week) been resolved, the process has taken us over two years: we need a much faster way of removing the obstacles in our path – indeed, of ensuring that they are not put there in the first place.

#### **Alternative Completion Conditions – a cumbersome way to get what employers want**

Our latest apprenticeship framework, the Apprentice Framework for Maritime Occupations, has unfortunately got caught between two sets of statutory requirements. They are the Specification of Apprenticeship Standards for England (SASE), and the regulations supporting European Community Guidelines on the Maritime Transport State Aid. To satisfy the former, trainee officers *must* be employed, but they are *forbidden* from being employed by the latter.

The practical solution which employers want to see is for trainee officers to be recruited through ‘sponsorship’, but this status is not recognised under the SASE, despite the reality that sponsorship in the Merchant Navy requires the active involvement of employers. (It is nothing like the ‘programme led’ apprenticeships which the Government has ceased to support: employers want and need to be actively involved to be sure they get the trained people they want.)

The solution to our problem lies in the provision for ‘Alternative Completion Conditions’ (to be passed by an affirmative resolution of both Houses), a provision put into the Apprenticeship, Skills,

Children and Learning Act for just this kind of eventuality.

BIS and DfT officials have been helpful and supportive, but this has been a particularly cumbersome and time-consuming way round the problem.

12. Our last point on flexibility concerns **Local Enterprise Partnerships**, the Government's chosen vehicle for much of its locally-based economic development support. Unfortunately, Local Enterprise Partnerships do not fit the reality of the maritime sector very well, so we risk losing out if BIS comes to rely on them as a tool for change. They do not fit the maritime sector well because we are so geographically dispersed (primarily round the coast, of course), and because this is a UK-wide (and commonly international) industry, and Local Enterprise Partnerships only operate in England.
13. The more the Government and its agencies understand the maritime sector, the better they will be able to tailor policies primarily designed to support skills on the mainland to suit the different reality of the maritime sector. The MSA therefore welcomes the work being done by Maritime UK to convene cross-Government round table meetings.
14. One positive feature of our work in the Maritime Skills Alliance is worth drawing to the Committee's attention given the frequency with which people talk about the great variety within 'maritime'.
15. Central to our work in the MSA has been identification of our **common core of skills** in the maritime sector, so that employers and employees benefit from the scope to progress not just *within* a sector, but *between* sectors. A simple example would be a trawler skipper using his existing accreditation to work on supply vessels in the North Sea, perhaps part-time alongside his fishing, instead of having to re-train. Focusing on skills has enabled us to see the commonality in otherwise very disparate occupations: the skill of navigation in a small vessel in demanding seas, for example, is much the same, regardless of whether that vessel is a tug, or a trawler, a supply ship working with the oil and gas industry, or a workboat supporting an offshore wind farm. In our often painstaking work to identify this common core, and find a way to make use of it within the demanding framework of regulations within which the sector works, has been a challenge, but we have been particularly well-supported in this by the Maritime and Coastguard Agency. Other parts of Government would do well to follow their flexible and imaginative example.

July 2013

Written evidence from the United Kingdom Maritime Pilots' Association (UKMPA) (MAS 002)

- a) The UKMPA is the association in the United Kingdom representing the professional interests of Marine Pilots. Its membership of about 460 pilots covers most UK major and minor ports throughout the nation. Active and proactive in the preservation and enhancement of professional standards and qualifications, it is progressive in utilising new technologies and working methods along with working towards the improvement of safety equipment, procedures and training courses in the many disciplines which marine pilotage encompasses. The UKMPA has membership of and works closely with both the European and International (EMPA & IMPA) Maritime Pilots' Associations and assists the UK delegation to the IMO wherever appropriate. It has seats on a number of MCA committees including the PMSC SG, UKSON and the VTS SG and endeavours to work closely with all other stakeholders within the UK ports sector including the UKHMA, the UKMPG and the BPA.
- b) The Association welcomes this opportunity to submit evidence to the Transport Select Committee and wishes to bring to the committee's attention our concerns on a number of important issues within the UK that directly affect the safety and efficiency of our shipping and ports.
- c) The UKMPA recognises that the future prosperity of the United Kingdom is totally dependent on a strong, cohesive and effective Maritime Strategy, operating under a comprehensive, effective and fair regulatory regime.
- d) For any strategy to be effective, we believe that all stakeholders must respect the underlying ethos and principles of the strategy and be prepared to comply fully with the requirements specified by government in seeking to achieve the maximum desired effect of the strategy.
- e) To this end it is essential that all codes of conduct and regulations relevant to the shipping and ports industries regarding commercial operations, safety and environmental protection are properly and comprehensively complied with by all stakeholders.
- f) To help ensure such compliance, it is fundamental that there exists as part of the regulatory regime, a proper and effective range of sanctions to be utilised against those parties that contravene the regulations or who chose to only comply with selective parts of codes of conduct or worse, not comply at all.
- g) Sanctions alone though are not enough. Regulations and codes are always open to abuse unless there is also an efficient, properly funded and resourced agency to police and enforce (where essential) the regulations and codes.
- h) It is of concern to the UKMPA that currently, the MCA as the agency tasked with managing the codes of conduct and policing regulations appears unable to fulfil this important role for a number of reasons, primarily under-funding and lack of personnel resources.
- i) The policies of the MCA with regard to enforcement of regulatory and code compliance are apparently based on matters of cost, severity of offence, public interest and the likely-hood of success (in matters of legal prosecutions).
- j) As examples, the UKMPA is aware that the MCA has determined not to pursue action concerning the contravention of the Pilotage Act requirements for PEC holders in the Stena

Feronia collision of March 2012. Additionally, the UKMPA is unable to obtain an MCA view on the reported mismanagement of PECs being granted to officers other than Bona-Fide Masters or Chief Officers prior to 2013 where the CHA is also the ship operator and employer.

- k) The UKMPA is also advised by the MCA that the MCA is powerless to “persuade” a CHA to discuss elements of its MCA PMSC Health Check report with specifically identified stakeholders. The MCA is apparently unable to do more than “strongly recommend” that the CHA share the information, something which (to date) the CHA has indicated very clearly to the stakeholder that it will not do.

*July 2013*

## Written evidence from Wildlife and Countryside Link (MAS 003)

Wildlife and Countryside Link (Link) brings together 41 voluntary organisations concerned with the conservation and protection of wildlife and the countryside. Our members practise and advocate environmentally sensitive land management, and encourage respect for and enjoyment of natural landscapes and features, the historic and marine environment and biodiversity. Taken together our members have the support of over 8 million people in the UK and manage over 750,000 hectares of land.

This response is supported by the following members of Link:

- Environmental Investigation Agency
- Humane Society International
- Marine Conservation Society
- National Trust
- Royal Society for the Prevention of Cruelty to Animals
- Royal Society for the Protection of Birds
- Wildfowl & Wetlands Trust
- The Wildlife Trusts
- WWF – UK
- Zoological Society of London

### **Summary**

- We believe there is scope for improving the Government's approach to the prevention of pollution by non-oil substances from ships, such as Polyisobutylene (PIB).
- The damaging impacts of PIB on marine ecosystems are seriously underestimated and we urge the Government to call on the International Maritime Organisation (IMO) to urgently review and reclassify all forms of PIB under the international MARPOL Convention to prevent their discharge in any quantity, and implement regulations and a systematic monitoring programme on the transportation of PIB cargoes. As well as prohibiting legal discharges, this action will help minimise the risk of any further tragic and wholly avoidable incidents like the two witnessed earlier this year.
- We also call on the Government to carry out the strictest possible enforcement and prosecution of illegal discharges of any Hazardous and Noxious Substances (HNS) at sea, as well as the illegal discharge of other forms of ship-generated waste, specifically all plastics, including ropes and fishing nets, prohibited under MARPOL Annex V.
- HNS pollution incidents should be given the same status as oil pollution incidents. There should also be associated procedures in the Maritime and Coastguard Agency (MCA) for responding to pollution incidents.
- The Government should revise the National Contingency Plan, to ensure clear procedures for the response to HNS pollution incidents and define responsibilities for the relevant statutory agencies.
- The Government must ratify the Protocol on Preparedness, Response and Co-operation to pollution incidents by HNS 2000.
- The Government should undertake a comprehensive review of the extent and efficacy of enforcement of stakeholders' compliance with MARPOL annex V, and the ability of regulatory authorities to detect illegal activities.

- The Government should revise the Port Reception Facilities (PRF) regulations in 2013 to mandate the provision of recycling and disposal facilities for fishing gear and extend the existing mandatory charge to fishing vessels, such that there would be a 'No Special Fee' system for ship-generated waste applicable to all maritime vessels.
- The Government must ratify the IMO Ballast Water Management (BWM) Convention, which sets global standards and management procedures.
- We would like to clarify that the designation of Marine Conservation Zones (MCZs) is highly unlikely to affect shipping lanes given that they are being designated principally to protect seafloor habitats, as opposed to the adjacent water column.

### **Is there scope for improving the Government's approach to maritime safety and the prevention of pollution by ships?**

1. In February and April 2013, more than 4000 seabirds were stranded on beaches along the south coast of the UK between Cornwall and Hampshire. They were contaminated by some form of polyisobutylene (PIB) – a man-made synthetic product which had been discharged at sea. PIBs, along with other non-petroleum products, are transported around the world on a regular and increasing basis. PIB usually enters the water through ships 'flushing', or washing, their tanks and clearing ballast water. Slicks of PIB at sea are extremely hazardous to swimming or diving seabirds, which can become covered in the substance, which sticks their wings to their bodies and prevents them from feeding, causing immobilisation, hypothermia, starvation and eventually death. No successful prosecutions have been made in the case of illegal discharges of PIB.
2. Despite being classed as a noxious substance, it is currently legal to discharge PIB into the marine environment under the MARPOL Convention. Under Annex II of MARPOL, PIB's pollution risk is classed as category Y: *Noxious Liquid Substances in bulk which, if discharged into the sea from tank cleaning or deballasting operations, are deemed to present a hazard to either marine resources or human health and therefore justify a limitation on the quality and quantity of the discharge into the marine environment.* This is the higher of two categories of hazardous substance considered to have a potentially harmful effect if discharged, but where the current regulations allow their legal discharge, with conditions.
3. In addition, despite its hazard status under MARPOL, there is no systematic monitoring or research into the wider impacts of PIB discharges to the marine ecosystem, beyond simply whether it floats or sinks. There is also no protocol for recording previous incidents and no consistent approach to describing these substances in the regulations and guidance documents. As a result, the risk to seabirds and the wider marine environment of PIB has not been fully identified and is seriously underestimated, and leaves seabird populations highly vulnerable to future incidents of this kind.
4. Urgent action is needed to prevent PIB causing further needless seabird deaths through its discharge into the marine environment. We therefore call on the UK Government to highlight the legal discharge status of PIB within the IMO, with a view to an urgent review of the hazard classification status of

PIB and a change in the classification of PIB, to prevent any further tragic and wholly avoidable incidents like the one just witnessed.

5. We also call on the Government to carry out the strictest possible enforcement and prosecution of illegal discharges of any HNS at sea.
6. HNS pollution incidents should be given the same status as oil pollution incidents, with associated procedures in the MCA for responding.
7. The Government should revise the National Contingency Plan, to ensure clear procedures for the response to HNS pollution incidents and define responsibilities for the relevant statutory agencies.
8. The UK Government must ratify the Protocol on Preparedness, Response and Co-operation to pollution incidents by HNS 2000, which requires measures to be established to ensure international cooperation in response to HNS pollution incidents.
9. In addition to the particular threats posed by HNS, discharge of other forms of waste also presents a critical threat to the marine environment. Maritime vessels have been identified as a significant source of marine debris, where this is defined as “any persistent, manufactured or processed solid material discarded, disposed of or abandoned in the marine and coastal environment”.
10. Marine debris is known to be harmful to organisms and to human health, can present a hazard to shipping, is aesthetically detrimental and may concentrate and transport contaminants within the food chain. It can impact biodiversity in a number of ways, namely through entanglement in, or ingestion of, debris items by wildlife, facilitation of the transport of invasive species and through effects at an ecosystem level. In addition to its impacts on biodiversity, marine debris can also have substantial negative socio-economic impacts, contributing to economic losses to commercial fishing and shipping industries, as well as recreation and tourism. It represents a dangerous form of marine pollution, persisting almost indefinitely in the environment.
11. In 2010, the UK was one of 140 states which ratified MARPOL Annex V regulations which prohibit the discharge of all plastics, including ropes and fishing nets. However, detection of illegal dumping remains intrinsically difficult.
12. We call on the Government to undertake a comprehensive review of the extent and efficacy of current UK enforcement efforts with regards to MARPOL annex V amendments, in line with its commitments under international, national and European legislation.
13. The UK Government should produce a comprehensive marine debris strategy and action plan, including further measures for the prevention of pollution by ships.
14. The Port Waste Reception Facilities regulations should be extended to mandate the provision of recycling and disposal facilities for fishing nets and lines by fishing ports and harbours.

15. The mandatory charge implemented under the Port Waste Reception Facilities regulations should be applicable to fishing vessels, which are currently exempt. This 'No Special Fee' system, where the cost of reception, handling and disposal of ship-generated wastes is included in a mandatory charge irrespective of whether wastes are delivered or not, is a key prerequisite for decreasing the number of operational and illegal discharges.
16. Ballast water provides a very serious threat to marine biodiversity because of the transfer of non-native species. In the marine environment non-native species are transported in ballast water (the water used to keep a vessel in balance until more cargo is loaded or offloaded at another port often thousands of miles away). UK waters are now home to over 50 alien species including the Chinese mitten crab, *Eriocheir sinensis*, the green alga *Codium fragile tomentosoides*, the leathery sea squirt *Styela clava*, and Japweed, *Sargassum muticum*. It is the non-native species that succeed in out-competing native species that provide the greatest threat, but with native species increasingly over-exploited the opportunity for this is widespread
17. The IMO Ballast Water Management (BWM) Convention was adopted in 2004. It sets global standards and management procedures. The draft regulations require vessels undertaking deep sea voyages (>200 nm from shore and >500m depth) to implement a management procedure which may involve exchange of ballast at sea or non-release of ballast or discharge to ports or treatment of ballast water to destroy organisms. Ports would be required to provide reception facilities for ballast tank sediments. It also requires signatories to take special regional measures where these are necessary. As effective ballast water treatment technologies are still not widely available and management is still largely confined to ballast water exchange at sea, regional measures are desperately needed. The UK, working under the auspices of OSPAR and the NSC are developing a regional ballast water management strategy for the NE Atlantic.
18. The United Kingdom must ratify the BWM Convention. It will enter into force 12 months after ratification by 30 states, representing at least 35% of world merchant shipping tonnage. As of June 2013, 37 states representing 30.32% of world tonnage had ratified.

**What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?**

19. We note that within the recent Select Committee's Inquiry on Access to Ports, a number of parties expressed concerns that the designation of Marine Conservation Zones (MCZs) represented a potential impediment to shipping lanes, as well as future development of ports. These concerns were evidenced by directing the Committee to the Impact Assessment attached to the 2009 Marine and Coastal Access Act. Specifically, the predicted costs to industry were highlighted.
20. We feel obligated to clarify that the designation of MCZs is highly unlikely to affect shipping lanes given that they are being designated principally to protect seafloor habitats, as opposed to the adjacent water column. Moreover, a number of recent studies have calculated that better managing and protecting these areas is likely to have a net economic benefit. One recently published study (July 2013) calculated that for two user groups alone

(diving and recreational angling), the net benefit of these sites was in the region of £1.87 - 3.39bn.<sup>1</sup> We believe this reiterates the sound basis for the designation of MCZs; the scientific evidence that our seas are not as healthy or as productive as they once were has been well documented. The MCZ policy was conceived on this basis and, far from acting as an impediment to economic growth, will have a significant role in safeguarding our rich marine ecosystems, and in turn the numerous goods and services they provide.

21. Finally, we would direct the Committee to the statement jointly signed by the Seabed User and Developer Group (SUDG) and environmental NGO community signed in December 2012, which supported the designation of the full ecologically coherent network of MCZs. The SUDG comprises a number of organisations, including the British Marine Foundation, Oil & Gas UK, The Crown Estate, Associated British Ports and British Ports Association.

*July 2013*

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<sup>1</sup> Kenter, J.O., Bryce, R., Davies, A., Jobstvogt, N., Watson, V., Ranger, S., Solandt, J.L., Duncan, C., Christie, M., Crump, H., Irvine, K.N., Pinard, M., Reed, M.S. (2013). The value of potential marine protected areas in the UK to divers and sea anglers. UNEP-WCMC, Cambridge, UK.

The RMT Parliamentary Group was formed in 2002 with Labour MPs keen to work with the union on the basis of support for four key policies: Public Ownership of Rail; Employment for UK Seafarers; Opposition to privatisation of London Underground; and Repeal of the Anti-Trade union laws. None of the 24 MPs who comprise the RMT Parliamentary Group receives any payment or funding for being a member of the Group. Since its formation the group has established a considerable reputation at Westminster, providing detailed briefings for MPs and meeting with Government at all levels.

AS you will be aware the RMT represents 80,000 transport workers nationally of whom nearly 5,000 are UK seafarers, who are predominantly employed as deck, engine or catering ratings on vessels working in the short sea shipping sector.

Since the formation of the RMT Parliamentary Group over a decade ago, we have met with a succession of Maritime ministers with whom we have pressed the case for urgent reform of a situation which is proving highly detrimental to the employment of UK seafarers and to their pay and conditions. Whilst we have always been listened to with a sympathetic ear, we have been dismayed by the total lack of action to redress the issues by Governments of differing political persuasions. I will not repeat in full the points which will be made in the Union's own submission, but we do wish to highlight a number of important points which we think deserve particular attention during the course of your hearings:

### **Training**

We believe that UK seafarer numbers must increase in order to protect and restore the maritime skills base, as well as maintaining national maritime capacity and security. The introduction of the Tonnage Tax scheme was supposed to be linked to the employment and training of UK ratings. Ships in the scheme attracted a tax rebate worth £85m in 2012-13, whilst answers to questions from MPs in the RMT Parliamentary Group reveal that, to date the tonnage tax has given ship owners a total tax rebate worth at least £800m.

Whilst the total number of jobs (ratings & officers) on all ships in the tonnage tax scheme in 2012-13 increased by 2.8% (560) to 20,145, the total number of UK ratings working on UK flagged ships fell by 6.5% (286). UK seafarers now fill under a quarter of jobs on tonnage tax vessels - 23% (4,730). The Merchant Navy Training Board estimate that 'under 20' UK ratings were trained in 2012-13. At this paltry rate, we are heading for a deficit in UK ratings before 2020.

At the same time Tonnage tax funded officer training schemes are currently meeting under half (1,800) of the estimated annual need (3,900) if a deficit in UK officers is to be avoided by 2020.

We need urgent action to link tax relief under the Tonnage Tax scheme to effective schemes for the employment and training of UK seafarers, especially ratings.

### **Pay discrimination**

In our view, the maritime labour market should be better regulated in order to prevent low pay and declining employment rates for UK seafarers. UK seafarer ratings are particularly vulnerable to reduced employment opportunities as a result of the current structure of the immigration system, specifically Tier 2 of the Points Based System. Indeed, the Coalition Government's decision in April 2011 to raise the minimum qualification to NQF4 under Tier 2 of the PBS has increased the distortion of the labour market for seafarer ratings, as this takes these semi-skilled jobs entirely outside the scope of work permit regulations.

As a direct result of this, shipping companies can recruit non-EEA seafarers on rates of pay well below the National Minimum Wage. The egregious example of Condor Ferries on the south coast is a case in point, where seafarer officers and ratings recruited from Ukraine to work on ferry services from Poole to the Channel Islands are on rates of pay as low as £2.35 per hour. RMT have campaigned vigorously to highlight this exploitation which is a clear injustice to the Ukrainian seafarers involved, as well as to UK seafarers.

### **Maritime safety**

We would argue that seafarer health and safety representatives should have the same status as land based health and safety reps. We are concerned that land based reps are legally required after appointment to attend a trade union approved health and safety training course as soon as possible, whilst seafarer reps are only required to undertake on-board health and safety training at some stage. This inferior status compromises the health and safety regime for seafarers working on UK flagged vessels and we would therefore call upon the Government to take steps to bring seafarer health and safety reps up to the legal status of their land based counterparts

### **Regulation**

We would like to register our concern that cuts to the Maritime and Coastguard Agency budget threaten its ability to enforce key employment and environmental regulations in the shipping industry, particularly key international conventions and legislation in these policy areas emanating from the ILO, IMO and European Union.

We would also recommend that RMT representatives are invited to give oral evidence in the course of the inquiry, in order that the union can contribute its thoughts on developing a thriving and effectively regulated maritime sector which protects the pay and conditions of workers across the industry. The RMT Parliamentary Group would also be happy to give evidence itself if this was felt useful.

*July 2013*

**What should be the main priorities of the Government's maritime strategy for vessels registered in the UK? How does this fit in with the overall transport strategy for the UK?**

1. The UK Government is committed to the legally binding Climate Change Act to reduce emissions by 80% by 2050 from 1990 levels. Furthermore, if the UK Government is to take forward the scientific evidence underpinning the global 2°C temperature target, then all greenhouse gas-emitting sectors need to significantly and urgently reduce their emissions. This is very challenging and the implications for global shipping are outlined by Anderson and Bows (*see paper attached: Executing a Scharnow turn...<sup>i</sup>*).

2. To ensure all sectors play a role in achieving this target, the Government's main maritime priority should be to incorporate the UK's share of international shipping emissions into the UK's carbon budgets and target. Currently, shipping and aviation are excluded, so the present strategy does not fit with the overall transport strategy, where the automotive and rail transport sectors are contributing to meeting the Climate Change Act (*see briefing note attached: Aviation and shipping privileged – again?...<sup>ii</sup>*). Gilbert and Bows (*see paper attached: Exploring the scope for complimentary...<sup>iii</sup>*) have outlined measures that the UK could take to ensure its share of international shipping emissions are tackled – this includes discussion on appropriate apportionment regimes to benchmark what the UK's share of emissions are.

3. We have included the policy section from the Gilbert and Bows paper for ease of reference: *“Policy measures at the sub-global scale would do well to focus on how to influence and improve the carbon intensity and absolute carbon emissions associated with shipping goods for national consumption. Policies aiming at reducing the carbon intensity would not generally require an apportionment regime, as indicators like the fuel consumed per tonne-km, if reported as ships dock, would be sufficient to monitor the success of mitigation measures put in place. Consequently, policies such as an efficiency standard per journey enforced at ports or borders could incentivise a reduction in port congestion, more efficient manoeuvring in ports, more efficient routing and slow steaming. Again, if stringent standards are adopted by multiple nations, this could also increase the indirect influence over technological development. However, care would need to be taken to ensure that perverse incentives do not occur. For example, ships off-loading goods onto higher carbon intensity forms of transport at ports without such standards would avoid being penalised but as a result likely increase the absolute level of emissions. A combination of regional (e.g. EU-wide) policies, coupled with the inclusion of road-freight within national carbon targets, as is the case within the UK, could overcome this avoidance problem. Furthermore, if set under national jurisdiction and enforced within ports, the measure would not necessarily need to*

*abide by 'No More Favourable Treatment' and could potentially differentiate between goods traded with non-Annex 1 and Annex 1 nations.*

*4. Employing policies that tackle the carbon intensity or absolute emissions within national waters could influence improvements to the operational fuel efficiency of the vessels and the amount of fuel consumed by a ship operator. Policies could involve monitoring the efficiency of ships entering a nation's ports using something similar to the Environmental Ship Index and incentivise efficient ship choice by those with a significant proportion of operations in those national waters.*

*5. Influencing the absolute carbon emissions associated with imports and exports could, in addition to directly and indirectly addressing efficiency, involve policies that aim to change the origin and destination of goods in order to reduce the length of journey. They may also involve policies to alter the type and level of consumption. Although there is no evidence to suggest that national legislation is exploring this route explicitly, organisations with international supply-chains could use their influence in this way to reduce overall supply-chain emissions."*

**How effectively do current Government policies (e.g. the Tonnage Tax, training, and reforms to the ship registration process) support an internationally competitive maritime sector in the UK?**

6. The UK's maritime sector faces significant opportunities for repositioning its international competitiveness, and opportunities for it to be world leading when considering the challenge of climate change and the Earth's finite resources.

7. While the most energy-efficient mode of transport, shipping nonetheless will have to tackle its carbon dioxide emissions and become more carbon-efficient. There are considerable opportunities for decarbonising shipping.

8. Wind power technology is just one example of a low carbon technology that may hold significant rewards (*see attached paper: Propulsive power contribution of a kite...<sup>iv</sup>*). With UK expertise in renewable technologies, transferring know-how to benefit low carbon ship designs could lead to novel, very low-carbon modes of freight transport, and new opportunities for UK manufacturing.

9. The maritime sector could also play a role in tackling the wider energy challenge. For example, combining off-shore wind with hydrogen fuel production, and subsequent use in shipping or other sectors, is just one of the prospective technologies worthy of consideration.

10. Beyond technology, practices will have to change and adapt. Slow steaming (where ships travel at lower speeds to save fuel) is already a wide-spread response to the recent economic crisis offering significant cuts in greenhouse gas emissions. A more strategic approach could combine this practice within more sophisticated logistics systems, supporting just-in-time arrival.

11. The Government should support an internationally competitive maritime sector in the UK by: leading the world in pursuing a clear, coherent, and forward-looking climate change strategy nationally; and by reinforcing its efforts to foster and promote research, development, and demonstration of new, low-carbon technology.

**What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?**

12. The current UK energy supply relies heavily on shipped imports of fossil fuels yet as the energy system decarbonises, driven by climate change policies, UK shipping patterns will radically change. The future role of coal in the UK energy system is contingent on successful deployment of carbon capture and storage technologies (CCS), but even if CCS were to be successfully deployed, the demand for the shipping of coal will likely be lower in the future. Oil and oil products, used in refineries and as transport fuels, currently comprise around one third of UK shipped imports (by weight). Decarbonisation of the transport sector will, however, significantly reduce demand for oil products. In a low carbon future, biofuels and solid biomass may become increasingly dominant, with new markets requiring new or retro-fitted ships travelling between Europe and other centres of production such as North and South America. The impact of energy system decarbonisation on UK shipping is further discussed in Mander et al (2012)<sup>v</sup>.

13. While the cost of marine fuel has fluctuated over the previous decade, the general trend has been an increase, which the shipping industry anticipates will continue. Incentivising fuel efficiency at all stages of the ship lifecycle, from construction to ship operation will help offset the impacts of such an increase on the maritime sector.

14. The waters around the UK have become busier due to increased traffic associated with both commercial and leisure craft. This includes the significant traffic between offshore oil installations. This is compounded by instances where ships have become larger and in some cases, faster. In the interest of both safety and energy efficiency the UK could incentivise infrastructure (such as AIS installations) and services at port level (such as virtual arrival) which can assist in the more efficient management and scheduling of ships around congested sea lanes, as well as helping facilitate operational measures such as slow steaming.

**What more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the UK maritime sector?**

15. If the shipping sector is to significantly decarbonise over the coming decades then the likelihood is that some vessel types and services will undergo fundamental changes to both the technologies used and operations. It is likely that the sector will no longer be dependant on heavy fuel oil but instead on a more diverse range of sources of propulsion, including biofuels, battery electric, renewables and nuclear. There are already cases where wind propulsion is being used to transport goods through the use of kites, sails and Flettner rotors. Furthermore, parts of the sector are also considering alternative materials such as composites, which present challenges in terms of structural integrity when loading and unloading goods at ports.

16. If the workforce is unable to adapt to the operation and functionality of these technologies there could be a deficit of trained staff to respond to a decarbonised shipping sector. When the sector outlines roadmaps focusing on how to achieve high levels of emission reduction, the workforce (both on the ship and in ports) needs to be considered from the outset. Additionally, the interface and role that ship builders play is very important as they impact how the workforce could respond to changes in technologies. Such technologies, in particular wind-assisted propulsion, present many challenges in terms of manoeuvrability, deck space and changes to conventional forces experienced on a ship. On top of this, it will be likely that one form of propulsion will not be applicable to all vessel types and as the fleet is so diverse in terms of size, speed, markets etc this will put further pressure on the diversity of training required for the workforce. For further information on the challenges of wind please refer to a pre-published accepted version of Traut et al (2013)<sup>vi</sup> (page 6).

**Is there scope for improving the Government's approach to maritime safety and the prevention of pollution by ships?**

17. The shipping sector is required to reduce fuel sulphur content to 0.1% in Emission Control Areas by 2015 and to 0.5% globally by 2020. The main ECA affecting UK shipping is the one in North West European Waters. Although this is demanding, a greater challenge for all sectors is climate change. However, the three options to comply with sulphur regulation do little to address this challenge. With a deep-seated change to the type of fuel burnt in marine engines, this should be seen as an opportunity to explore co-benefits of sulphur and carbon reduction – instead of taking a short-sighted approach to the problem. It is argued by Gilbert (*see paper attached: From reductionism to system thinking...<sup>vii</sup>*) that the upcoming sulphur regulations should be postponed and instead, a co-ordinated suite of regulations should be implemented that tackle cumulative CO<sub>2</sub> emissions and localised SO<sub>x</sub> emissions in chorus. This would ensure that less developed, yet more radical, step-change forms of propulsion such as wind, battery and biofuels are introduced from the outset – reducing the

risks of infrastructure lock-in and preventing the lock-out of technologies that can meaningfully reduce absolute emissions from the sector.

*July 2013*

*[Attachments not printed]*

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<sup>i</sup> Anderson, K. and A. Bows (2012). "Executing a Scharnow turn: reconciling shipping emissions with international commitments on climate change." *Carbon Management* 3(6): 615-628.

<sup>ii</sup> Bows, A., M. Traut, et al. (2013). Aviation and shipping privileged – again? UK delays decision to act on climate change, Tyndall Centre for Climate Change Research. Tyndall Centre Briefing Note 47.

<sup>iii</sup> Gilbert, P. and A. Bows (2012). "Exploring the scope for complementary sub-global policy to mitigate CO2 from shipping." *Energy Policy* 50(0): 613-622.

<sup>iv</sup> Traut, M., P. Gilbert, et al. (2013). Propulsive power contribution of a kite and a Flettner rotor on selected shipping routes. *Applied Energy*. In Press.

<sup>v</sup> Mander, S., C. Walsh, et al. (2012). Decarbonising the UK energy system and the implications for UK shipping. *Carbon Management* 3(6): 601-614.

<sup>vi</sup> Traut, M., P. Gilbert, et al. (2013). Propulsive power contribution of a kite and a Flettner rotor on selected shipping routes. *Applied Energy*. In Press.

<sup>vii</sup> Gilbert, P. (2013). From reductionism to systems thinking: how the shipping sector can address sulphur regulation and tackle climate change. *Marine Policy*. In Press.

## Written evidence from Dr Conor Walsh (MAS 006)

Please be aware that while I have contributed to separate submission organised by colleagues, I stress that the following points solely reflect own opinions and do not necessarily reflect the views of the wider research group, school, or University I represent.

Summary of main points.

- The anticipated growth in shipping trade means drastic reductions are necessary in order to meet wider, shared objectives of maintaining global temperature increase at not greater than 2°C above pre-industrial levels.
- Within the EU, the shipping sector is poised to enter a period of increased regulatory pressure and an increased cost of business.
- In particular, proposed EU legislation means that the UK as a flag state will have unprecedented access to data on the fuel efficiency of ships calling at its ports.
- With proper planning the UK has the potential to use such information to modify the way taxes are currently levied in favour of environmental criteria.
- Ideally the UK should seek to assist shipping companies in preparing for a period of greater regulatory obligations.
- In that regard the UK should seek to identify “win-win” situations whereby the UK registry can expand while incentivising emission reductions.

### **1. What should be the main priorities of the Government’s maritime strategy for vessels registered in the UK?**

1.1 In support of the UK shipping industry, the government should seek to increase the proportion of the registry that is domestically owned. The United Nations Conference on Trade and Development (UNCTAD, 2012) estimate that approximately 89% of the UK registered (deadweight) tonnage are owned by companies with controlling interest in another country. Priorities should reflect maintaining and enhancing the quality of ships within the registry and not simply seek to present an attractive cost differential, in comparison with other jurisdictions. For example, at present the registry system offers certification of ISO standards, such services could be extended and enhanced (see para 7.3) to assist

1.2 At present each relevant ship, either a new build or transferring from a pre-existing flag, is required to be surveyed before it can be registered on the UK ship register. In the short term, such surveys should take the opportunity to identify significant instances of under performance. Inherent in maintaining the quality of the registry, is the environmental concerns associated with mitigating both climate change and local area environmental impacts. Given the issues of scale and urgency

associated with the former, government strategy should seek to incentivise both operational and technological measures to reduce carbon emissions, with preferential treatment given to ships which report on fuel consumption and implement emission reduction strategies.

1.3 This may include tax exemptions for exceptional environmental performance. (For example, the annual renewal of registration, which normally operates on a rolling basis, may become contingent on meeting certain criteria.) This may be accompanied by ring-fencing some of the revenues gains and providing a rebate to ship owners in order to assist in the investment of novel technologies.

1.4 In the potential implementation of such a scheme, there is significant opportunity for the UK (in its capacity as a flag state) to take advantage of recent proposals at EU level to monitor, verify and report on the emissions and fuel efficiency of ships calling at EU ports (EU commission, 2013). Through implementation of this scheme emissions will be reported to both the commission and the flag state. Having such information at its disposal should afford the flag state significant opportunity. Assuming approval by the European Parliament, the European commission anticipates that the obligations associated with such monitoring, verification and reporting, would apply from the 1<sup>st</sup> January 2018. In the intervening period, it would be advantageous if the UK government seeks guidance on how this information may be utilised to the greatest affect. Specifically this may include what subsequent measures may be taken (for example; the establishment of emission reduction targets in excess of what may be envisioned by potential measures at wider European level.)

1.5 The UK registry could seek to forge closer links with multiple classification organisations, perhaps offering a choice of which ship classification company applicants can register with, may also be advantageous. Indeed the UK should, though its established connection with classification companies such as Lloyds register, should seek to initiate a dialog in order to establish how the emergence of novel technologies may impact upon ship classification procedures.

1.6 In overall terms, one of the advantages of the existing registry system is the certainty afforded by the tonnage tax scheme and the level of support available to registrants. Any attempt to modify this system to focus on environmental aspects must also provide registrants with similar degrees of certainty and transparency. In summary it should be stressed that the UK ship registry should not (and indeed does not appear to be) operated as a business, but rather seek to promote the enhancement of marine safety, efficiency and quality.

## **2. How does this fit in with the overall transport strategy for the UK?**

2.1 While at present, UK international shipping emissions are excluded from existent UK emission targets, they are no less relevant to the stated aims of the UK in contributing proportionally to the objective of maintaining global temperature rise to not greater than 2°C above pre-industrial levels.

2.2 The UK transport strategy seeks to balance the commercial interests and environmental considerations of the maritime sector. From an environmental perspective the shipping sector has not been as heavily regulated as other modes or

commercial sectors, as well as being dependent on a (comparatively) low priced fuel, namely heavy fuel oil. However with the recent ratification of the energy efficiency design Index (EEDI), the proposed monitoring, reporting and verification of shipping emissions by the EU and the forthcoming stringent sulphur limits, the maritime sector is anticipated to have to adapt to a stricter regulatory environment and a period of uncertainty in the face of rising business costs. While not without its associated challenges, incentivising and assisting the embedding of fuel/energy efficiency measures as early as possible will likely improve the resilience of the UK fleet to such changes in the regulatory environment, while also seeking to mitigate against wider environmental impacts.

### **3. To what extent does EU maritime strategy complement the Government's strategy?**

3.1 Broadly speaking, the EU and broad UK government strategies are aligned in that both accept the need to meet the challenges posed by climate change. The UK remains one of the first jurisdictions to adopt legally binding emission reduction targets. The EU has an emission reduction target of 20% on 1990 levels by 2020. In its 2011 white paper on transport, the EU commission expressed the view that the CO<sub>2</sub> emissions from maritime transport attributable to the transport sector should be reduced by at least 40-50% of 2005 levels by 2050 (EU Commission, 2011). However in both instances, international shipping is not covered by the EU's or the UK's current emissions reduction targets. However, given the anticipated growth in the volume of material transported on ships, as well as the scale of emission reductions commensurate with not exceeding the aforementioned 2°C limit, drastic reductions in the carbon intensity of shipping are necessary (Anderson and Bows, 2012).

3.2 However despite this issue it could be argued that, at least in relations to carbon emissions, the EU maritime strategy is more proactive than the UK. In June of 2013 the European Commission presented both a strategy and legislative proposal for incorporating the emissions associated with shipping into EU's domestic emission reduction policy (EU Commission, 2011). However (as mentioned previously) the commission has proposed a system of monitoring, verification and reporting of emissions. In tandem with this ship owners will be required to provide data necessary to determine the ships' energy efficiency. This is important as it is likely that ship owners will have to finance any emission reduction technologies while they may not ultimately pay for the fuel consumed during a voyage. In this regard the proposed EU legislation may serve to make the link between emissions and ship owners more tangible and concrete.

### **4. How effectively do current Government policies (e.g. the Tonnage Tax, training, and reforms to the ship registration process) support an internationally competitive maritime sector in the UK?**

4.1 As the tonnage tax relates to the size of the vessel and decreases (in terms of \$/100 gross tons) as ship sizes increases, this may be seen as incentivising the entry of larger ships. Since 1999, the accumulated deadweight tonnage of UK Registered shipping has increased more than six fold (admittedly from a relatively low base).

4.2 A tonnage tax may incentivise larger ships which are more fuel efficient per tonne transported but has little bearing on the operational efficiency of the ships themselves. A large ship may, due to issues associated with both operation and maintenance, not capitalise on the benefits afforded by their size. This issue may be difficult to be adequately represented within the vessel surveys which form part of the registration process.

4.3 In terms of the UK sector, the tonnage of ships which are managed or owned by UK companies are significantly in excess of those registered in the UK. The department for transport estimate that in 2011 there were 730 UK owned trading vessels, totalling 20.5 million gross tons, or 22.5 million deadweight tons. With UK registered fleet accounting for only 33 per cent of this gross tonnage and 28 per cent of deadweight tonnes (DfT, 2012). Given the stated focus of the UK registry on dedicated customer service, support and quality, arguably more needs to be done to encourage wider British owned elements to register in the UK.

## **5. What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?**

5.1 While the cost of marine fuel has fluctuated over the previous decade, the general trend has been of increase, which the shipping industry anticipates will continue for the foreseeable future, particularly in the face of regulative pressure. Incentivising fuel efficiency at all stages of the ship lifecycle, from construction to operation will help offset the impact of such a price increase.

5.2 The waters around the UK have become busier due to increased traffic associated with both commercial and leisure craft. This includes the significant traffic between offshore oil installations. This is compounded by instances where ships have become larger and in some cases, faster. In the interest of both safety and energy efficiency the UK could incentivise infrastructure, such as automatic identification system (AIS) installations and services at port level (such as virtual arrival) which can assist in the more efficient management and scheduling of ships around busy sea lanes.

5.3 The impending enforceability of stricter sulphur content limits for marine fuel, has specific implication for the UK given that much of the North Sea is bounded by an emission control area. A significantly stricter fuel sulphur limit which comes into force in 2014 is anticipated to place considerable compliance pressure on ships operating in emission control areas. Improving or securing the availability of low sulphur fuels within the UK will assist in the transition to compliance with such regulations. In the medium term this may include the provision of liquid natural gas infrastructure as well as the supply of bio-fuel. In the short term this situation will likely require adequate bunkering of low sulphur fuels.

## **6. What more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the UK maritime sector?**

6.1 Given the likelihood that the shipping sector will have to adapt to greater regulatory pressures, there needs to be a concerted assessment as to whether existing training services are adequate for a changing environment where reporting and

monitoring of shipping activity becomes of central importance. This should focus on identifying specific gaps in current training provision.

6.2 Following the government's spending review in 2012, the Shipping Minister announced the decision to provide an annual budget of £12 million in support for maritime training. In that regard it is important that the current minimum training obligation of UK registered ships (whereby each shipping company is required to recruit and train one officer trainee each year for every 15 officer posts in its fleet, taking into consideration issues of employment and training opportunities) is maintained and that training budgets are not cut. It is anticipated that the majority of this budget will be allocated to support the initial training of cadets. Again it is important that the additional responsibility of sea-farers in adapting to the forthcoming regulatory requirements is explained as early in the training cycle as possible.

6.3 Similarly it is important to ensure the trainers themselves are properly vetted, supported and where necessary, have sufficient opportunities to themselves avail of new training on environmental considerations (particularly if new emission saving technologies begin to penetrate the fleet.)

6.4 Following on from this it will be necessary to review how recipients have i) benefited from such training and ii) are deemed adequate for the changing requirements of the sector. This should be complemented by procedures to modify the provision of training services available if it is deemed necessary.

## **7. Is there scope for improving the Government's approach to maritime safety and the prevention of pollution by ships?**

7.1 There are numerous options for incentivising emission reductions within the maritime sector. This may include elements such as a mandatory speed limit for ships berthing in the UK. The speed at which a ship travels has a direct impact on the levels of fuel consumption and subsequently emissions. Although in practice such a limit would likely require significant cooperation amongst other regions or even global agreement.

7.2 As mentioned previously, the proposed legislative measures at EU level are anticipated to provide significant information to flag states on the fuel consumption and energy efficiency of vessels calling at their ports. In terms of the UK registered fleet, this may present an opportunity to modify the current tax system. For example, an alternative would be to replace the tonnage tax with a tax based on ship specific fuel efficiency (bench marked against targets which are ship size and type dependent). The tax may be decreased in instances of greater fuel efficiency. Alternatively there is an opportunity to offer exemptions in instances of significant improvement or exceptional performance.

7.3 At present the registration system offers ISO certification. An option may be to make ISO certification mandatory if vessels remain in registry for a number of years, and also assist companies in complying with ISO 14064 which provides a standard for greenhouse gas reporting and verification. If this is implemented prior to the impending EU legislation, it will arguably allow for an easier transition towards

compliance. Providing assistance in becoming ISO 14064 compliant may also assist in making the UK registry more appealing for new applicants which will have to fulfil the requirements of this legislation.

7.4 There are examples of obligations placed on port and coastal states to report their findings to the relevant flag state with a view to the latter taking action against a ship which fails to meet environmental regulations. The UK should ensure that such channels are maintained and encourage other states to report instances of poor environmental performance by the UK registered fleet.

*July 2013*

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## Written evidence from Nautilus International (MAS 007)

### **Introduction**

1.1 Nautilus is the trade union representing more than 23,000 ship masters, officers, cadets, ratings and other maritime professionals working at sea and ashore, including marine pilots, VTS officers, harbourmasters and other key staff.

1.2 We warmly welcome the transport committee's decision to undertake this inquiry. There can be no doubt about the critical importance of the maritime sector to an island nation like the UK. There is a wealth of statistics to demonstrate the sector's significance: some 95% of the nation's trade comes and goes by sea; it is a sector that contributes more than £31bn a year to the country's economy, and a further £8.5bn in tax revenue for the Exchequer; it supports the direct and indirect employment of almost 635,000 people; and it is a sector that sustains a global lead in maritime services such as ship finance and ship broking, marine insurance and maritime law, ship classification and seafarer training and education.

1.3 In today's highly globalised economy, much of it based upon 'just in time' delivery techniques, the role of shipping is utterly pivotal. If shipping services were to stop overnight, the UK would be just days away from social and economic collapse as the supply of food, energy and other vital commodities dried up. Yet, despite the essential nature of the industry, it struggles to get the political and public attention it deserves. Nautilus, and its predecessor unions, has had to fight for decades to avert what appeared at one time to be inexorable decline. And even today, when we have had over a dozen years of tonnage tax in place, there are some fundamentally disturbing questions about the state of the UK maritime sector and the policies that shape it.

1.4 Despite the acknowledged importance of the maritime sector, Nautilus believes the government's approach to it has been haphazard, contradictory and lacking in vision and ambition. There has been an absence of 'joined-up thinking' between departments, which has resulted in sometimes contradictory or damaging approaches being taken, creating doubt and instability.

1.5 Existing support measures, such as tonnage tax and the SMarT training assistance, are welcome and have made a difference. However, Nautilus believes they are not delivering sufficient for long-term sustainability and this evidence presents proposals for improving their outcomes.

1.6 Government spending on shipping and the wider maritime cluster is a mere fraction of the overall Department for Transport budget, yet there is sound independent research to demonstrate that remarkably small amounts of fiscal and regulatory support will not only help to underpin these vitally important industries and services, but also be paid back many times over through the resulting economic and employment benefits.

1.7 Our written submission has been produced in response to the questions posed by the committee in its call for evidence. We would welcome the opportunity to provide further oral evidence when the committee holds its hearing.

### **What should be the main priorities of the Government's maritime strategy for vessels registered in the UK? How does this fit in with the overall transport strategy for the UK?**

2.1 The government should have a positive, measureable policy designed to attract shipowners to register vessels in the UK - making maximum and imaginative use of the EU state aid guidelines and continuing the UK's long-standing reputation as a quality ship register. The policy objective should

be allied to the employment and training of British seafarers and to a coherent inter-departmental strategy to ensure that an absence of 'joined-up thinking' does not serve to inadvertently undermine key DfT policies or create damaging instability and uncertainty.

2.2 Currently, the UK lacks such a strategy. Nautilus believes the 33 policy measures set out in the Charting A New Course document had provided a valuable template by which to measure progress and it is disappointing that we have had to lobby for a considerable period for a new initiative to develop strategic objectives. We continue to see evidence of government departments taking measures that damage the sustainability of the British shipping industry and its pool of seafarers - for instance, the promotion of the Red Ensign Group of registries, the lack of adequate enforcement of work permit requirements and National Minimum Wage provisions for foreign seafarers, the implications of the Bribery Act, and the approach to the use of armed guards and the payment of ransoms to release hijacked ships and their crews.

2.3 The apparent lack of overall vision for the sector also means that shipping does not appear to be fully integrated within overall UK transport strategies. Nautilus has repeatedly complained of the low priority given to the industry in, for example, policy documents seeking to reduce the environmental impact of transport in the UK. We believe that significant opportunities to develop key sectors of the UK shipping industry - such as the coastal shipping sector - have been missed through the failure to increase the proportion of domestic freight being moved on water and to take advantage of wider EU programmes to promote modal shift (such as Marco Polo and the Motorways of the Sea). We are also similarly concerned that the strategic importance of merchant shipping is not adequately recognised by the Ministry of Defence. Valuable lessons from previous conflicts have been neglected, leading to an apparent policy of significant reliance upon charter markets and foreign ships to meet emergency needs. The recent decision to sell two of the six ships in the strategic sealift ro-ro fleet not only raises serious questions about MoD thinking, but also has serious implications for the employment and training of British seafarers.

2.4 We also believe there is an important issue of supply chain security - especially in terms of UK energy supply. Retaining - and developing - domestic shipping capacity and seafarers to operate the tonnage should be a core objective in the current globalised economy.

2.5 Nautilus believes the failure by the UK to be among the first wave of countries ratifying the Maritime Labour Convention 2006 has damaged its reputation as a major maritime nation committed to high standards of shipping operations, and is symptomatic of the absence of political priority for the industry.

2.6 The UK's continued dependence on sea transport for the overwhelming majority of its international trade and a substantial proportion of its domestic movements should serve as an imperative in the development of positive and proactive policies. In line with the government's philosophy that trade is the cornerstone of economic recovery, shipping (and the broader UK maritime cluster) should be regarded as a fundamental component and treated with appropriate political priority. In the context of youth unemployment, the quality skills and training available in the maritime sector (and the international demand for well-trained seafarers) provides a further positive opportunity for the government.

2.7 It is also important to sustain a strong UK-registered merchant fleet to retain the nation's long-standing influential position within the International Maritime Organisation, as well as its ability to help shape EU maritime policy.

### **To what extent does EU maritime strategy complement the Government's strategy?**

3.1 Nautilus sees no inherent conflict between the objectives of EU maritime strategy and the stated aims of the current UK government's policy. The EU strategy has been framed in recognition

of the importance of the sector to the social and economic wellbeing of the region, and upholds the principle that state aid measures are required to ensure its sustainability in the context of frequently unfair and intense foreign competition. UK measures, such as tonnage tax and Seafarers' Earnings Deduction, fall within the scope of the EU state aid guidelines, whose primary objectives are to increase EU seafarer employment and training, acknowledging the critical importance of skilled and experienced maritime professionals and the existing and forecast national, regional and international seafarer skill shortages, and to increase EU-registered merchant tonnage.

3.2 Nautilus believes it is important that the UK actively engages in the formulation of EU maritime policy and also makes full use of the opportunities afforded under the state aid guidelines - and follow through on the transport committee's previous recommendation of investigating the way in which other member states interpret the guidelines to support their shipping industries.

### **How effectively do current Government policies (e.g. the Tonnage Tax, training, and reforms to the ship registration process) support an internationally competitive maritime sector in the UK?**

4.1 From the high point of more than 1,614 ships of 50m dwt in 1976, the UK owned and registered fleet (500gt and above) went into a period of substantial decline. By 1985, the figures had reduced to 627 ships of 15.9m dwt, and by 1995 they had fallen to just 240 ships of 2.6m dwt.

4.2 The introduction of the UK tonnage tax scheme in 2000 resulted in an apparent reversal of what had seemed to be inexorable decline of the wider red ensign fleet. The number of UK and Crown Dependency registered ships (500gt and above) increased from 471(12.1m dwt) in 2000 to 871 (39.6m dwt) in 2011. However, growth of the UK-owned fleet has been considerably more restrained: from 503 ships (10.5m dwt) to 611 ships (22.5m dwt) over the same period.

4.3 Perhaps because the tonnage tax scheme is 'flag blind', there has been little change in the proportion of UK-owned shipping flying the UK flag - at the end of 2011 just 359 of the 730 UK-owned trading vessels (49%) were also registered in the UK (or only 33% of gross tonnage and 28% of deadweight). These figures suggest that substantially more is required to convince UK shipowners of the value of using the UK ship register (UKSR).

4.4 There are some grounds for concern that the momentum of growth is slipping. The number of tonnage tax vessels hit a high of 956 in 2008-9, and in the following years has fluctuated between 950 and 895 (2012-13). The recent fleet reorganisation by the Ofer group - whose Zodiac Maritime arm is the largest UK-flag shipowner in tonnage terms - has resulted in the loss of 32 ships to other flags over the past 12 months, and Nautilus fears more will follow in the months ahead.

4.5 Shipping is a volatile industry and the UKSR faces intense international pressure to attract and retain ships. When most self-respecting maritime nations have introduced tonnage tax schemes of their own, the challenge of 'marketing' the red ensign becomes greater - and Nautilus argues that this demonstrates the importance of developing imaginative and innovative new approaches within the constraints of the EU state aid guidelines. In a previous Transport Committee inquiry, shipowners explained the ease and the speed in which vessels can be switched between flag states and this underlines the importance of continuous reassessment of the incentives offered to operators using the UKSR.

4.6 The 'customer'-orientated reforms undertaken by the UKSR have certainly made the registration process quicker and simpler. However, Nautilus rejects the argument that UK maritime regulation suffers from 'gold plating' and should be reduced to international minimums where possible. It is our belief that such a process will erode the quality reputation of the register, which is already somewhat tarnished by a number of accidents involving foreign-owned and foreign-crewed vessels.

4.7 The training link to tonnage tax has slowed - but not ended - what had appeared to be inexorable decline of the UK maritime skills base. Officer cadet intake numbers had fallen from 2,315 in 1975 to just 165 in 1985, 460 in 1990 and 480 in 2000. Since the introduction of the tonnage tax scheme, the intake has roughly doubled - with the annual total averaging 902 over the past three years. However, ratings' training remains lamentably low (probably as few as 40 new-starts over the past two years) and the average age of officers and ratings remains worryingly high - 62% of deck and engineer officers are aged 40-plus, while more than 70% of deck, engine and general-purpose ratings are aged over 40. Until this year, DfT annual statistics gave projections to show how this high age profile would work through into overall decline of UK seafarer numbers in the years ahead. Despite the absence of those figures this year, it remains clear the intake of new trainees is not sufficient to sustain the current UK maritime cluster's needs for skilled and experienced British seafarers. The 2011 Oxford Economics independent review of the economic requirement for training seafarers in the UK highlighted a potential gap between supply and demand for UK seafarers of around 3,500 deck and engineer officers at sea by 2021, and more than 1,600 in the case of ex-seafarers for the maritime cluster.

4.8 Although the training link to tonnage tax has eased pressures on UK officer numbers, the scheme has been somewhat disappointing in terms of UK seafarer employment. In 2001-2, there were 524 vessels in the scheme, with 5,178 UK seafarers and 4,488 non-UK seafarers onboard. In subsequent years, the proportion of foreign seafarers on tonnage tax ships has risen rapidly while the number of UK seafarers has declined - and in 2012-13, with 895 ships in the scheme, there were 4,730 UK seafarers and 15,569 non-UK seafarers.

4.9 It is clear that the pool of UK seafarers is continuing to decline. The number of UK certificated officers active at sea has fallen by some 24% since 1997, and by more than 65% since 1976. Similarly, the number of UK ratings has reduced by around 70% over the past 25 years, and the high average age of the current pool of seafarers contrasting with the relatively low level of new entrants means further decline is inevitable.

4.10 The SMarT training support scheme is of critical importance to the UK maritime skills base and covers around 40% of the costs of the three-year cadet training programme. Some other EU member states provide up to 100% support, and the UK government's decision last year to cap SMarT was a bitter disappointment - particularly as it followed damaging uncertainty over the future size and scope of the scheme, which Nautilus feared could have an adverse effect on companies' recruitment plans. Whilst it is at least welcome to have the scheme guaranteed for the life of the current Parliament, the effective freeze in its value results in a real-terms cut at a time of rising college and tuition fees in the UK.

### **What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?**

5.1 Nautilus believes that one of the biggest constraints to growth in the UK maritime sector has been a lack of vision, imagination and ambition. We believe that the absence of clear policy objectives and tangible targets in recent years has been a problem, and important opportunities to develop UK shipping have been missed.

5.2 International competition is, of course, a significant factor and Nautilus believes the UK has to constantly reassess the aims and scope of its maritime policies to ensure it is able to match the measures adopted by other nations. We believe there is no room for complacency. The UK government should do more to analyse the policies put in place elsewhere and ensure that the nation is at least among the 'best practice' maritime countries.

5.3 One of the most common complaints from the shipping industry relates to fiscal uncertainty. There have been occasions where concerns over the future of important support measures – such as the Seafarers’ Earnings Deduction, SMarT, and the tax regime for shipping companies – have been allowed to flourish, so it is of critical importance that the UK government has clearly-stated policy commitments which provide assurance over the stability of business environment for shipping and seafarer training and employment.

5.4 In the context of international competition, we believe questions should be asked about the UK’s relationship with the Red Ensign Group and the way in which government policy essentially props up the competition from these registries – particularly given the amount of UK-owned/controlled tonnage still registered outside of the UK. Some of these registries are classed as flags of convenience by the International Transport Workers’ Federation or are located in what the OECD defines as tax havens – raising questions about their long-term political sustainability.

### **What more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the UK maritime sector?**

6.1 At a time of growing global shortages of qualified seafarers, Nautilus believes there is considerable potential for the UK to gain added value from investment in domestic maritime skills, as well as ensuring the continued supply of maritime expertise for the shore-based industries and services that depend on such skills for their future. The following elements are vital to securing a sustainable supply of UK seafarers:

- Set clear targets for the training, recruitment and retention of UK seafarers
- Maintain and enhance the tonnage tax training link to not only include UK ratings but also to enable improved employment opportunities for UK seafarers
- Maintain and enhance the Seafarers’ Earnings Deduction (SED so that it comes into line with the recommendations of previous Transport Committee inquiries and that of Lord Alexander’s report, to end the anomaly about the SED’s application to British seafarers engaged in the shortsea and coastal trades
- Exercise greater control over the issue of Certificates of Equivalent Competency to non-UK seafarers, to prevent the further increase of a pool of low-cost labour for UK ships
- Enforce National Minimum Wage requirements for seafarers serving on all vessels working between UK ports to prevent unfair competition and exploitation of foreign crews in our waters
- Enforce work permit requirements for foreign crews working in UK waters to further prevent unfair competition and poor working conditions
- Establish a working group, in line with the previous shipping minister’s commitment to examine the operation and impact of the Equality Act in terms of discrimination amongst non-UK seafarers
- Support the long-standing proposals for a European ‘manning directive’ to cover the terms and conditions of seafarers serving on regular intra-EU ferry services and laws to regulate the manning conditions in offshore services (which would also support the growing windfarm sector)
- Examine, in line with previous Transport Committee recommendations, ways in which the shore-based maritime sector can be encouraged to support the training of UK seafarers for its future manpower requirements
- Ratify the ILO Convention 185 on Seafarers’ Identity Documents, to remove ‘red tape’ requirements for shipowners and to facilitate the free movement of UK seafarers and their access to shore leave in foreign ports
- Vigorously enforce the Maritime Labour Convention to address unfair competition and exploitation of seafarers on ships visiting UK ports or trading in UK waters

- Actively support and promote of the IMO/ILO 'fair treatment' guidelines to reduce the incidence of 'criminalisation' of the maritime profession

## **Is there scope for improving the Government's approach to maritime safety and the prevention of pollution by ships?**

7.1 Nautilus believes there is immense scope for improving the UK's approach to maritime safety. In recent times there have been disturbing developments, such as the curtailing of the emergency towing vessels (ETV) contract, the winding-up of the Maritime Incident Response Group and a series of Marine Accident Investigation Branch reports which have revealed alarmingly poor standards on many ships operating in and around the UK's waters. We are also concerned about other MAIB reports which raise worrying questions about the standards, behaviour and competence of foreign seafarers serving on UK-registered ships with Certificates of Equivalent Competency issued by the Maritime & Coastguard Agency.

7.2 It is essential that the Maritime & Coastguard Agency is adequately staffed and resourced to perform a proactive role in setting and enforcing standards of safety. Nautilus is gravely concerned at the impact of spending reductions upon already stretched budgets at a time of increasing 'demand' - for example, in meeting the requirements of the MLC. We are also alarmed at the way in which spending cuts have impacted upon the MAIB, with the number of inspectors being almost halved at a time when the number of investigations had almost doubled.

7.3 In particular, Nautilus is alarmed by the substantial evidence of substandard conditions and operational practices on significant numbers of ships operating in UK waters. Long-standing and validated problems such as excessive working hours and fatigue, and communication problems between multinational crew members, continue to account for many of the accidents around the UK coast. Nautilus is concerned that these factors will eventually result in a major disaster. Indeed, there is evidence to suggest that only good fortune has prevented a catastrophe with significant loss of life and/or widescale pollution. We believe there needs to be more concerted action to address these problems, and that the pursuit of short-term savings should not be placed above the fundamental requirement to protect the safety of life at sea and the marine environment.

7.4 We continue to be concerned at the inadequacies of the Port Marine Safety Code and the way in which it allows varying standards of safety and resources in ports around the country - most notably in the level of provision of vessel traffic services. We continue to believe that there is strong evidence to support the case for the Code to be applied on a mandatory basis.

## **Summary**

8.1 The maritime sector is of critical importance to the economic, social and strategic wellbeing of an island nation like the UK. However, Nautilus believes that there has been a distinct absence of a coherent and targeted strategy for the sector for over a decade. Existing support measures, including the tonnage tax and SMarT schemes, have helped to arrest the significant decline of the sector - but have not succeeded in sufficiently regenerating the number of UK owned and registered ships or the number of UK seafarers to provide long-term stability and sustainability. New, proactive, and targeted policies are required if the future of the UK maritime sector is to be assured.

*July 2013*

## **Introduction**

The National Union of Rail, Maritime and Transport Workers (RMT) welcome the opportunity to submit our views as part of TRANSCOM's inquiry into the Government's maritime policy.

The RMT organises 5,000 UK seafarers, predominantly deck, engine, hotel and catering ratings working in the short sea passenger ferry and offshore supply sectors, and the Royal Fleet Auxiliary.

## **Key Points**

- **Training** - UK seafarer numbers must increase in order to protect and restore the maritime skills base, as well as maintaining national maritime capacity and security.
- **Pay discrimination** - The maritime labour market should be better regulated in order to prevent low pay and declining employment rates for UK seafarers.
- **Maritime safety** - Seafarer health and safety representatives should have the same status as land based health and safety reps.
- **Regulation** - Cuts to the Maritime and Coastguard Agency budget threaten its ability to enforce key employment and environmental regulations in the shipping industry, including international conventions and European legislation.

### **1. Training and the maritime skills base**

- 1.1 The total number of UK seafarers fell by 10% between 2011 and 2012 to 24,100<sup>1</sup> and has hovered around 25,000 for the past decade, having been preceded by significant declines in the 1980s and 1990s. There were an estimated 28,000 UK officers and 30,000 UK ratings in the UK Merchant Navy fleet at the time of the Falklands conflict 31 years ago.
- 1.2 Due to a combination of decline in the UK flag, restriction of employment and other legal protections and anti-trade union laws, the number of seafarer ratings has shrunk over the last 30 years by nearly 70% to 9,330 in 2012.<sup>2</sup> Around half (4,870) UK ratings are hotel and catering, whilst the number of deck ratings is 3,460 and engine ratings under 1,000. Dual or general purpose ratings are almost an extinct grade in the UK with only 70 in 2012 – an 87% fall over the last decade. UK ratings are now largely restricted to jobs in the short sea passenger ferry sector, having been almost completely wiped out of the deep sea sector.
- 1.3 UK officer numbers are also in long-term decline and have fallen by around one quarter since 1997.
- 1.4 Established by the Labour government in 1998, the Support for Maritime Training (SMarT) scheme is the main source of state funding for maritime training. SMarT funding was worth £12 million in 2012/13 and covers up to 40 per cent of employers' costs for training an individual. The review of

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<sup>1</sup> <https://www.gov.uk/government/publications/seafarer-statistics-2012>

<sup>2</sup> Ibid

SMarT commissioned by the Coalition in 2010 resulted in the scheme being retained but the annual funding was cut from £14.9m to £12m and frozen at that level for the life of this parliament. It remains to be seen whether the SMarT scheme will be retained at its current level in 2015-16. RMT fully support retention of SMarT and would like to see the fund increased.

- 1.5 However, SMarT funding mainly subsidises officer training. Funding for ratings training represents only £500,000, around 4% of the annual SMarT budget. As a result, ratings training is provided on an ad hoc basis by individual companies, such as the public sector Scottish ferry company Caledonian MacBrayne<sup>3</sup> and Bibby Shipping. The Merchant Navy Training Board recently estimated that the current provision for ratings training resulted in 'under 20' ratings being trained in 2012-13, although some other ratings training schemes may exist. This lack of accuracy over the actual number of ratings training places is not helped by the fact that the Government does not collect ratings training statistics.<sup>4</sup>
- 1.6 In response to the problem affecting ratings numbers, the Merchant Navy Training Board developed and launched new ratings apprenticeships in June 2011 which would result in an estimated 12 deck and up to 9 engineering ratings being trained every year. RMT fully supports the MNTB's work in this area which will increase the number of UK ratings but the apprenticeship route will not, on its own reverse the decline in UK ratings.
- 1.7 The demographic imbalance amongst UK seafarers underscores the seriousness of the threat to the UK maritime skills base. In their final report, the independent SMarT review panel forecast that, without government intervention, there will be net deficits of 3,500 deck and engineer officers at sea and 800 in at sea and ashore ratings by 2021.<sup>5</sup>
- 1.8 At present, only 41% of catering and hotel ratings are over 40 years of age, that figure rises significantly for deck and engine ratings to 74% and 70% respectively, making over 60% of UK ratings over 40 years of age.<sup>6</sup> If the chronic shortage in ratings training opportunities continues, it is likely that a deficit in the number of UK ratings will exist by 2021.
- 1.9 The national security implications of eroding the maritime skills base should also be taken into account as part of the Government's maritime strategy. RMT represents around 800 civilian ratings working for the Royal Fleet Auxiliary, the civilian body that re-fuels and re-supplies the armed forces when committed overseas. The falling number of UK seafarers has potentially serious implications in this area of public policy, as civilian seafarers can choose not to serve on an RFA vessel should it be travelling to a conflict zone. It is therefore crucial that DfT and MoD communicate regularly on UK seafarer employment issues. This does not happen at present and the maritime trade unions believe that it should.

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<sup>3</sup> CalMac trained nearly 200 ratings and around 140 officers between 2002 and 2012. *Official Report* 16<sup>th</sup> May 2012, S4W-07041.

<sup>4</sup> *Hansard* 16 April 2012, Col. 60W.

<sup>5</sup> *Independent review of the economic requirement for trained seafarers in the UK: Final Report to DfT and Review Panel*, Oxford Economics and Deloitte, December 2011

<sup>6</sup> <https://www.gov.uk/government/publications/seafarer-statistics-2012>

#### 1.10 Operation of the Tonnage Tax scheme

1.11 The Tonnage Tax was introduced by the last Labour government in 2000-01. Shipping companies elected to the scheme pay tax on a fixed notional profit calculated by net tonnage of the ship, instead of the actual profits earned from shipping activities. A study by KPMG in December 2011 estimated that shipping companies in the UK tonnage tax pay an effective tax rate between 0.5% and 2.5%, when Corporation Tax (at the time of the report) is 26%.

1.12 RMT believe that the resurgence in the number of shipping companies registering under the UK flag as a result of the Tonnage Tax should be accompanied by concerted and sustained growth in the number of UK seafarers active at sea. Since the introduction of the scheme in 2000-01, this has not happened, despite commitments from the shipping industry at the time. In fact, the number of UK seafarers working on tonnage tax ships has fallen, from 52% in 2001-02 to 23% in 2012-13.

1.13 In addition, the mandatory link in the Tonnage Tax which requires companies to provide one officer training place per 15 officers on a qualifying vessel or make a payment in lieu of training is not meeting projected needs. The cumulative number of all officers and officer cadets currently enrolled on a three year training course through Tonnage Tax funds is 1,800<sup>7</sup>, under half the cumulative requirement of 3,900 or 1,300 cadets *per year* that London Metropolitan University has estimated that the industry needs in order to avoid a deficit in UK officer numbers in the near future.

1.14 On ratings, the Transport Committee recommended in its report on the Tonnage Tax in 2005:

*The Committee considers that there is a pressing need for information on what companies in the tonnage tax regime are doing to honour their commitment to ratings. Without this it is difficult to disagree with the RMT conclusion that "the vague commitments to review the numbers of ratings employed and employ more highly trained ratings in technical posts has unfortunately amounted to virtually nothing in terms of industry commitment."*<sup>8</sup>

Since that recommendation, nothing has changed and the voluntary link in the scheme to ratings training continues to be ignored. It is worth remembering here the Chamber of Shipping's response to RMT's arguments for a mandatory link to ratings training when the Tonnage Tax was being designed: the Chamber argued against a mandatory link for ratings, stating that introduction of the scheme alone would result in UK seafaring rating trainee numbers increasing by 25%, year on year, doubling numbers after four years. In fact ratings trainee numbers are now approximately one quarter of their level at the time that this commitment was given in 1999.

1.15 The scheme has led to huge growth in the number of jobs on non-UK flagged vessels but a relatively small increase in the number of jobs on UK flagged vessels elected into the scheme. The number of deck and engine handling seafarer jobs (officers and ratings) on UK flagged Tonnage Tax ships increased by 1,344 (20.6%) between 2003-04 and 2011-12; the number of deck and engine jobs on non-UK flagged tonnage tax ships increased by 6,132 (101.7%) over the same period<sup>9</sup>. Despite this,

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<sup>7</sup> *Hansard* 5 July 2013 Col. 853W-854W

<sup>8</sup> Pg. 28 Transport Committee HC299 (04-05) *Tonnage Tax* 10 Feb 2005

<sup>9</sup> *Hansard* 15 Jan 2013 Col. 643W

UK ratings only account for 40% of ratings working on UK flagged vessels in the scheme and 0.02% of ratings jobs on non-UK flagged Tonnage Tax ships.

1.16 It is also important to note that the majority (53.5%) of the ships qualifying for the tonnage tax in 2012-13 are not UK flagged. Nearly 40% are from outside the European Economic Area, most of which are registered under flags of convenience, including Liberia, the Marshall Islands and Panama. As of 27 March 2013, there were a total of 888 vessels in the Tonnage Tax. The proportion of UK flagged vessels in the tonnage tax fell between 2011-12 and 2012-13, from 48.3% (427) to 46.5% (413).<sup>10</sup>

1.17 According to Treasury figures, the tonnage tax has provided the international shipping industry with a total tax break in excess of £800m and a net tax break of over £732m since it was introduced.<sup>11</sup> Calculating from figures in the SMarT review and from industry lobby group Maritime UK, 7,195 UK officers were trained under the Tonnage Tax since 2000-01. This puts the cost to the UK taxpayer of training an officer through the Tonnage Tax scheme at over £100,000. The Maritime Training Trust estimate the average cost of training an officer at maritime training college to be £39,400 (including SMarT subsidy of £16,950).

1.18 RMT are calling for value for money for the UK skills base and the taxpayer from the tonnage tax. Ideally, we would support adoption in the UK of the sort of scheme recently introduced by the Australian Government based on proposals from the Maritime Union of Australia<sup>12</sup> which creates a mandatory link to jobs for Australian seafarers on the vessels benefitting from the lower tax rates available from their version of the Tonnage Tax.

1.19 In the short term, the creation of a mandatory link to UK ratings training and better enforcement of the existing link to UK officer training numbers would be an improvement, as well as progress toward more balanced and sustainable growth in the UK maritime industry.

## **2. Pay discrimination**

2.1 The difficulty in applying UK employment law on ships working between and from UK ports to prevent shipping companies from employing non-UK seafarers and paying them less than their UK counterparts for doing the same job is a constant feature of the RMT's campaigns in the maritime sector. RMT seek two remedies that would bring the shipping industry more into line with employment law and go some way to protecting UK seafarers' jobs and the maritime skills base.

2.2 Firstly, the Government should review the operation of the Equality Act 2010 (Work on Ships and Hovercraft) Regulations 2011. These are a diluted version of the regulations contained in the Labour Government's original Act and do not protect all nationalities from pay discrimination, only European Economic Area nationals. This is a direct incentive to shipowners to employ non-EEA seafarers on lower pay rates.

2.3 The Carter Review, commissioned by the last Labour Government to look into seafarer pay differentials, recommended in May 2010 that:

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<sup>10</sup> Source: Maritime Educational Foundation

<sup>11</sup> *Hansard* 17 Apr 2012, Col. 343W; 21 May 2012, Col. 428W; 15 May 2013, Col. 278W; 20 May 2013, Col. 469W

<sup>12</sup> [http://www.mua.org.au/media/filer\\_private/2012/07/16/muashippingpolicy.pdf](http://www.mua.org.au/media/filer_private/2012/07/16/muashippingpolicy.pdf)

*"On the basis of the evidence submitted, I recommend outlawing the practice of nationality-based pay differentials for seafarers altogether (option A)."*<sup>13</sup>

Despite the extensive arguments from the Chamber of Shipping of the threat to the UK flag and UK seafarers' jobs from outlawing this practice, the Carter Review did not uphold these arguments in its recommendation. It remains disappointing that the Coalition Government rejected this recommendation, although we are encouraged by the previous Shipping Minister's agreement<sup>14</sup> to RMT's call for a Working Group to be convened *this year* to look into the impact, enforcement and awareness of the regulations introduced since the Carter Review on pay discrimination and mentioned at 2.2 above.

- 2.4 Secondly, the National Minimum Wage Act 1998 should be applied to all seafarers working on routes between UK ports. As a result of pressure from the RMT, the Government has accepted this in principle<sup>15</sup> but we remain concerned at the ability of non-EEA seafarers to exercise their right to the NMW if they have a sufficient link to the UK (i.e. a period of residency and payment of NICs).
- 2.5 An example of where the weakness of existing legislation is being exploited is provided on passenger ferries from ports on the south coast of England to the Channel Islands operated by Condor Ferries. RMT's campaign against Condor's recruitment of Ukrainian seafarers on rates of pay as low as £2.75 per hour has attracted attention in the national press<sup>16</sup>. This sort of pay discrimination is only possible because the route is 'largely or wholly' outside UK territorial waters.
- 2.6 RMT consider Condor to be testing the outer limits of employment law and we are concerned that other employers are seeking to do the same, with recent examples of this practice being recorded between North East Scotland and the Shetland Isles. DfT should work with BIS to identify the routes between UK ports where the NMW should be the minimum pay rate for seafarers, irrespective of nationality, as well as working with the NMW enforcement section of HMRC to bring a case of non-NMW payment to an Employment Tribunal.
- 2.7 The Condor case also highlights the lack of protection for UK seafarer ratings jobs from the immigration system. A Written Answer has confirmed<sup>17</sup> that work permits are not required by non-EEA seafarers recruited to work on routes between the UK and the Channel Islands, as the voyage is largely or wholly outside UK territorial waters. This is another means by which shipping companies avoid paying the NMW to seafarers working between UK ports and is contributing to the potentially terminal decline in UK seafarer rating numbers.

### **3. Maritime safety – seafarer health and safety representatives**

- 3.1 RMT is campaigning for equal status between land based and seafarer health and safety representatives, through amendment of the Code of Safe Working Practices 2010 (applying to

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<sup>13</sup> Pg 21, Review of Stakeholder Evidence on Differential Pay in the Shipping Industry, May 2010.

<sup>14</sup> Twelfth DL Committee, 11 July 2011, Col. 11; *Hansard* 30 April 2012, Col. 1283W.

<sup>15</sup> Pg 11-12, BIS NMW Enforcement Guidance update June 2012

<sup>16</sup> <http://blogs.mirror.co.uk/investigations/2012/04/crew-paid-235-an-hour-on-condo.html>;

<http://www.bbc.co.uk/news/uk-england-hampshire-18938604>

<sup>17</sup> *Hansard* 30<sup>th</sup> October 2012, Col. 184W.

seafarers) to bring the regulations up to the standards set out in the Safety Reps and Safety Committees Regulations 1977 (SRSC) for land based health and safety reps.

- 3.2 Such an amendment would make a significant contribution to improving safety standards in the maritime sector, at a time when budgets for the Maritime Incident Response Group and the MCA are being cut which will respectively reduce the capacity to fight fires at sea and the number of coastguard stations capable of responding to an emergency at sea. To be clear, RMT are not arguing for seafarer health and safety reps to take on the specialist safety responsibilities of MIRG or MCA, simply for seafarer reps to receive immediate and improved training in health and safety which may go some way to preventing the escalation of minor incidents into emergencies.
- 3.3 At present, shore based reps are legally required to undergo a trade union approved health and safety training course as soon as they are elected, whereas seafarer representatives are only required to undertake on-board health and safety training at some stage.<sup>18</sup> This anomaly increases the risk to seafarer health and safety when working at sea and in port.
- 3.4 Not only is this a dangerous industrial inequality, it also prevents the maritime industry from reacting quickly to new areas of occupational health and safety concern, such as the World Health Organisation's recent findings on the carcinogenic nature of diesel fumes<sup>19</sup>. This is significant for all seafarers, not least those working on domestic and continental roll-on roll-off passenger ferries.
- 3.5 We support an amendment to the existing regulations outline above and would reject any claims from the Government that this is in any way 'Gold Plating' regulations – this is a sensible and straightforward improvement to enforcing safety standards at sea that we believe the Government and MCA should take steps to implement at the earliest opportunity.

#### **4. Regulation of the maritime sector**

- 4.1 RMT believe that the Maritime and Coastguard Agency (MCA) will struggle to properly enforce major pieces of international legislation in the maritime sector whilst it contends with cuts of 22% to 2014-15 and possible more in 2015-16.
- 4.2 Over the next few years, the MCA will be responsible for enforcing on UK flagged vessels (as well as monitoring compliance amongst Red Ensign Group flags with significant and diverse tonnage) a number of new and significant pieces of legislation. These include, the International Labour Organisation's Maritime Labour Convention (MLC – comes into effect 20<sup>th</sup> August this year); the International Maritime Organisation's MARPOL (Annex VI) Convention on maritime pollution (comes into effect 1<sup>st</sup> January 2015 and sets a sulphur dioxide emission limit of 0.1% for the North Sea and Channel) and the IMO Convention on Electronic Chart Display Information System (ECDIS – new standards for electronic navigation, implemented on a rolling timetable from July 2012).
- 4.3 Added to this, there is some confusion over the impact of the Government's 'Red Tape Challenge' on the maritime sector. The Maritime section of the Red Tape Challenge has proposed the scrapping of 30 regulations and the 'improvement' of nearly 100 but has said little more over the impact of this on the industry or the regulator.

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<sup>18</sup> <http://www.parliament.uk/edm/2013-14/201>

<sup>19</sup> <http://www.bbc.co.uk/news/health-18415532>

- 4.4 We are also concerned at the direction of European maritime policy and its potential impact on the MCA and the UK flag. The 'Blue Belt' strategy from the European Commission is similar in tone and language to UK Government statements on the apparently causal link between de-regulation and economic growth in the maritime transport sector. RMT is concerned that the logical extent of the EC's proposals is an EU flag register which would be a direct competitor of the UK and other domestic European flags and could undermine industry pay rates and employment standards. This would seem to be the ultimate aim of the 'European Maritime Transport Space without Barriers' proposal to simplify administrative procedures for maritime transport and "...which should be further developed into a 'Blue Belt' of free maritime movement in and around Europe." <sup>20</sup>
- 4.5 Procurement policy in the European Union is a serious problem in the Scottish ferry sector. Whilst a devolved issue, it is worth highlighting briefly the problems created for publicly owned and run ferry services in Scotland by the European Commission's maritime cabotage regulations (EC/3577/92). These require Member States to re-tender contracts for public ferry services every six years which frequent, expensive process is stacked in favour of private operators. The Scottish ferry services in question are lifeline public transport links to the mainland for communities living on the Clyde and Hebridean islands off the west and the Northern Isles (Orkney and Shetland) off the north coast of Scotland. Regrettably, this process has already led to privatisation in May 2012 when Serco were awarded the 2012-18 Northern Isles contract, taking over from the public sector provider North Link for reasons that still remain unclear. The maritime trade unions and the STUC successfully persuaded the Scottish Government to postpone the award of the larger Clyde and Hebrides contract for two years (to 2015) and we would urge the Committee to discuss this area of maritime policy with their counterparts on the Infrastructure and Capital Investment Committee in the Scottish Parliament.

## **5. Conclusion**

- 5.1 The Parliamentary Under-Secretary, Stephen Hammond MP stated in a speech on 19<sup>th</sup> June 2013 to the Institution of Civil Engineers:<sup>21</sup>

"Transport is central to the coalition Government's strategy for growth – helping UK businesses to be more productive; rebalancing our economy; and enabling the UK to compete in the global race."

RMT is strongly opposed to any further liberalisation of employment law which would lead to a further decline in the number of UK seafarers. We do not see regulation as a *de facto* barrier or constraint to economic growth and remain concerned at the consequences for transport and other workers of the Government's simplistic link between de-regulation and economic growth.

- 5.2 The UK continues to benefit economically because of, not in spite of, its maritime heritage. This means high training standards for officers and ratings which should not be compromised during an economic downturn as the consequences of undermining that reputation for high standards would do further damage to the long-term sustainability of the UK maritime skills base.

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<sup>20</sup> Pg 5, Blue Growth: Opportunities for Marine and Maritime Sustainable Growth, COM (2012) 494, 13<sup>th</sup> Sept 2012.

<sup>21</sup> Speech in response to the ICE's report *The State of the Nation: Transport 2013*

<http://www.ice.org.uk/Information-resources/Document-Library/State-of-the-Nation-Transport-2013>

## Written evidence from the Department for Transport (MAS 010)

### Overview

1. As an island nation with connections around the world, the UK relies on shipping for about 95% of its imports and exports by volume. Shipping and ports are therefore vital enablers for economic growth while also making a direct contribution to the UK economy. The Government therefore wishes to see the continued growth of the UK maritime sector while maintaining high standards of safety, security and environmental protection.

### Economic contribution

2. Although volumes of goods moving through UK ports have been affected by the economic downturn and some sectors of the shipping industry have been affected by lower movements and increased costs, the UK maritime sector has stayed relatively buoyant overall. Gross tonnage has more than trebled on the UK shipping register over the past decade and the shipping's direct contribution to the economy has increased from £1.6bn in 2000 to £5.3bn in 2011. The maritime sector as a whole (including ports, shipping and maritime business services) directly contributes between £8.8bn and £13.8bn to the UK economy, with indirect benefits being much larger. **Annex A** (Maritime Sector Economic Indicators) provides more information.
3. The sector also provides significant employment opportunities, with more than 214,000 people directly employed in the sector doing a wide range of jobs. Employment in shipping has continued to grow, from 73,000 in 2004 to 146,000 in 2011 and some 58,800 people are currently employed either by ports or in businesses directly supporting them. London remains the largest maritime centre in the world for professional, business and financial services.
4. The UK has a successful market-orientated, commercially independent ports industry, predominantly in the private sector. It is, by some margin, the most liberalized and least taxpayer-dependent ports sector in Europe. Even with a slight fall in tonnage throughput, we still saw 490m tonnes passing through UK ports in 2012, and some 20m international passengers, providing a direct gross contribution of over £2bn to the UK economy.
5. The ports sector has, at its own risk, invested vigorously through the economic downturn with the result that Britain now stands in a very strong position to encourage and facilitate growth in trade, particularly in containerised goods. UK ports will be able to handle the ultra-large vessels coming into service as well as changing patterns of energy generation. A number of major port developments are underway. Phase 1 of London Gateway is due to open by the end of the year, and significant progress is being made on major developments elsewhere, notably in Felixstowe, Southampton and Liverpool. These, with the further developments expected at Bristol and Teesport, demonstrate the health of the ports industry.

6. The Government's policy for ports in England and Wales (policy in Scotland and Northern Ireland being devolved) is to continue this successful market-led approach, complemented by guidance and proportionate regulation where necessary.
7. The UK is determined to hold its position as a leading maritime centre and remain competitive in a world of increasing global competition for maritime business, particularly from the Far East. The Government has a wide range of policies in place to support growth in the maritime sector and help the UK maintain its competitive edge, including the provision of a stable fiscal environment, an up to date regulatory framework to ensure UK ships can trade freely with the appropriate certification, support for training and skills with a matching training commitment from industry, and a balanced approach to securing growth while maintaining effective environmental protection and high levels of safety.

### **A new strategic approach**

8. The maritime sector involves a wide range of parties and is affected by the policies of a number of Government departments. To achieve a closer and more co-ordinated partnership across all parties, the Department for Transport has led on establishing a maritime strategic partnership. This brings together key Government departments and industry champions to focus on maximising growth and opportunities, while maintaining a sustainable, safe and secure industry. This innovative strategic approach has been warmly welcomed by industry partners.
9. A key output from this strengthened collaborative approach is the joint development of maritime strategic partnership plans. These will enhance mutual understanding, articulate shared objectives and act as a dynamic tool for agreeing and tackling strategic priorities. It is planned to publish the first strategic partnership plans in the early autumn. The direction and objectives of these plans naturally reflect the key strategic drivers for the Department and industry including future investment and economic growth, protection of the environment and safety and security.
10. In parallel with developing these plans, the Department is holding a series of Ministerial and industry round tables chaired by Stephen Hammond, the Shipping and Ports Minister with the active involvement or support of Ministers from BIS, the Cabinet Office and other Government departments. Two such meetings have been held in the last six months and a third is planned for the autumn. These have acted as a catalyst for renewed focus and engagement, have provided shared understanding and led to agreed follow up actions.

### *The UK's strategic approach internationally and within Europe*

11. Shipping is an international industry and we remain committed to its regulation at a global level by the International Maritime Organization (IMO) and, for social and employment protection, by the International Labour

Organization (ILO). The global implementation of IMO and ILO standards promotes a level playing field for UK industry, provides clarity of regulatory approach and removes obstacles to trade. The Department will continue to work within both organisations to ensure regulations on environmental protection, social and employment protection, ship and seafarer safety and security are effective, pragmatic and proportionate and that they are implemented in a way that minimises the regulatory burden on industry.

12. The Government will continue to resist the unnecessary extension of EU competence in the maritime sphere, in particular, the use of EU legislation to go beyond provisions adopted in the IMO and impose additional regulatory requirements (“gold-plating”). We accept however that regional action can sometimes have a part to play including in ensuring that all EU member states meet the standards required in international legislation. We also work hard to avert changes to EU legislation on social and employment protection that might decrease the employment opportunities for European seafarers by increasing their social costs or which might lead to potential mass reflagging to non-EU registries, while ensuring seafarers are properly protected.
13. EU maritime strategy aims to promote European shipping and maritime industries which are safe, secure, and environmentally friendly, while remaining efficient and competitive in the global market. Its objectives are sustainable development, economic growth, open markets, fair competition allied to high social, safety and environmental standards. These aims are broadly commensurate with UK policy and we will work to ensure they are delivered by the most appropriate means, avoiding additional regulation where ever possible. The Department works closely with other Government departments to engage with the Commission’s multi-faceted Integrated Maritime Policy for the EU, which seeks to promote a holistic approach to the governance of marine activity and generate growth through best use of research and innovation in the marine and maritime sectors (“Blue Growth”).

### **Tackling challenges to growth**

14. In addition to our work in the EU and internationally, the Government has in place specific domestic policies to support the UK maritime industry and tackle challenges to growth. These form an integral aspect of our strategic partnership with industry.

#### *A stable fiscal environment*

15. We recognise the importance of a stable financial environment in which to do business, and the Government remains committed to the tonnage tax regime. Together with registration reforms by the Maritime and Coastguard Agency (MCA), tonnage tax has been a major factor in the revival of the UK shipping register. Since its introduction, there has been a 200% increase in the UK’s gross tonnage from 6m tonnes in 2001 to 17.1m tonnes today. It provides certainty and clarity about tax liabilities for shipping companies and makes the UK an even more attractive place to do shipping business.

### *Proportionate, stable regulation*

16. We recognise the value of reducing unnecessary regulation and providing a clear and easily understood regulatory regime to enable the confidence of investment in this sector. The Department therefore has a number of deregulatory policies in place. The outcome of the maritime theme of the Red Tape Challenge was announced in March. The most significant reform proposed was the inclusion of a clause in the recently published Deregulation Bill to amend the Merchant Shipping Act 1995 so there is a clear power, where appropriate, to give effect to international conventions by ambulatory reference. This means that Government would not need to make further secondary legislation or other regulatory documents in order to give effect to technical changes to international obligations and standards. This reform would ease the implementation of international obligations by industry as they would only have to refer to the text of the convention and not the national legislation implementing, and sometimes interpreting, the convention. It would also allow for a radical simplification and consolidation of the existing maritime legislative framework.
17. The Marine Navigation Act 2013 includes deregulatory provisions sought by the industry over many years (**Annex B** provides more details). The Department seeks non-legislative, industry-led approaches wherever possible and our response to concerns expressed by the leisure sector during the passage of the Act as a Bill typifies this. We encouraged representatives of ports and port users to develop their own, non-statutory Code of Conduct on the exercise of harbour directions, which we would expect harbour authorities to sign up to if they wished to apply for these powers.
18. When the EU seeks to regulate in areas of its competence or in areas adopted by the IMO, a key objective of the UK is to avoid gold-plating and we have a policy of early engagement with the European Commission to achieve this. The forthcoming amending Directive on port waste reception facilities is a case in point. Officials from the Department and the MCA met Commission officials in Brussels earlier this year to highlight key concerns of UK industry.
19. To ensure a proportionate approach by the EU and guard against unintended consequences of proposed regulation, the Department is improving the way it works in partnership with industry on EU proposals. With reduced resources this allows us to draw on a full range of expertise and knowledge from government policy makers and industry operators. This approach is exemplified by our joint government and industry working group which is agreeing an evidenced UK position to the proposed Port Services Regulation.

### *Protecting the environment and delivering economic growth*

20. The Government believes that sustaining and improving the maritime sector's contribution to economic growth and improving its environmental performance are mutually consistent aims. For the shipping industry, one example is the successful adoption by the IMO of the Energy Efficiency Design Index for new ships in July 2011 which will lead to both improved environmental

performance and reduced operating costs for owners. The Department continues to work within the IMO on technical and operational measures that will reduce emissions and have operating benefits (as are already being delivered through 'slow steaming'). The introduction of measures to limit the emissions of sulphur from ships will offer opportunities for the manufacturers of 'scrubber' technologies, which might be fitted to ships.

21. The National Policy Statement for Ports sets out the Government's presumption in favour of future port development provided that it complies with environmental requirements. Complementing this, the UK Marine Policy Statement sets the scene for Marine Plans, the first of which in England have already gone to consultation. These plans will help to reconcile the many competing demands for marine resources, especially in inshore areas where demands tend to be most intense. Subject to the overriding requirements of European habitats legislation, full weight is being accorded to economic and social considerations, as well as environmental ones, in developing these plans and in Defra decisions on the first tranche of Marine Conservation Zones. Overall, this sets a framework in which land-side and marine-side planning can facilitate the contributions of ports and shipping to growth, while ensuring that a representative and coherent range of sensitive marine sites is appropriately managed and conserved.
22. Offshore wind has an important place in the Government's plan for a balanced low-carbon electricity portfolio to help meet our 2050 carbon targets. The Department promotes a collaborative approach between developers, mariners, and those responsible for navigation safety so that the interests of the shipping industry are protected in decisions about the locations of offshore renewable energy installations.

*Promotion of maritime careers and support for training*

23. To ensure the future growth of the maritime sector, we want to see talented individuals, trained to the highest standards entering the industry. Seafarers are vital for the sector and the Government has a number of policies in place to support training. We also work closely with the many elements of the sector to deliver modern qualifications that are fit for purpose in the international shipping industry.
24. UK tonnage tax includes a minimum training obligation which helps increase the number of officer trainees each year. This was unique to the UK until India introduced its tonnage tax scheme with a similar requirement. The training obligation requires each shipping company to recruit and train one officer trainee a year for every 15 officer posts in its fleet, and to consider employment and training opportunities for ratings. These cadets develop the foundation skills and knowledge that equip them for high quality and well paid careers, whether afloat or ashore. There are 78 company groups currently in the scheme, involving some 880 ships, half of which are UK flagged. The total cumulative training commitment in 2012/13 was around 1,700 trainee places.

25. The Government's Support for Maritime Training (SMarT) scheme plays an important role in supporting the training of officers as well as ratings. The Department secured funding of £12m a year for SMarT up to and including 2015/16 in the recent spending round, demonstrating our commitment to maritime training. In 2012/13 SMarT funded training for 776 new officer trainees as well as 13 navigational, engineering or watch ratings and for eight ratings to upgrade to Officer of the Watch.
26. Intermediate and Advanced apprenticeships are available for maritime occupations. At the end of the Advanced Apprenticeship, the apprentice will be qualified as a Merchant Navy rating in deck or engineering specialisations and they may become an officer after a further two years of training and assessment. The Alternative Completion Conditions needed for Maritime Apprenticeship funding were agreed by Parliament earlier in July.

### **Continuing improvements to maritime safety and pollution prevention**

27. The Maritime and Coastguard Agency continually works to deliver improvements to safety and pollution prevention, in partnership with wider government and industry. It is on track to deliver a modernised HM Coastguard that will see search and rescue incidents managed through a fully-networked national system. Workloads will be better distributed to match available resources, and there will be greater support for the volunteers in the Coastguard Rescue Service.
28. The fishing industry is widely recognised as the most dangerous in the country. Through the Fishing Industry Safety Group the MCA has launched a new Fishing Safety Strategy that aims to instil an improved safety culture and behavioural changes that will reduce deaths and injuries over time. The strategy emulates the excellent results that have been achieved in the Icelandic fishing industry. This initiative exemplifies the MCA's open approach to involving stakeholders in policy developments, which is also seen in the development of industry-led Codes of Practice for passenger ships and other vessel types.
29. The MCA sits on the National Water Safety Forum which brings together those bodies with an interest in safety on the water. The MCA has also supported safety campaigns to promote the wearing of lifejackets, and the innovative use of social media to encourage those at the coast or on beaches to have fun, but take responsibility for their actions.
30. Environmental protection is also a major part of the MCA's remit, in terms of both prevention and response. It has worked very closely with industry stakeholders on measures to reduce the sulphur level in marine fuels through the revision of Annex VI of the MARPOL Convention and the recent EU Directive on sulphur content of marine fuels, particularly to ensure alternative compliance arrangements were permitted under the regime. **Annex B** provides further information.

31. In terms of pollution response, the MCA has developed constructive links and viable, joint contingency plans with the oil and gas industry, the oil spill contractors, and other Government departments, as well as with our closest international neighbours. The MCA ensures it has the right planning and resources to enable an instant and coherent response in the event of a pollution incident.

### **Promoting the UK Maritime Sector as a great place to do business**

32. London is the historical home and leading contemporary centre for shipping and maritime services, despite increasingly strong competition from Singapore, Shanghai and Dubai. The forthcoming inaugural London International Shipping Week (9-13 September) is a global maritime event which industry has initiated to showcase what the UK has to offer across the full range of maritime industries: shipping, ports, maritime business services, specialist training centres, marine industries and technology development.
33. The Government actively promotes the UK maritime sector abroad. UK Trade and Investment works to secure inward investment and helps UK companies to exploit high value opportunities overseas. The Department underpins this work with Ministerial visits to key target countries. Stephen Hammond, the Shipping and Ports Minister, recently visited Athens and will visit Brazil in the autumn.
34. The Government fully supports London International Shipping week and is working with the organisers to develop and deliver a full programme, representative of all that the UK has to offer in this sector. We are hosting, with Maritime UK, a Welcome Reception in Lancaster House as one of the week's key events and Ministers and officials from across Government will be involved fully in the other planned events. The opportunities that the week provides for showcasing the sector, international networking, promoting careers and attracting new business are regarded by industry and government as an exciting opportunity to hold up the UK maritime sector as a great place to do business and to propel world trade.

*July 2013*



## Maritime Sector Economic Indicators: June 2013

The Maritime services sector makes a valuable and increasing direct contribution to the UK economy. The complexity of the maritime sector means there are a number of datasets which give an indication of the contribution of maritime to the economy.

GVA



### Gross Value Added

Gross value added (GVA) is the net contribution of a sector to the domestic economy (GDP).

**The Maritime sector's direct contribution to the economy is estimated at between £8.8bn and £13.8bn.**

This is broken down into:

- Shipping GVA: £5.3bn<sup>1</sup> to £5.6bn<sup>2</sup>
- Ports GVA: £2.0bn<sup>3</sup> to £6.7bn<sup>2</sup>
- Business Services GVA: £1.5bn<sup>2</sup>

Shipping GVA trebled between 2002 and 2008 after which it has fallen slightly.

Employment



### Employment

Estimates of maritime employment vary widely depending on the business activities included.

**Estimates for employment in the maritime sector are between 214,000 and 263,000.**

- Shipping employment: 146,000<sup>2</sup>
- Ports employment: 58,000<sup>4</sup> to 107,000<sup>2</sup>
- Business Services employment: 10,000<sup>2</sup>

Trade



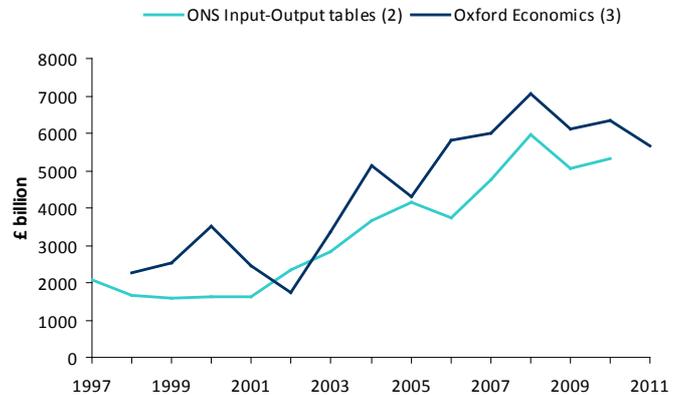
### Trade

Shipping's contribution to UK trade is not merely in terms of importing/exporting other sectors' goods and services; it also makes a direct contribution to the UK's balance of payments in its own right – by being a net exporter of its own services.

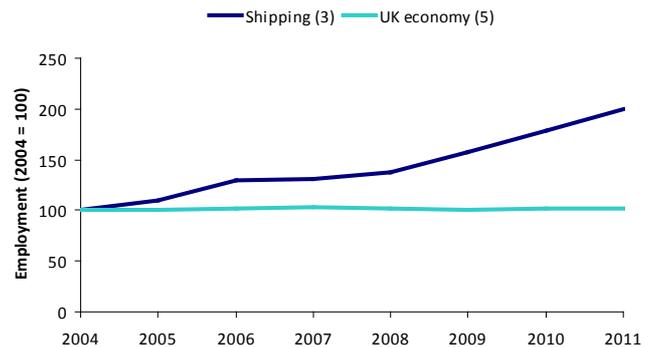
**In 2011, shipping directly contributed £4.0bn<sup>6</sup> to the UK's trade balance.** This represents roughly 5 % of the UK's overall surplus in services trade.

The sector has reversed a trade deficit which existed as recently as 2003.

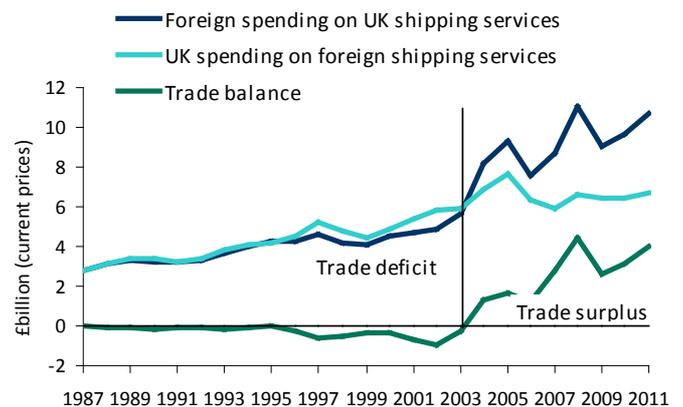
### Gross value added estimates (Shipping)



### Growth of shipping employment



### UK Balance of Trade for Sea Transport Services



1. ONS Input-Output tables, 2010 (Published July 2012). Includes transport of passengers and freight on vessels designed for operation on sea or coastal waters, whether scheduled or not.
2. Oxford Economics, 2011 (Published Dec 2012). Shipping estimates utilise data from Chamber of shipping members, weighted to estimate for all UK shipping companies. Port estimates are based on ONS employment estimates for certain economic sectors in wards believed to contain ports. Business services estimates are based on intelligence obtained by the Baltic Exchange.
3. ONS Annual Business Survey, 2011 (Published June 2013). Includes activities related to water transport of passengers, animals or freight, such as operation of harbours, piers waterway locks etc. Also includes navigation, pilotage, berthing, lighterage, salvage and lighthouse activities.
4. DfT Port Employment and Accident Rates, 2009. Includes most activities covered in (3) as well as cargo handlers and other activities such as freight forwarding.
5. ONS Labour Market Statistics, 2011. Total number of people employed in the UK.
6. ONS Pink Book, 2011.



### Port Traffic

In terms of volume, the UK relies on shipping for 95% of its imports and exports.

In 2012 total **freight traffic decreased to 501.2 Mt**<sup>7</sup>, a 4% decline since 2011 following two consecutive years of growth. Despite slight growth in 2010 and 2011, tonnage through UK ports has fallen by 10 per cent over the last 10 years.

Over the last decade, maritime **imports have remained steady** while **exports have decreased** by just under a quarter.



### UK registered Fleet

The deadweight tonnage (dwt) of trading ships on the UK Register has more than trebled since 2001 to 17.7 million dwt in 2011.<sup>8</sup>

The gross tonnage on UK ships rose substantially from a low point in the late 1990s until 2010, before slowing in recent years.

The UK fleet is eleventh largest on the world fleet register and the gross tonnage on UK ships has now returned to levels last seen in 1982.



### Measures of the UK fleet

The UK share of the world fleet has grown, despite a 65% growth in the world fleet over the period.

By all four measures **the 'UK fleet' saw substantial growth from a low point in the late 1990s until 2009, after which levels have remained stable.**

In 2011, UK companies directly owned 22.5 million dead weight tonnage (dwt), while UK companies had a controlling interest (parent ownership) in 35.2 million dwt.<sup>8</sup>



### UK Seafarers

The skill base of UK nationals may particularly benefit the wider UK maritime sector.

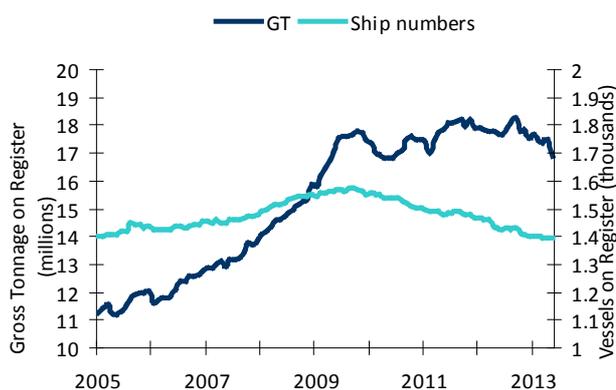
**In 2012, an estimated 24,100<sup>9</sup> UK nationals were seafarers working regularly at sea**, a 10 per cent decline compared to 2011. This decrease was primarily the result of a large company transferring their operations out of the UK.

The total number of cadets in training for the financial year 2011/2012 peaked at 2,160. This was a 19 per cent increase since 2010/11. Numbers have more than doubled in the decade since 2001/02.

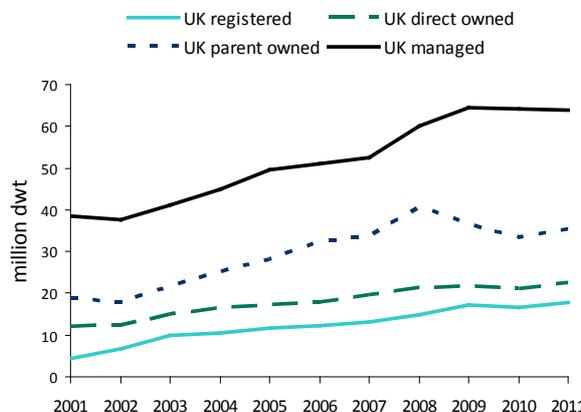
### Value and tonnage of foreign imports and exports by mode



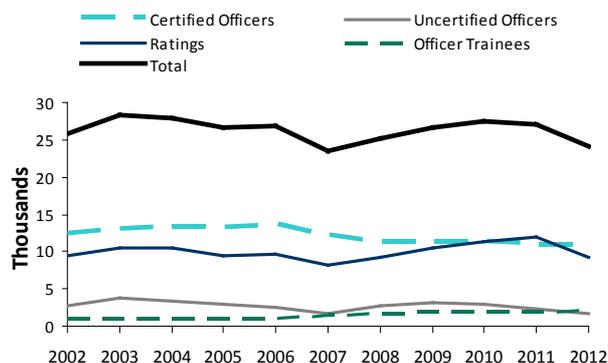
### Size of UK Registered Shipping Fleet



### UK Shipping Interests



### UK Seafarers active at sea



7. DfT Port Freight Statistics, 2012 provisional annual publication.  
 8. DfT Shipping Fleet Statistics, 2011  
 9. DfT Seafarer Statistics, 2012.

# Maritime Sector Economic Indicators (REPORT)



## Direct contribution to the economy

The Maritime sector makes a valuable direct contribution to the UK economy. For example, the estimated direct contribution of shipping to the economy more than trebled between 2002 and 2008 but has fallen back slightly in the wake of the recent recession. Our current range for the direct economic impact of the whole maritime sector is £8.8bn to £13.8bn.

These statistics also imply that the sector's economic impact is not only considerable but wide ranging. The sector employs between 175,000 and 263,000 people (0.5% to 0.8% of total UK employment).

## Wider contribution to the economy

There are many other important contributions the sector makes to the UK economy, including:

- That its existence enables the UK to function as a trading state (only a fraction of the value of which will be reflected in the sector's earnings);
- That its supply chain makes it indirectly responsible for jobs in other industries (indirect effects);
- That there is considerable employment and economic activity created by those directly and indirectly employed in the UK maritime services sector spending their wages on goods and services in the wider UK economy (induced effect); and
- That the Maritime sector generates significant tax revenue for the UK Exchequer.

The most complete attempts to quantify these are by research completed for industry by Oxford Economics. They estimated that in total (including direct, indirect and induced effects) the maritime services sector:

- Made a contribution to GDP of £31.7 billion (or 2.1% of UK GDP);
- Supported around 634,900 jobs (equivalent to 1 in every 50 jobs in the UK); and
- Supported nearly £8.5 billion in tax revenue (£1 in every £71 of UK tax revenue).

However this report did not attempt to quantify the Maritime sector's important role as an enabler of UK trade, which we believe may be of greater significance than the indirect and induced effects. For instance in terms of volume, the UK relies on shipping for 95% of its imports and exports.

This indirect contribution as an enabler of trade seems to have broadly increased over the last decade, with all measures of UK shipping interests having grown since 1999.

**UPDATE ON OTHER MARITIME ISSUES REQUESTED BY THE COMMITTEE**

**Sulphur emissions by ships**

1. The UK has until 18 June 2014 to transpose into domestic legislation the amending Directive 2012/33 on the sulphur content of marine fuels. The Department is planning to publish a consultation document, along with a draft set of UK regulations and a draft impact assessment later in 2013.
2. Meeting the new emissions requirements will pose challenges for some elements of the shipping industry. The Shipping and Ports Minister, Stephen Hammond, held two roundtable meetings in 2012 and 2013 with maritime industry stakeholders which generated a number of actions aimed at helping the industries meet the MARPOL and EU regulatory requirements.
3. A report on the economic consequences of the more stringent sulphur standards was published by the Chamber of Shipping earlier this year. The report considered the impact on shipping and UK ports of the 0.1 per cent sulphur limit which comes into force in January 2015 for ships operating in the emission control areas. The Department is continuing to discuss the issues raised in this report with other key EU Member States and the European Commission. Although other EU Member States acknowledge the difficulty faced by operators on marginal routes, these adverse impacts have to be balanced against the significant health benefits of reducing sulphur emissions. We will incorporate evidence from this report and other relevant studies into the Department's own Impact Assessment for the UK regulations implementing the EU Directive.
4. The Department supports the use of 'green technologies' and has been discussing with shipowners and equipment manufacturers the cost, effectiveness and regulatory barriers to using exhaust gas cleaning systems. This is also an objective of the European Commission. They have announced the establishment of a European Sustainable Shipping Forum, which would include representatives from maritime industries and Member States, to consider abatement technology, alternative fuels and financing options to help industry comply with the requirements in the Directive. The first meeting of the Forum is expected to take place in September or October 2013, and the Department has indicated its desire for a consistent and pragmatic enforcement regime across Europe, for ships in general and for ships that use an exhaust gas cleaning system or alternative fuel in particular.

## **Marine pilotage**

1. The Government warmly welcomed the Committee's acknowledgement in its 9<sup>th</sup> Report of Session 2012-13 on Marine Pilotage<sup>1</sup> that ports have a "strong incentive to achieve high standards of safety" and its recognition that there is no need to mandate the flexible and collaborative Port Marine Safety Code (PMSC).
2. As stated in the Government's response to this Report<sup>2</sup>, the industry continues to build on the very strong foundations it has put in place in recent years to enhance safety in ports. The Government acts only where it can add real value to support the industry, to secure safe operations, and to preserve the marine environment.
3. The industry, through Ports Skills & Safety, is working to develop National Occupational Standards and national qualifications frameworks, including for maritime pilots. Recognising the industry's achievements in this area, we do not consider it appropriate to legislate for a national qualifications system for pilots.
4. Since the publication of the Committee's Report, the Marine Navigation Act 2013 has been enacted. The sections of the Act relating to the issuing, use, suspension and revocation of Pilotage Exemption Certificates will come into force on 1 October 2013<sup>3</sup>. Consequently, and in line with commitments made to the Committee and during the passage of the Bill, the PMSC Steering Group has established a working group to consider and recommend any enhancements required to the PMSC or the accompanying Guide to Good Practice. The working group comprises representatives from the ports and shipping industries and the UK Maritime Pilots Association to harness a wide spread of maritime expertise.
5. The Act also brings with it a new streamlined process for harbour authorities to apply for the power to give harbour directions. The PMSC has recommended that harbour authorities seek the powers they need to manage effectively the traffic in their harbour, but until now many have been deterred by the lengthy and complicated process involved in obtaining such powers.
6. The new process should open the way to many more harbour authorities being designated with powers that will help them to manage risks to safe navigation. The Government is preparing guidance for harbour authorities on how to apply, and expect this to be published in the autumn. Concurrently, national representatives of ports and port users are preparing advice on how harbour authorities can make best use of these powers, reinforcing the non-statutory Code of Conduct on the exercise of harbour directions that they agreed during its passage as a Bill.

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<sup>1</sup> At: <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmtran/840/840.pdf>

<sup>2</sup> At: <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmtran/79/79.pdf>

<sup>3</sup> The Scottish Government has not made an order to commence these sections in Scotland. The Department is in discussion with Transport Scotland about the possibility of commencing these sections on the same day.

## Written evidence from Maritime UK (MAS 011)

### **About Maritime UK**

Maritime UK brings together the shipping, ports and maritime business services sectors in the UK to speak with a single voice on key strategic and practical issues of joint interest. Its intention is to create “joined-up” industry positions between these sectors so that the maritime message can be heard clearly and with greater weight by legislators and other audiences.

Maritime UK represents a substantial part of the British economy:

- The Maritime UK sectors contribute a total of around £31.5 billion to UK GDP
- Maritime UK sectors support around 537,000 jobs and contributes £8.5bn in tax revenues

### **A maritime strategy**

Maritime UK has campaigned over the past year for government to develop a maritime strategy, coordinated across all relevant government departments and in conjunction with industry representatives.

*We warmly welcome the leadership Government is providing.*

A maritime strategic partnership – between industry and Government - is necessary because, whilst the UK has traditionally been a pre-eminent base for maritime services, we are seeing increasing competition from emerging maritime centres in the Far East, and coordinated action is required to protect and promote the UK’s position, in order to prevent the loss of the very large economic contribution made by the shipping, ports and maritime business services sectors.

For a new strategic partnership to be formed, the process would need support from across several relevant Government departments. We pay tribute to the Shipping Minister for ensuring the Cabinet Office, Treasury and BIS Ministers have been involved to date.

To answer the questions as set out by the Committee -

**What should be the main priorities of the Government’s maritime strategy for vessels registered in the UK? How does this fit in with the overall transport strategy for the UK?**

- Retention of a strong, competitive and stable fiscal regime – especially the Tonnage Tax

- Retention of SMarT funding, to ensure a steady supply of well trained UK seafarers
- Ratify the Maritime Labour Convention as soon as possible
- Implement the MLC in a manner that makes use of the available flexibility and avoids gold-plating
- Continue world-class support for counter-piracy measures, including an on-going commitment to lead EUNavFor's Operation Atalanta.0
- Publish information as soon as possible on the measures proposed for implementing the Manila amendments to STCW
- Implement the Manila amendments in a manner that avoids gold-plating or placing unwarranted restrictions on operators and training providers
- Ensure that the MCA is responsive and pragmatic and facilitates UK shipping rather than obstructing it
- Commit to long-term financial support for training to ensure that the UK can renew its maritime skills base
- Apply the Bribery Act 2010 in a manner that recognises the endemic nature of demands for unwarranted payments and gifts from public officials in many overseas ports and does not impede UK shipping.
- Clearly there needs to be some value added for ship owners to adopt the UK Flag and the most obvious is the good reputation that it brings with the consequent positive effect on insurance, Port State inspections etc. This means Flag State inspections of UK reg ships by the MCA's surveyors must be carried out diligently, be pragmatic in their approach and in the interpretation of the regulations, and consistent in the standards demanded. Consistency between Marine Offices has been a particular problem.
- A competitive, stable Light Dues regime

**How effectively do current Government policies (e.g. the Tonnage Tax, training, and reforms to the ship registration process) support an internationally competitive maritime sector in the UK?**

The tonnage tax has been the single biggest maritime policy achievement of the UK Government for many decades.

According to an Oxford Economics report of 2013, based on a counterfactual scenario whereby tonnage tax was not introduced and the UK-fleet continued its long-run trend of decline, it is estimated that the direct GDP contribution of the UK shipping industry would have been approximately £4.4 billion lower in 2011 than it actually was, supporting 37,800 fewer UK-based people in employment and generating around £455 million less for the UK exchequer to fund important public services.

When considering the wider multiplier impacts on the UK economy, the counterfactual scenario would have contributed nearly £8.2 billion less in GDP, supported around 115,100 fewer UK jobs and left a shortfall in government revenue of over £1.6 billion.

As a result, the Tonnage Tax is vital to the industry, the workforce, Exchequer and wider economy.

Maritime UK is making representations to include new ratings training schemes in the Tonnage Tax training commitment.

**What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?**

We recognise that taxes are the subscription for civil society. Taxes pay for the services the state provides and the laws it enforces. Everyone – citizen, resident, and visitor – has a duty to pay in tax what the law clearly demands, especially at a time of economic instability or stringency.

However, the taxpayer has the right to expect that discussion, deliberation and consultation have happened - that due process has been followed. There is significant concern that in the case of resident non-domicile tax, that did not happen. Non-dom taxation became a political football – a series of jerky sudden movements rather than a settled area of policy.

It is acknowledged that HMG are making efforts to ensure the UK is one of the most tax efficient countries within the EU, but on a global basis, there is still a way to go – and so long as taxation of ‘the rich’ is a political football, there will always be international concern as to the UK’s suitability for investment. This is not a call for anything other than evidence-led, mature debate about the impact of the tax regime on investment.

Without doubt, if HMRC were to roll back on non-doms taxation, it would help encourage investment, but we know at this time it is politically difficult.

The ‘strategic partnership’ between Government and industry is a step towards a more mature discourse, and we strongly welcome it.

We are looking for certainty, stability and predictability. This means the requirement for the UK to have a long term plan, supported by all political parties, that will ensure potential investors have real confidence in the fact there will be no sudden changes in regulations without proper consultation, irrespective of who is governing the country.

More investment by HMG into UKTI to assist British businesses in their efforts would be welcome, as would the services of UKTI being provided as a service already paid for from taxes, as opposed to adding additional costs to individual users in the form of OMIS charges.

We have better ministerial access than before, we have a listening government and we will have an “Open for Maritime Business” booklet in all our Embassies and elsewhere promoting the services. We are going in the right direction, but not quite there yet.

**What more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the UK maritime sector?**

- Ensure stability with tonnage tax and SMarT funding
- Ensure government skills policy is relevant and flexible to meet the identified needs of the maritime sector, whose international sphere of operations means it must be competitive with other nations, so skills policies and related arrangements must not be constrictive within the context of just the UK. Government should tailor its arrangements to the maritime sector rather than making the sector fit with arrangements designed for others.

**Is there scope for improving the Government’s approach to maritime safety and the prevention of pollution by ships?**

Maritime UK is working closely with the Government across a wide spectrum of regulatory issues impacting upon shipping and the maritime environment of which safety and prevention of pollution are two key areas. Specifically, we are involved in the development of a strategic shipping partnership plan with the aim of creating an environment of competitive UK shipping that enables national economic success. Part of this is to deliver a regulatory climate that seeks to maintain high environment and safety standards for British shipping without competitive disadvantage.

Maritime UK fully acknowledges the need to continually improve safety standards at sea and to prevent pollution whether that be liquid, solid or gaseous. To that end we have been closely engaged across a wide range of related issues with the Government as they present the UK case in the regulatory arenas of the International Maritime Organisation (IMO), that is responsible for most international conventions relating to safety and pollution, and within the European parliamentary process that has approved various regulations and directives pertaining to both safety and environment. Recent examples include the development of an emission trading scheme for shipping, the practical implementation of the low sulphur in fuel regulations (both

international and European), the European Directive on Offshore Safety, a proposed European regulation covering ship recycling, the Ballast Water Convention and container safety both in terms of dangerous cargos and mis-declared weights. This list is by no means exhaustive. Across all these important regulatory strands we have found the approach of the government to be helpful, informed and pragmatic. We do however believe that a more pragmatic approach is required in terms of transitional arrangements with respect to the sulphur regulations, without which there will be negative impacts on both the UK environment and UK jobs.

Nationally, we have worked with the Government during the development of Ship to Ship transfer regulations that have certainly helped to reduce the incidences of pollution by oil at sea though the recent withdrawal of funding of permanently ready Emergency Towing Vessels is regrettable and leaves our shore line more vulnerable to major incidences of pollution caused by ships going aground for whatever reason. We have also been closely involved with the development of strategies to provide better oversight during the planning of offshore renewable energy projects that will provide greater certainty for the maintenance of navigational safety in the major shipping lanes in UK waters. However, we still believe that as part of this strategy the UK Chamber of Shipping should be a statutory consultee during the planning process and though the Government has stated their support for this view, it has yet to happen.

In conclusion, whilst there is inevitably always scope for improvement in safety and environmental standards, we believe that the Government, together with industry, has and is doing much to put in place a framework of regulation that will achieve the necessary and desired outcomes without, in general, disadvantaging UK maritime interests upon which so much of our economy depends.

*July 2013*

## Written evidence from RSPB (MAS 012)

*RSPB submission on the question:*

**“Is there scope for improving the Government’s approach to maritime safety and the prevention of pollution by ships?”**

### Introduction

1. The RSPB is Europe’s largest wildlife charity, with more than one million members, and we manage one of the largest conservation estates in the UK, comprising over 200 nature reserves. We are part of the BirdLife International partnership, a global alliance of independent national conservation organisations working in more than 100 countries. The RSPB’s policies are based on detailed and comprehensive scientific research, and we have considerable expertise on the operation of terrestrial and marine ecosystems, the identification and management of protected areas and the factors governing bird population trends.
2. In relation to marine pollution, we have a specified role in the response to marine pollution incidents, as defined in the current version of the National Contingency Plan, which includes:
  - a. surveying/providing information on which birds are in the danger area, including, if necessary, counting dead birds through the use of emergency Beached Bird Surveys;
  - b. advising a formal Environment Group on sensitive areas for birds and birds at risk from individual pollution incidents;
  - c. directing animal welfare organisations to the location of live oiled birds and, if appropriate, advising on release sites<sup>1</sup>.
3. We do not have responsibility for:
  - a. advising on the technical treatment of oil spills;
  - b. advising or dealing with the rehabilitation of live birds, or the collection and disposal of dead casualties.
4. Our response to this inquiry is focused around the discharge of so-called Hazardous and Noxious Substances (HNS) under Annex II of the international MARPOL Convention, in particular the **legal discharge status of the various forms of polyisobutylene, or PIB**, which have caused the tragic deaths of thousands of seabirds along the south coast of England in 2013.
5. HNS are defined as “a substance other than oil which, if introduced into the marine environment is likely to create hazards to human health, to harm living resources and marine life, to damage amenities or to interfere with other legitimate uses of the sea.”<sup>2</sup>

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<sup>1</sup> Our role under the NCP is limited solely to providing information and advice (to the Environment Group initially, and then to other stakeholders from the EG). There are no issues of liability surrounding any advice we give.

<sup>2</sup> under the Protocol on Preparedness, Response and Co-operation to Pollution Incidents by Hazardous and Noxious Substances, 2000 (OPRC-HNS Protocol)

- The PIB incidents along the south-west coast have highlighted the rapid increase in the use, transportation and discharge of non-oil products, and the shortcomings both in the response to such incidents in the UK and the way these products are tested and classified under international shipping regulations.

## Overall response

- Our headline response to the question posed by the Committee is that **there is significant scope for improving the Government's approach to the prevention of pollution by HNS**. In particular, we urge the Government to specifically carry out the measures set out in Table 1 in relation to the prevention of, and response to, such incidents.

**Table 1. Recommended UK Government actions to reduce the risks of marine pollution by HNS.**

Incident response measures	HNS pollution prevention measures
1. carry out a thorough internal review within the Maritime and Coastguard Agency (MCA) of the response procedures for marine pollution incidents involving HNSs, implementing lessons learnt from the recent PIB incidents.	1. conduct an urgent review of the hazard classification status of PIBs and other legally dischargeable HNS under Annex II of the MARPOL Convention, in relation to their impacts on the marine environment (including seabirds), and present the findings of this work to the International Maritime Organisation.
2. ratify the Protocol on Preparedness, Response and Co-operation to pollution Incidents by Hazardous and Noxious Substances, 2000 (OPRC-HNS Protocol)	2. call upon the UN scientific advisory body GESAMP to test Annex II/Hazardous and Noxious Substances to determine their effects under more realistic marine conditions, which take into account the effects of changes in consistency, effects on wider aspects of marine ecosystems, time to degrade, toxicity if ingested and in-combination effects when mixed with other substances.
3. revise the UK National Contingency Plan, in order to set out clear procedures for the response to HNS pollution incidents and define responsibilities for the relevant statutory agencies	3. within the IMO, press for a reclassification of legally dischargeable HNSs, in particular PIBs, based on the results of (1) and (2) above.
4. carry out the strictest possible enforcement and prosecution of illegal discharges of any HNS at sea.	4. commission further scientific research on the effects of contaminating noxious substances on wider aspects of marine ecosystems, in addition to charismatic megafauna such as seabirds.

## PIB and seabirds – a spotlight on HNS pollution

- This year, more than 4000 seabirds have been recorded washed ashore along the south west coast of England in two separate occurrences covered in a sticky substance called polyisobutylene, alternative polyisobutene or PIB, a man-made synthetic product. The actual number of birds killed at sea is likely to be far greater. Most of the known casualties were guillemots, mainly sub-adults or non-breeding birds, so the impacts on breeding colonies is not likely to be felt until future breeding seasons. The source and legality of the pollution has not yet been established.
- In addition to the two recent incidents affecting the south coast of England in 2013, it appears there have been at least three previous documented incidents involving mass mortality of seabirds caused by PIB discharges in European waters, for which the source was only identified

in one case. To our knowledge, no successful prosecutions have been made in the case of illegal discharges of PIB around Europe.

10. The term PIB covers a wide range of similar substances under the chemical compound  $(C_4H_8)_n$ , which are used in the manufacture of a range of products, from chewing gum and adhesive tape to industrial sealants. In shipping, it is often used as a thickening agent for industrial oils.
11. As a set of substances, PIBs are generally colourless or light yellow, odourless, tasteless and cannot easily be identified. In both incidents, the PIB involved could not be picked up by either remote sensing satellites or flyover aircraft surveys.
12. PIBs, along with other HNS, are transported around the world on a regular and increasing basis. The global consumption of PIBs was over 850,000 tonnes in 2011, with the USA as the leading producer, but Belgium and France together produce almost a fifth of the PIB market. As a consequence, there is considerable transport of PIB around the UK and Western Europe. Global consumption is forecast to increase by around 40% by 2017 to 1.2 million tonnes per year.<sup>3</sup>

### Shortcomings in the response to HNS incidents in the UK

13. The initial response to these incidents was significantly hampered due to confusion around the establishment of a formal Incident Environment Group (or EG), as required by the National Contingency Plan, to coordinate the regional response to both incidents. In part, this appears to have been caused initially by MCA procedures, which did not appear to class the incidents at a similar level to a normal petroleum oil-based spillage (especially as there was no widespread or obvious pollution either coming ashore or at sea to 'clean up', no identified source and the only visible effects were wildlife casualties), as well as a lack of clarity in the National Contingency Plan (NCP) relating to the roles and responsibilities in responding non-oil pollution.
14. A 'virtual' Environment Group was formed several days after the beginning of the first occurrence at the end of January/beginning of February 2013 but it was not clear to the RSPB what action was being taken and there was no clear single point of contact with the statutory organisations involved. Most communication in fact came from the RSPB and other NGOs to this group, rather than the guidance or coordination required from an Environment Group.
15. The second incident was triggered by a Marine Pollution Report (POLREP) from Brixham Coastguard of a substance, with live and dead birds at sea, on 9<sup>th</sup> April 2013. Again, it was not clear to the RSPB who in the statutory bodies was doing what. Only on the 19<sup>th</sup> April, for example, did the Environment Agency take on the role of collating reports of dead birds passed to various NGOs for the second incident.
16. As such, wildlife NGOs bore the bulk of the workload in surveying, collecting and recording casualties, with little strategic direction or support from the relevant statutory bodies. No uncontaminated samples of the substance from the first incident were collected, and PIB was only initially identified due to the BBC sending a deceased bird to Plymouth University for independent analysis.

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<sup>3</sup> Polyisobutylene: 2012 World Market Outlook and Forecast up to 2017, Merchant Research and Consulting Ltd Research Report, October 2012.

17. Furthermore, there was no statutory body coordination or advice on the collection, recording and disposal of dead birds from beaches, and until numbers of dead birds increased dramatically in the second incident, no coordination or centralised recording of casualties by any statutory body.
18. There is therefore a pressing need for lessons to be learnt from these incidents, in relation to the role of the MCA and other statutory bodies in response to HNS pollution incidents, as well as incidents predominantly involving wildlife casualties.
19. In a meeting with the Shipping Minister, the Rt Hon Stephen Hammond, and the MCA, on the 20<sup>th</sup> June 2013, we were reassured to hear that the MCA is conducting an internal review of the way in which it deals with HNS pollution incidents of this kind. This is extremely welcome.
20. The National Contingency Plan in its current form is also unsuited to HNS pollution incidents of this kind, focussing as it does on the cleanup of oil-based incidents. In particular, there is no formal direction in the NCP with regards to criteria for setting up an EG for non-oil incidents, and no clear guidance on the collection and systematic recording of wildlife casualties, in particular dead birds. This led to confusion on the ground, particularly affecting those NGO staff dealing with casualties as they appeared.
21. In particular, the RSPB recommends that the NCP is revised to address these shortcomings and stress the need for the MCA and other relevant statutory agencies to respond to HNS pollution, as well as other incidents where wildlife casualties may be the only signs of pollution.
22. At a transnational scale, the UK should also ratify the Protocol on Preparedness, Response and Co-operation to pollution Incidents by Hazardous and Noxious Substances 2000 (OPRC-HNS Protocol), which requires measures to be established to ensure international cooperation in response to HNS pollution incidents.
23. In summary, a more coordinated response is urgently needed to HNS incidents when they occur in future, given their rapidly increasing transportation around UK waters. This should be provided by:
  - a. **HNS pollution incidents being given the same status as oil pollution incidents, with improved procedures within the MCA for responding.**
  - b. **An updated National Contingency Plan, which sets out clearly the role and responsibilities for individual organisations in response to HNS pollution, the collection and monitoring of dead wildlife casualties and the criteria for establishing an EG for HNS incidents.**
  - c. **UK ratification of the Protocol on Preparedness, Response and Co-operation to pollution Incidents by Hazardous and Noxious Substances 2000<sup>4</sup> (OPRC-HNS Protocol).**

## The legal discharge status of PIBs and other HNS

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<sup>4</sup> [http://www.imo.org/about/conventions/listofconventions/pages/protocol-on-preparedness,-response-and-co-operation-to-pollution-incidents-by-hazardous-and-noxious-substances-\(oprc-hns-pr.aspx](http://www.imo.org/about/conventions/listofconventions/pages/protocol-on-preparedness,-response-and-co-operation-to-pollution-incidents-by-hazardous-and-noxious-substances-(oprc-hns-pr.aspx)

24. Polluting discharges of HNS products at sea are regulated by Annex II of the global MARPOL Convention. Under Annex II, the various forms of PIB are classed as category Y, or “*Noxious Liquid Substances in bulk which, if discharged into the sea from tank cleaning or deballasting operations, are deemed to present a **hazard** to either marine resources or human health and therefore justify a **limitation** on the quality and quantity of the discharge into the marine environment*”. This is the higher of two categories of hazardous substance considered to have a potentially harmful effect if discharged, but where the current regulations allow their legal discharge, with conditions.<sup>5</sup>
25. It is important to note, however, that PIBs only fall into this higher category due to their persistent floating nature, rather than any other environmental impacts, which to our knowledge are not currently tested under MARPOL requirements.<sup>6</sup> Many of the newer and potentially more hazardous forms of PIB developed in recent years have also not been tested at all.
26. The risk criteria for polluting substances are drawn up by the UN Advisory body to MARPOL known as GESAMP (Group of Experts on Scientific Aspects of Marine Environmental Pollution). The last major GESAMP review of noxious substances was in 2002<sup>7</sup>, leading to amended Annex II regulations agreed in 2007. Since then, however, the growth in the transportation of HNS, combined with the development of newer, more hazardous, substances, including higher-weight forms of PIB, means that the testing and subsequent classification of such substances under the MARPOL Convention is in urgent need of review.
27. Despite its hazard status under MARPOL, there is also no systematic monitoring or research into the wider impacts of PIB discharges to the marine environment, including to seabirds, beyond simply whether it floats or sinks. There is also no protocol for recording previous incidents, no systematic recording of legal discharges, and no consistent approach to describing these substances in the regulations and guidance documents (a mix of chemical and product names is used).
28. We therefore have little to no idea how much PIB is released on a regular basis in small quantities in legal tank-washing operations, and no knowledge of the cumulative impacts of these chronic releases.
29. The complex chemical nature of PIB products and uncertainty over their origin and composition also makes it very difficult for animal welfare groups to respond to incidents in cleanup operations. Due to its water-hating properties, discharged PIB is usually mixed with other

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<sup>5</sup> Conditions attached to the legal discharge of PIB are based on its status as a category Y substance. As PIB is a solidifying/viscous range of substances, tanks having carried PIBs must be pre-washed onshore prior to washing out tanks offshore. No discharges can occur within 12 miles of a coastline, and discharges can only be made from ships travelling at a speed of at least 7 knots and in water at least 25 metres deep, and discharges must be made underwater. The amount of pre-washed PIBs that can be legally discharged from individual cargo tanks under these conditions depends on the age of the ship (350 litres per tank from ships built before 31/7/86, 150 litres per tank from ships built between 31/7/86 and 1/1/07, and 75 litres per tank from ships built after 1/1/07). It is illegal to transport PIBs in ships other than chemical tankers if they were built prior to 2007.

<sup>6</sup> An excellent summary of the environmental impacts of HNS can be found in Chapter 5 of Roose et al. 2011. *Monitoring Chemical Pollution in Europe's Seas: Programmes, Practices and Priorities for Research, Marine Board Position Paper 16*. Calewaert, J.B. and McDonough N. (Eds.). Marine Board-ESF, Ostend, Belgium. Available at

<http://oar.marine.ie/bitstream/10793/734/1/Monitoring%20Chemical%20Pollution%20in%20Europes%20Seas.pdf>

<sup>7</sup> IMO/FAO/UNESCO-IOC/WMO/WHO/IAEA/UN/UNEP Joint Group of Experts on the Scientific Aspects of Marine Environmental Protection (GESAMP), Reports and Studies No. 64, Pub. No. 493/02, available at <http://www.gesamp.org/publications/publicationdisplaypages/rs64>

additives or cleaning agents, such as caustic soda, which have corrosive properties and which are toxic to humans as well as marine life.

## A need for international reclassification

30. As such, the RSPB and other wildlife NGOs strongly believe that the risks of discharging PIB products, as well as many other HNS, are significantly underestimated, and that an urgent review is needed at an international level into the legal discharge status of these substances. In the case of PIB variants, we believe that all forms of PIB should be reclassified to prevent their discharge in any quantity at sea, with all residual PIB removed under strict port control facilities.
31. Such a review is also supported by the shipping, ports and maritime business sectors, which collectively represent over £31billion annually to the UK economy.<sup>8</sup>
32. As well as being precautionary in the absence of full environmental impact analysis, we believe that such a move would help to avoid illegal discharges of HNS at sea, as stricter monitoring would be required and ships would have no legitimate reason to carry waste PIB away from shore.
33. Under the terms of the MARPOL Convention, this would require as a first step the reclassification of PIB from category Y to category X, covering “*Noxious Liquid Substances which, if discharged into the sea from tank cleaning or deballasting operations, are deemed to present a **major hazard** to either marine resources or human health and, therefore, justify the **prohibition** of the discharge into the marine environment*”.
34. The growing risks of discharging HNS substances have in part led the Government, in conjunction with other European Countries, to review the way in which ‘high-viscosity products’, which include the various forms of PIB, are discharged, with a view to presenting this work to the next IMO Marine Environment Protection Committee (MEPC) meeting in February 2014. This work is urgently needed and we fully support the UK Government in ensuring that this is discussed in the IMO at the earliest possible.
35. **We therefore urge the Transport Committee to recommend that the UK Government highlights the legal discharge status of PIB products with the IMO through this work, with a view to reviewing and subsequently reclassifying PIB substances under Annex II of MARPOL based on more effective GESAMP testing, to help prevent any further tragic and wholly avoidable incidents like the ones witnessed in 2013.**

July 2013

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<sup>8</sup> PIB – an urgent review needed. Joint statement between environmental NGOs and the UK Chamber of Shipping”, [http://www.ukchamberofshipping.com/media/filer/2013/05/16/joint\\_statement\\_on\\_pib\\_with\\_wildlife\\_ngos\\_may\\_2013.pdf](http://www.ukchamberofshipping.com/media/filer/2013/05/16/joint_statement_on_pib_with_wildlife_ngos_may_2013.pdf)

Below are the responses to the questions posed in your call for evidence.

1. What should be the main priorities of the Government's maritime strategy for vessels registered in the UK? How does this fit in with the overall transport strategy for the UK?

- .1 Maintaining the high quality of ships flying the UK flag; careful selection of the recognise organisations.
- .2 Placing emphasis always on safety; environmental issues should not be considered at the expense of safety. Ships under the UK flag need to be a) more fuel efficient and b) safer to be competitive on the global stage.
- .3 Competent seafarers and their wellbeing.
- .4 Removing unnecessary over-regulation of the industry. Any regulation, either from the EU or IMO, is to have a robust impact assessment of its effects on the industry.
- .5 Research into propulsion, human / machine interface and fatigue, and advanced sensors has the potential to make UK ships significantly cheaper to operate and insure - so the UK ships would be the ships of choice for transport of goods, managed and operated by the companies with Corporate Social Responsibility policy. We as SMMI contribute to research in this area.
- .6 Promoting Sustainability in shipping and incentivising the UK industry to make this concept a practical reality for the benefit of the future generations.

2. To what extent does EU maritime strategy complement the Government's strategy?

- .1 Past and current EU maritime strategy is heavily skewed towards environmental measures. Whilst safety of shipping is acknowledged by the Commission, the strong focus on getting through the environmental legislation on a number of issues ignores the practical realities and complexities of the international shipping. The Commission does not seem to be taking responsibility for the consequences of their decisions, which would eventually fall on the shoulders of the EU member States with a potential of ships flagging away from the UK.
- .2 Further, the Commission's drive to remove barriers to trade without giving consideration to the negative effects on safety is a cause for concern. This could be due to the fact that the Commission, as the sole party that has the right to propose legislation (one desk officer in the DG/MOVE), lacks the understanding of the shipping industry.
- .3 We would like to see the UK making better use of the EC Funding to support wider, peripheral research and development, that then furthers the market for their own IP / companies that may have been separately supported by country-specific government funding. Essentially the UK needs to determine what capability it wants to develop without diluting / sharing IP, and then areas where it makes sense to grow the market for this via larger scale, EC Funding collaborative projects. SMMI can help identify areas of nationally

important IP, and other areas where we should collaborate internationally for the improvement of the sector as a whole.

3. How effectively do current Government policies (e.g. the Tonnage Tax, training, and reforms to the ship registration process) support an internationally competitive maritime sector in the UK?

No comment.

4. What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?

.1 The growth of the UK competitors both from the point of view of ship registries as well as the maritime clusters (Japan, China, Norway, Singapore) able to support the entire chain of the national interests would eventually pose a threat to the growth the UK maritime sector. The UK maritime strategy should address all elements of shipping: financial services, equipment manufacturing, education, R&D, innovation, ports, ownership, registration, survey and inspection, regulatory development at IMO and EU, etc. There should be a complete joined up approach with a clear vision and the ability to identify the weakness and address these in a timely manner. It should be spearheaded by the Government as a national programme, promoted with the strategic international partners (in trade) and defended against regulatory proposals that do not have a clear financial and technical impact assessment thus becoming a barrier on route towards the vision.

5. What more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the UK maritime sector?

.1 The UK is known for producing highly competent engineers with the ability to innovate and lead the rest of the world. The engineering and seafarer professions should be made attractive. A sense of national purpose in the maritime sector aimed to better the world is needed.

.2 The supply of the competent seafarers to operate ever complex shipboard systems needs to be seen in the context of the need to keep the attractiveness of the UK flag registry. "Affordable" labour could come at a price for the shipowner and the flag: if the engineers cannot repair failures at sea the ship goes back into port and out of service; non-compliances become port State control detainable items. We can help by identifying higher level, engineering needs for the future around new vessel development, and possibly help with linking up the myriad of other provision at all levels across the UK.

6. Is there scope for improving the Government's approach to maritime safety and the prevention of pollution by ships?

.1 As per above, there is scope to make the regulations balanced and not a burden on the industry. The UK industry should be consulted before and after decisions are made in EU or IMO. The knee-jerk reaction by EU politicians should be replaced by technical assessments and thorough understanding of impacts on the industry. There should be no gold plating by the EU or the UK. The two environmental regulatory changes currently going through the EU institutions are of direct relevance to the international shipping industry: Recycling and MRV (Monitoring Reporting and Verification of CO2 emissions). The current EU safety

related issue that has caused an international conflict in the area of sovereignty of States is the mutual recognition of classification certificates for equipment and components; this has resulted in the standoff between EU member States vs US, Japan, Russia + other 23 States. If the process and the outcome in respect of these three issues could be improved, the lessons learnt, then the future situations could be improved.

*August 2013*

## Written evidence from the City of London Corporation (MAS 014)

This letter responds to the recent invitation to submit written evidence to the above inquiry. The City Corporation is not in a position to reply in full to the questions posed by the Committee in its call for evidence but hopes that some observations from its perspective might be of interest to the Committee's inquiry.

London, and especially the City, is a key centre for the provision of financial and professional business services both to the UK maritime sector and to the wider international shipping community. The industry has a significant national footprint, employing approximately 260,000 people directly and supporting a further 537,000 jobs indirectly, in areas including professional services and finance.

The maintenance of this capacity, and the critical mass of London as a maritime services centre, is a major strategic aim for City Corporation and it is suggested, should remain a priority for HM Government. Maritime services contribute export earnings, employment and tax revenue, and support the flow of foreign capital and investment into the UK. Examples include insurance, where 21% of premiums in the international marine market are brokered in London, while 62% of global "protection and indemnity" business is carried on here.

Law and dispute resolution is also important — the decisions of the Admiralty Court are widely respected and London remains a major centre of choice for the resolution of maritime disputes, either through litigation, mediation or arbitration. 70% of the world's maritime arbitrations take place in London.

The establishment and maintenance of a stable, predictable, consistent and internationally competitive tax system is critically important. Certainty around Tonnage Tax is welcome. The direction of travel on Corporation Tax is similarly as attractive for shipping and maritime businesses as for any other companies which need not be in the UK but seek an attractive operating environment

The uncertainties of recent years have led to the departure of some ship owners from the UK and the transfer of activity to other centres. The well-established system of Resident Non-Domicile taxation was an important element in attracting to the UK significant numbers of ship-owners, particularly the Greek community. It is important that no further changes to the system as it now stands are made, so that a stable fiscal climate can attract and retain maritime business.

*August 2013*