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Transport Committee

Forging ahead?: UK shipping strategy

Thirteenth Report of Session 2013–14

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The Transport Committee

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Summary

In this report we look at the Government's recently published strategy for shipping, which has three broad goals:

- to promote the UK as a globally competitive location for shipping which encourages maritime trade;
- to build a maritime skills base that supports a vibrant UK maritime sector; and
- to ensure that UK shipping is safe, secure and environmentally responsible

Our view is that the strategy could provide a sensible framework for Government policy on maritime issues into the next Parliament, but we are not persuaded that the Government can give convincing answers to the strategic questions faced today by the shipping industry. More detailed work is required to ensure that the strategy has long-term significance.

The size of the UK-flagged fleet is directly related to the strength of the broader maritime sector. The fleet grew significantly after 1999 until the recent recession. We recommend that the Government set out what policy measures it will use to ensure that the UK-flagged fleet begins again to grow in size and explain how it will “promote the UK as a global shipping base and centre for maritime services” available to vessels of all nationalities.

The UK supports a number of competing registries of crown dependencies and UK overseas territories in the Red Ensign Group. It is not clear that the benefits to the UK from overseeing the Red Ensign Group outweigh the costs of doing so. We recommend that the Government review the support it provides to the Red Ensign Group, with a view to raising the standards of the vessels which fly under the flag. We also call on the Government to review whether the Maritime and Coastguard Agency (MCA) could provide registry support to other flags, as another way of ensuring that the UK provides a global lead in high-quality shipping standards.

In 2011 it was predicted that, within a decade, the UK would have 5,000 fewer deck and engineering officers than the maritime sector would require. If this prediction is borne out, either foreign officers will be recruited to fill the gaps or maritime jobs and businesses will move overseas. We recommend that the Government make an explicit commitment to address fully the predicted shortfall in trained seafarers by 2021. This should involve the Tonnage Tax, SMaRT funding and apprenticeships. We make detailed recommendations about each and about record-keeping.

The MCA is taking on significant new responsibilities in relation to new international environmental and labour agreements at the same time as its budget is being squeezed and while it is carrying a sizeable number of vacancies in key posts. There is as yet no evidence that these factors are undermining the UK's ability to enforce compliance with international shipping regulations. However, there is a risk that the MCA will increasingly struggle to discharge its regulatory responsibilities, undermining the UK's status as an influential member of the International Maritime Organization and high-quality flag

nation. We recommend that the Government institute an independent review of how the MCA will successfully take on new responsibilities without a proportionate increase in its resources and publish the results of the review in time to inform the next spending review.

We are concerned that senior maritime professionals have suggested that budget cuts are undermining the work of the Marine Accident Investigation Branch. We look to the MAIB's chief inspector to inform us if budgetary constraints prevent him from adequately discharging his duties.

The MAIB has identified a risk that the crew of wind farm passenger transfer vessels may not always be sufficiently qualified for the work they undertake. This is a significant safety risk to the staff servicing offshore wind farms. We recommend that the Government work with the relevant industry groups to increase the minimum qualifications for the crew of wind farm passenger transfer vessels so that they better reflect the seamanship required for this work. The aim should be to introduce new minimum qualifications by 2016, with voluntary compliance with higher standards before then.

1 Introduction

1. The UK is a maritime nation. Our political, military and mercantile history has been determined by how British ships and mariners have mastered the sea which surrounds us. Some 95% of the goods imported to or exported from the UK travel by sea.¹ An efficient maritime and ports sector is essential to the UK economy and is also a significant source of employment. According to the Department for Transport (DfT) “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”.² The sector employs 214,000 people and “London remains the largest maritime centre in the world for professional, business and financial services”.³ The City of London Corporation told us that 21% of premiums in the international marine market are brokered in London, 62% of global “protection and indemnity” business is carried on in the city and 70% of the world’s maritime arbitrations take place in London.⁴

2. We recently looked at UK ports, focusing in particular on how the Government could improve access to ports to help drive economic growth.⁵ In this report, we focus on the Government’s strategy for the shipping industry. We launched our inquiry in June 2013 by asking for views on the following questions:

- 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?
- To what extent does EU maritime strategy complement the Government’s strategy?
- 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?
- What constraints are there on growth in the UK maritime sector and how can these constraints be overcome?
- What more should be done to ensure there is a sufficiently trained workforce for the current and future needs of the UK maritime sector?
- Is there scope for improving the Government’s approach to maritime safety and the prevention of pollution by ships?

3. On 9 September 2013, the DfT published its *Shipping Strategic Partnership*, a high-level strategy document which the department described as “a framework for discussion

1 Q1.

2 Ev 40 paragraph 2 and Ev w16.

3 Ev 40 paragraph 3 and Ev w16.

4 Ev w16.

5 Transport Committee, Eighth Report, 2013-14, *Access to Ports*, HC 266.

between government, industry and trade unions”.⁶ On the next day, we hosted a breakfast reception for people involved in the shipping industry at the National Maritime Museum, Greenwich, after which we heard oral evidence from Stephen Hammond MP, the Shipping Minister, Sir Alan Massey, Chief Executive of the Maritime and Coastguard Agency (MCA), and Ian Woodman, Director of Maritime, Department for Transport. On 18 November we heard further oral evidence from Maritime UK, the Maritime Skills Alliance, trade unions, and academics from the Tyndall Centre for Climate Change Research at the University of Manchester. In addition, on 3 September we visited the International Maritime Organization (which is based in London) for briefings on its work. We are grateful to everyone who provided written and oral evidence and to our two specialist advisers, Dave Skentelbery and Professor Helen Sampson, Director of the Seafarers International Research Centre, Cardiff University.

4. The new *Shipping Strategic Partnership* has three broad goals:

- to promote the UK as a globally competitive location for shipping which encourages maritime trade;
- to build a maritime skills base that supports a vibrant UK maritime sector; and
- to ensure that UK shipping is safe, secure and environmentally responsible.

In this report, we look at each of these goals in turn before making some concluding remarks about the Government’s shipping strategy.

6 <https://www.gov.uk/government/publications/shipping-strategic-partnership-plan-a-framework-for-discussion-between-government-industry-and-trade-unions>.

2 Promoting the UK as a globally competitive location for shipping

Introduction: the new shipping strategy

5. Shipping, and the services associated with it, is fiercely competitive: maritime transport has been described as “probably the most globalised of industries”.⁷ The biggest shipbuilding firms are in South Korea; the three leading operators of container vessels are European; more than one quarter of the world’s seafarers come from the Philippines; the biggest container ports are in Singapore and China; around one third of the global fleet sails under a Panamanian or Liberian flag; the UK is the leading shipping insurer; and most ships are scrapped in Asia.⁸

6. There are significant challenges associated with developing and maintaining the UK’s competitive advantage in the global market. Nigel Palmer, chairman of the Maritime Skills Alliance, said:⁹

Our competitors in this market are not necessarily those from Europe. They are increasingly from the Far East and emerging economies. In the past cost was their advantage, but these days cost is diminishing as an advantage as their economies evolve and they are improving in quality. We have to keep ahead of the game in order to maintain our competitive position.

Maritime UK, which represents ports, shipping and maritime services firms, said that the industry was looking for “predictability and stability”, particularly in relation to regulation and taxation.¹⁰ It welcomed moves to develop a partnership between industry and Government as “steps towards a more mature discourse” and advocated more cross-departmental collaboration on maritime matters.¹¹

7. The trade unions also broadly welcomed the publication of *Shipping Strategic Partnership*. Nautilus International echoed Maritime UK’s call for predictable, stable and joined-up policy-making.¹² Don Cockrill, chairman of the UK Maritime Pilots Association (UKMPA), said the strategy “needs to be an active strategy that is continually reviewed and not something which, having been published, ends up on a shelf somewhere with very little reference in years to come”.¹³ Both the UKMPA and the National Union of Rail, Maritime

7 Benamara, H., Hoffman, J., and Valentine, V., “The maritime industry: key developments in seaborne trade, maritime business and markets”, in Cullinane, K., (ed.), *International Handbook of Maritime Economics*, Edward Elgar, 2010, p21.

8 Ibid, pp21-29. Also see Q1.

9 Q48.

10 Q47.

11 Ev 50.

12 Q83.

13 Q85

and Transport Workers (RMT) argued that the strategy overlooked important employment issues,¹⁴ matters which we will cover in the next section of this report.

8. As with its sister document on ports, *Shipping Strategic Partnership* provides a framework for policy on shipping rather than a list of specific actions for the Government to take over the next few years. For example, on joined-up Government the document aims:

4.1 To ensure cross-Whitehall policies take maritime interests into account including:

Addressing any unintended or indirect consequences on shipping of wider legislation.

Ensuring marine environmental policies (e.g. marine planning and licensing of maintenance dredging) take into account maritime activities such as shipping.

Ensuring that the importance of protecting vital shipping lanes is taken into account in marine planning.

Ensuring that necessary controls on entry of ships, cargo and passengers into the UK do not impede trade and growth.

The crucial test for *Shipping Strategic Partnership* will be whether articulating aims such as this has a demonstrable, positive impact on policy-making.

9. We welcome the publication of the Government's Shipping Strategic Partnership, which could provide a sensible framework for Government policy on maritime issues into the next Parliament. We recommend that:

- **The framework and actions which flow from it be subject to meaningful discussions with both the industry and trade unions;**
- **The framework be sufficiently flexible to accommodate changes in policy and circumstance, including ministerial changes;**
- **Policy should flow from the framework, rather than the framework being used to legitimate a series of disconnected policy announcements; and**
- **Ministers address the clear call from business and unions for a more joined-up approach to maritime policy-making.**

London International Shipping Week

10. *Shipping Strategic Partnership*, and its counterpart for ports, were both issued at the start of the inaugural London International Shipping Week. This was an industry-led event to showcase the UK maritime sector, and it had significant Government input.¹⁵ Our

¹⁴ Qq 84-85.

¹⁵ Ev 43 paragraphs 32-34.

breakfast reception and oral evidence with the Shipping Minister were both included in the programme for the week.

11. London International Shipping Week was well regarded by witnesses. For example, Mark Brownrigg, Director-General of the UK Chamber of Shipping, said:¹⁶

From the shipping, ports and maritime business services' perspective, the UK and London stood up and shouted. It has not done that for a while. Other competitor countries like Singapore and aspects of China, Hong Kong and Dubai will have noticed that. I think that is a big message to have sent.

Trade union witnesses also welcomed the event. However, Don Cockrill of UKMPA suggested that, if repeated, it should have a less London-centric and more public-facing focus.¹⁷ A second London International Shipping Week has been announced for 2015.¹⁸ ***We welcome plans to hold a second London International Shipping Week in 2015 and recommend that the Government ensures that it showcases maritime industries across the UK.***

The UK-flagged fleet

12. DfT figures show that, as at 31 December 2012, there were 675 UK-owned trading vessels of over 100 gross tons. This compared to 731 such vessels in 2009.¹⁹ The MCA enforces regulations on vessels registered under the UK flag, including those relating to inspection, certification, and matters relating to safety and pollution.²⁰ Just under one half of these vessels was UK-flagged. The chart overleaf shows how the size of the UK-flagged fleet compares with other flagged fleets.

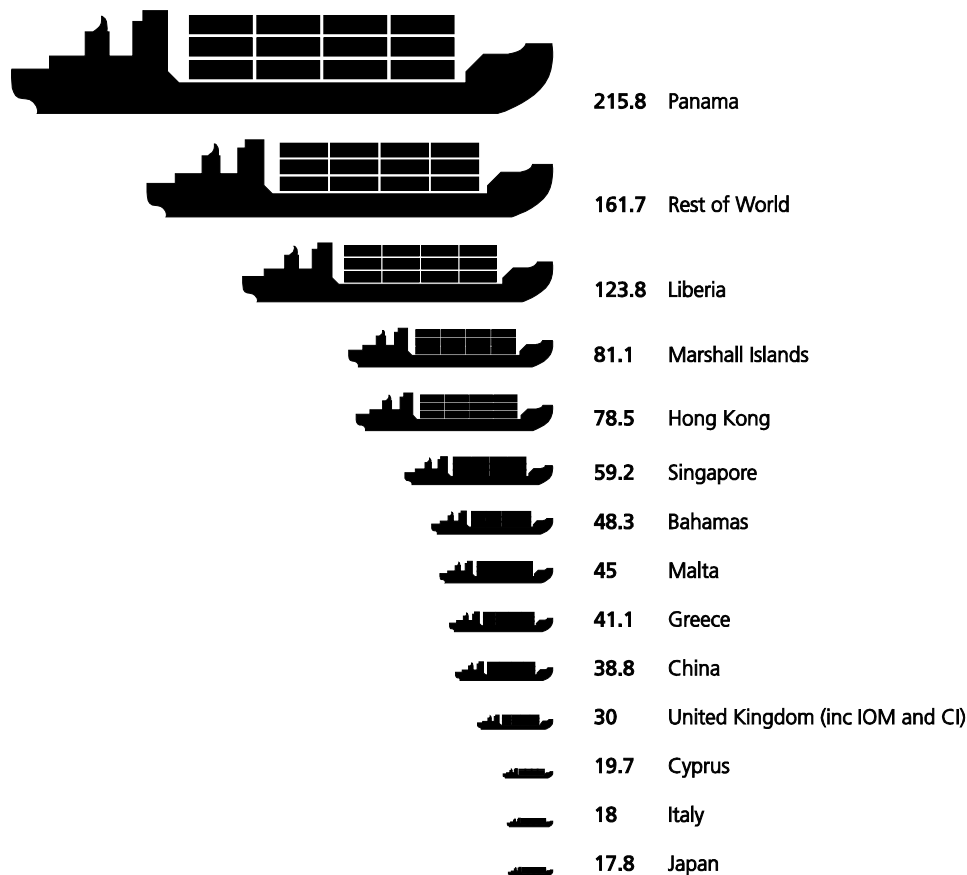
16 Q80. Also see Ev w20.

17 Qq108-10.

18 <http://www.londoninternationalshippingweek.com/date-announced-for-london-international-shipping-week-2015/>.

19 For a historical perspective see Ev 33 paragraphs 4.1 and 4.2.

20 For reasons why UK-owned vessels might not be UK-flagged see Q70.



Department for Transport Statistics

World Fleet Statistics

Table FLE0501

World fleet registered trading vessels of 100 gross tons and over: gross tonnage on selected registers: 1999-2012

Figures shown are millions of tons.

13. The number of UK-owned and UK-flagged vessels increased significantly from the late 1990s to the late 2000s, since when numbers have fallen away slightly. In terms of tonnage, UK-owned vessels have trebled since 1999 while UK-flagged vessels have increased sixfold.²¹ DfT attributed this change to the introduction of the tonnage tax by the previous Administration in 2000 and registration reforms by the MCA.²² The tonnage tax involves the taxable profits of UK shipping firms being determined according to the carrying capacity of the ships in their fleet. Firms generally pay less corporation tax than would have been the case before, in return for committing to train new recruits each year, something we will return to in our next chapter. Maritime UK described the introduction of the

21 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/243906/shipping-fleet-statistics-2012.pdf. But also see Ev 33 paragraphs 4.3 and 4.4.

22 Ev 41 paragraph 15.

tonnage tax as “the single biggest maritime policy achievement of the UK Government for many decades”.²³

14. The Minister said the Government wanted to “see a growth of the flag”. This would have a positive effect on employment, strengthen the UK’s hand in negotiations in the European Union and the International Maritime Organization, and strengthen sectors associated with shipping, such as maritime finance and law.²⁴ Mark Brownrigg of Maritime UK said that “the real economic value to the country” from there being more UK-flagged ships “is establishment of shipping businesses in the UK”.²⁵ His organisation drew attention to research into the economic effect of expanding the UK-fleet following the introduction of the tonnage tax.²⁶

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.

15. The growth in the size of the UK-owned and UK-flagged fleets in the decade from 1999 was a significant achievement which had a substantial, positive economic impact. We welcome the Government’s commitment to continue to “promote the UK flag as the register of choice for high quality ships”²⁷ but it is not clear what steps are being taken to achieve this. The recent recession halted the growth of the fleet. We recommend that the Government set out what policy measures it will use to ensure that the UK-flagged fleet begins again to grow in size.

16. We are also mindful that UK maritime firms provide services to shipping firms and vessels of all nationalities and are not necessarily dependent on the UK fleet. **We recommend that Government explain how it will “promote the UK as a global shipping base and centre for maritime services”²⁸ available to vessels of all nationalities.**

Red Ensign Group

17. UK crown dependencies (the Isle of Man, Jersey and Guernsey) and overseas territories (such as the Cayman Islands) have their own shipping registers, which are overseen by the Maritime and Coastguard Agency. According to UNCTAD, the Isle of Man fleet is larger

23 Ev 49.

24 Q7.

25 Q69. And see Ev 26 paragraph 4.

26 Ev 49.

27 *Shipping strategic partnership*, box 2.1

28 *Ibid.*

by tonnage than the UK-flagged fleet.²⁹ Nautilus International was critical of the support provided by successive UK governments to these other registers, known collectively as the Red Ensign Group:³⁰

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.

18. Sir Alan Massey defended the UK's role in relation to the Red Ensign Group, arguing that it gave the UK “a big voice” at the IMO to be associated with several other flags. He added that:³¹

keeping [ships] inside the REG family means that you still have some influence over their quality and performance... We can take administrative measures against members of the REG if we want to so as to ensure that safety is brought up to the necessary standards.

The DfT provided us with examples of action taken against Red Ensign Group vessels in recent years, including expanded inspections and the service of improvement notices.³²

19. Mr Woodman of the DfT said that employment law was a key factor for shipowners deciding between the UK and a Red Ensign Group flag:

If you flag outside the EU and outside of the UK's dependent territories, you can obviously choose the employment parameters. We would see the ability to flag with the Red Ensign Group as giving the employer that kind of option while still maintaining that link to the UK and that very high standard of safety and performance.

The Red Ensign Group territories which maintain registers for larger vessels (Isle of Man, Cayman Islands, Bermuda, Gibraltar and the British Virgin Islands) are, or will become, signatories to the Maritime Labour Convention, which establishes basic employment standards.³³

20. Given that the UK Government has a stated aim of expanding the UK-flagged fleet as “register of choice for high quality ships”, it is surprising to find that it also oversees a number of competing shipping registers. Furthermore, the primary attraction of

29 UNCTAD, *Review of Maritime Transport 2013*, Table 2.4. Also see *Partnership with the Overseas Territories: An update*, DfT, 2012, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3977/overseas-territories.pdf (hereafter *Partnership with the Overseas Territories*) p11.

30 Ev 31, 32 and 34 paragraphs 1.4, 2.2, 5.1 and 5.4. Also Q89.

31 Q8.

32 Ev 51-52. For a different view of standards on REG vessels see Ev w21.

33 Ev 52.

some of these registers to shipowners is that they offer a lower standard of employment rights than does the UK flag. The Government has acknowledged that growth in some of the registers is linked to the tax haven status of the territories concerned.³⁴ The Red Ensign Group does not feature in *Shipping Strategic Framework* and we question whether it contributes to the UK's shipping strategy. *It is not clear that the benefits to the UK from overseeing the Red Ensign Group outweigh the costs of doing so. We recommend that the Government review the support it provides to the Red Ensign Group, with a view to raising the standards of the vessels which fly under the flag.*

21. *We also call on the Government to review whether the MCA could provide registry support to other flags, as another way of ensuring that the UK provides a global lead in high-quality shipping standards.*

34 *Partnership with the Overseas Territories*, paragraph 3.8.

3 Building a maritime skills base

22. The health of the UK maritime sector depends on there being a sufficient supply of trained seafarers undertaking maritime jobs at sea and ashore both now and in future.³⁵ A review for the Government of the UK's maritime training needs in 2011 reached the following conclusions about maritime officers, who hold leadership and management roles:³⁶

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... There is a current (2011) shortfall of some 1,100 ex-seafarers which will increase to a shortfall of 1,600 by 2021... For those sectors of the industry indigenous to the UK, a decline in UK seafarers would result in an increased reliance on non-UK personnel with possible implications on immigration policy in the longer term.

In relation to seafarers who are not in management roles (known as ratings), the review found that the requirement for UK ratings at sea and ashore was “relatively low” but there was an “immediate need to develop the next generation of UK ratings for the short-sea, coastal and offshore (including renewables) sectors”.³⁷ It is within this context that the Government provides support for the training of junior officers and, to a much lesser extent, ratings.

Tonnage tax

23. As previously discussed, the tonnage tax includes a minimum training obligation which shipping firms that benefit from the favourable tax treatment must meet. The DfT said “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.”³⁸ In 2010–11, the last year for which comprehensive figures are available, 87 firms provided over 22,000 months of training to trainees. Just under 19% of training months involved a payment being made in lieu of training.³⁹ The total cumulative training commitment in 2012/13 was around 1,700 trainee places.⁴⁰

24. Although there is general support for the provision of training via the incentive of the tonnage tax,⁴¹ the RMT argued that the cost per officer trained since 2000–01 was around

35 Ev 26 paragraph 4.

36 DfT, *Review of Government Support for Maritime Training*, 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/3697/independent-review-on-maritime-training.pdf paragraph 24.

37 Ibid.

38 Ev 42 paragraph 24.

39 Ev 53. Also see Q66.

40 Ev 42 paragraph 24. And see Ev w4-5.

41 For example see Ev 26 paragraph 5 and Ev 49.

£100,000, significantly higher than the cost of subsidised training under the SMarT scheme, which we will discuss below. RMT also pointed out that the number of UK seafarers had continued to reduce since 2000 and the proportion of UK seafarers working on tonnage tax ships had fallen from 52% in 2001–02 to 23% in 2012–13.⁴² It called for firms which benefit from the tonnage tax to be required to employ more UK seafarers.⁴³

25. RMT also argued that the tonnage tax did little for the training and employment of ratings.⁴⁴ On this issue, there was common cause between unions and shipping firms. Mark Brownrigg of Maritime UK said he had proposed to Ministers that shipping firms should be encouraged to train ratings as one option for fulfilling their obligations under the tonnage tax.⁴⁵ The Department told us that it wanted to see evidence that there was increased demand from industry for UK-based ratings and long-term employment opportunities for newly trained ratings.⁴⁶ *We have sympathy with the argument that the tonnage tax regime should support the training of ratings as well as officers. We look forward to Maritime UK and the trade unions working together to demonstrate that ratings trained in this way would find long-term jobs in the shipping sector. Once this evidence is provided, we recommend that the Government introduce a pilot scheme to demonstrate whether this form of training would be viable.*

SMarT scheme

26. The Government also provides direct support for the training of officers by means of grants paid to shipping firms (known as the Support for Maritime Training (SMarT) scheme).⁴⁷ SMarT funding increased (in nominal terms) from around £6 million in 2001–02 to £15 million ten years later.⁴⁸ A review of the scheme in 2011 concluded that “for each working year of a seafarer who has benefited from Government funding, approximately £14,500 in additional output is created relative to that of a UK worker displaying average productivity”.⁴⁹ On this basis, the Government confirmed funding for the scheme of £12 million per annum. This was recently increased to £15 million per annum until March 2016.⁵⁰ The DfT told us that “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”.⁵¹

27. We welcome the Government’s decision, announced during London International Shipping Week, to restore SMarT funding to the level it inherited when it came into office. The current Government cannot determine the funding of the scheme beyond

42 Ev 36–37 paragraphs 1.1, 1.2 and 1.12.

43 Ev 37 paragraph 1.18.

44 Q86.

45 Q62.

46 Ev 53.

47 <http://www.dft.gov.uk/mca/mcga07-home/workingatsea/mcga-trainingandcert/mcga-careersatsea/dms-stc-smart.htm>.

48 HC Deb, 20 Feb 12, c574w.

49 HC Deb, 23 Jan 12, c5ws and see Q1.

50 Q34. And see Ev 33 paragraph 4.10.

51 Ev 42 paragraph 25.

2016 but it can help build consensus about the wider economic value to the UK of supporting the training of seafarers. *One way of doing this would be to commission an updated analysis of the value of the scheme, which could contribute to the post-election spending review: we recommend that DfT do so.*

Apprenticeships

28. Apprenticeships offer another avenue by which the predicted shortfall in seafarers' numbers can be addressed. Intermediate⁵² and advanced⁵³ apprenticeships are available for maritime occupations.⁵⁴ However, the Maritime Skills Alliance said that the process by which the National Apprenticeship Service had approved arrangements for maritime apprenticeships had been "long and tortuous" and had "badly damaged employers' commitment to using apprenticeships". There had also been a problem in ensuring that maritime apprenticeships satisfied UK legislative requirements and EU state aid rules, which was not resolved until July 2013.⁵⁵ Nigel Palmer of the Maritime Skills Alliance said:⁵⁶

The problem was not the international legislation but the Skills Funding Agency's fairly narrow interpretation of the UK's domestic rules. It is a problem that has run through almost everything we have done on the training side... Because [maritime apprenticeships] did not fit the standard model, they nit-picked at everything. It just took two years longer than it should have done to get those systems in place. That meant that a lot of people who could have had jobs did not.

We find it unacceptable that the Skills Funding Agency's inflexible approach imposed a two-year delay on the introduction of these apprenticeships, which are crucial to maintaining and developing the UK's maritime work force. We recommend that the Government work with the shipping industry to promote take-up of apprenticeships in order to build the industry's confidence that apprenticeships are now here to stay.

Conclusion

29. In 2011 it was predicted that, within a decade, the UK would have 5,000 fewer deck and engineering officers than the maritime sector would require. If this prediction is borne out, either foreign officers will be recruited to fill the gaps or maritime jobs and businesses will move overseas. The tonnage tax training requirement and SMaRT grants are helping to train the next generation of British seafarers. However, it is not clear whether these initiatives, plus whatever can be achieved from promoting apprenticeships, will be enough to overcome the predicted 2021 shortfall.⁵⁷ Nor does *Shipping Strategic Partnership* explicitly commit to meeting in full the requirements of the maritime sector for trained

52 Equivalent to 5 GCSE passes.

53 Equivalent to 2 A level passes.

54 Ev 42 paragraph 26.

55 Ibid.

56 Q49.

57 See Ev 33 paragraph 4.7.

staff. ***We recommend that the Government make an explicit commitment to address fully the predicted shortfall in trained seafarers by 2021.***

30. Nearly all officer cadets complete their training and take up a post at sea.⁵⁸ However, there are no statistics to show what proportion of junior officers stay at sea or in other maritime roles, and how many leave for other occupations. Nigel Palmer of Maritime Skills Alliance said:⁵⁹

Record keeping is one of the issues we have as an industry. We are trying to improve it and there is quite a lot of work going on that to track people through so that we do have decent statistics. One of the problems has always been the Data Protection Act. That has prevented a lot of the available data that the Government hold from being released even in anonymised form. We have spent five years trying to get some of the data out on some of the cadet completion rates.

This is particularly significant given concerns which have been expressed about whether there are sufficient long-term career opportunities available to UK officers.⁶⁰ ***We recommend that the Government work with Maritime UK and the Maritime Skills Alliance to develop statistics showing what proportion of the people recruited as officer cadets stay in the maritime sector. Only by doing so can the Government ensure that its financial commitment to training seafarers represents long-term value for money.***

58 Q63.

59 Q65.

60 See Ev w21 and also Gould, E. A., "Towards a total occupation: a study of UK Merchant Navy officer cadetships", PhD thesis, Cardiff University, 2010, pp260-69,

4 Regulating for a safe and environmentally-friendly sector

31. The Maritime and Coastguard Agency describes the UK flag as “one of the best performing flags in the major Port State Control regimes with a reputation for maintaining the highest international standards”.⁶¹ This emphasises the importance of the UK taking a leading role in developing international shipping regulations and discharging its responsibilities for enforcing the rules. In this chapter we look at some examples of the Government’s record in this area.

MCA resources

32. After the 2010 Spending Review it was announced that the MCA’s programme budget (aside from search and rescue helicopter costs) would be reduced by 21% to £77m in 2014–15 and its administration budget would fall by 33% to £10.3m in 2014–15. However, the Agency’s capital budget was increased by 60% from £6.2m in 2010–11 to £9.9m in 2014–15.⁶² These changes are reflected in headcount, which has fallen by over 10% since 2009–10,⁶³ and in some activity statistics. For example, the number of ship inspections carried out by the MCA fell from 5,941 in 2009–10 to 3,879 in 2012–13. However, figures for the number of ships found with defects and the number of enforcement actions pursued have not shown a clear trend, suggesting that the MCA may be using its resources more cost-effectively than before to target likely offenders.⁶⁴

33. Some witnesses expressed concerns that reductions to the MCA’s budget would threaten its ability to enforce new international environmental and employment regulations.⁶⁵ We have raised this issue in relation to the new regulations which will shortly be implemented in relation to sulphur emissions by ships. Academics at Cardiff University⁶⁶ drew our attention to the risk that light-touch regulation of the new sulphur emissions rules could encourage increased non-compliance, because of the highly competitive nature of the international shipping market.⁶⁷ However, the Government has made it clear that its focus will remain on regulating “safety critical activities” and that its

61 <http://www.dft.gov.uk/mca/mcga07-home/shipsandcargoes/mcga-ukshipregister.htm>.

62 Transport Committee, Sixth Report, 2010-12, *The Coastguard, Emergency Towing Vessels and the Maritime Incident Response Group*, HC 948, chapter 2. For more recent information see DfT Annual Report and Accounts 2012-13 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/283021/mca-annual-report-accounts-2012-2013.pdf, p50.

63 Information taken from annual reports and accounts of the Maritime and Coastguard Agency.

64 Ibid

65 Ev 39 paragraph 4.1; Ev 28 points h and j, and Ev 35 paragraph 7.2. Also see Ev w18-20. For examples of new regulatory activity see Ev w1-4 and 9-12 (regulation of the discharge of polyisobutylene (see Qq36-37 and Ev 56) and the IMO Ballast Water Management convention (see Q38) and Ev 29-31, Ev w5-8 and Qq39-41 and 111-34 on carbon emissions from ships.

66 Including one of our advisers, Professor Helen Sampson.

67 See <http://www.esrc.ac.uk/my-esrc/grants/RES-062-23-2644/read> and our letter of 11 March 2013 <http://www.parliament.uk/documents/commons-committees/transport/020-130311%20Louise%20Ellman%20to%20Stephen%20Hammond%20-%20sulphur.pdf>.

enforcement of the sulphur rules will be “pragmatic”. If breaches of those rules are discovered but found to be minor or likely to be inadvertent then no action will be taken.⁶⁸

34. Another area of concern related to implementation of the Maritime Labour Convention, which deals with the employment and working conditions of seafarers.⁶⁹ The Convention enters into force in the UK in August.⁷⁰ Mark Dickinson on Nautilus International said there was a serious shortfall in the number of MCA marine surveyors, which had led the agency to rely on overtime working.⁷¹ DfT told us that changes to legislation and guidance were in hand to ensure that the UK complied with the Convention.⁷² It had encouraged shipowners to have their vessels inspected early for compliance with the Convention, which had involved significant additional workload for MCA staff. However, this was a one-off activity: “future work to fulfil the necessary inspection and certification activities will form part of ‘business as usual’ for the MCA”.⁷³

35. Don Cockrill of the UKMPA said he had noted “general reluctance on the part of the MCA, which we believe is through lack of resources and nothing more, to follow up on particular cases of regulatory non-compliance” which had been identified by maritime pilots.⁷⁴ The Government rejected this suggestion, arguing that “on every occasion when we received a report in time for us to respond prior to the ship concerned departing from the UK, we took appropriate follow up action”. If the ship had left the UK, the information was recorded for future use.⁷⁵ However, in response to the concerns we heard, the MCA had instigated new informal feedback arrangements so that pilots were made aware of how the information they had provided had been used.⁷⁶

36. The Maritime and Coastguard Agency is taking on significant new responsibilities at the same time as its budget is being squeezed and while it is carrying a sizeable number of vacancies in key posts. There is as yet no evidence that these factors are undermining the UK’s ability to enforce compliance with international shipping regulations. Some of the concerns about the MCA’s performance may be assuaged by increased transparency about its inspection work. However, there is a risk that the MCA will increasingly struggle to discharge its regulatory responsibilities, undermining the UK’s status as an influential member of the International Maritime Organization and high-quality flag nation. We recommend that the Government institute an independent review of how the Maritime and Coastguard Agency will successfully take on new responsibilities without a proportionate increase in its resources and publish the results of the review in time to inform the next spending review.

68 <http://www.parliament.uk/documents/commons-committees/transport/130517%20-%20HAMMOND%20-%20Sulphar%20Emissions.pdf>. And see Ev 55 “it is not expected to generate any significant increase in surveyor workload”.

69 http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:91:0:::P91_SECTION:TEXT.

70 Ev 54.

71 Q92, Ev 35 paragraph 7.2.

72 Ev 54.

73 Ev 55.

74 Q93.

75 Ev 54.

76 Ibid.

Marine Accident Investigation Branch

37. We also heard concerns about the funding of the Marine Accident Investigation Branch (MAIB). Its budget for 2013–14 was £3.6m, £0.6m (14%) less than in 2009–10. In his 2012 annual report, the MAIB’s chief inspector said budget cuts had made his organisation less resilient to change. He added, “Staff turnover and sickness, and other unplanned events, are now less easy to absorb and MAIB staff are working under tremendous pressure”.⁷⁷ Mark Dickinson of Nautilus International said “this is an organisation that is on a knife edge in terms of its resources, and I hope that the Government will be able to return the MAIB to the pre-cut levels in short order”.⁷⁸ Referring to the impact of budget cuts, Don Cockrill of UKMPA said:⁷⁹

There seems to be [a] devolving of certain accident investigations of a less serious nature ... One also wonders about the recommendations that come out. Quite often the recommendations that come out as a result of their investigations, if one looks at them from a practical knowledgeable perspective, do not necessarily require enough of those to whom they are directed.

38. The Government said that the MAIB “cannot be immune from the pressures facing the rest of the Civil Service” but did not believe recent changes in working practices had affected the depth or quality of MAIB investigations. Nor did it think that it was necessary or appropriate for the MAIB to investigate every accident.⁸⁰ **We value the work of the MAIB, which we have often found to be extremely useful.**⁸¹ **We are concerned when senior maritime professionals suggest that budget cuts are undermining the work of the organisation. We look to the MAIB’s chief inspector to inform us if budgetary constraints prevent him from adequately discharging his duties.**

Wind farm passenger transfer vessels

39. A MAIB report published during our inquiry drew our attention to an emerging safety issue which requires regulatory attention. On 21 November 2012 two boats taking staff to offshore windfarms were separately involved in collisions. MAIB said that the incidents raised similar issues about the recruitment and training of crew and their skills in what is a fast growing sector. The MAIB concluded that there was a compelling need for the industry to produce and promulgate a comprehensive best practice guide for operators.⁸²

40. The National Workboat Association, which represents owners and operators, said it:⁸³

77 http://www.maib.gov.uk/cms_resources.cfm?file=/MAIBAnnualReport_2012.pdf, p1.

78 Q95.

79 Q94.

80 Ev 55.

81 See next paragraph; Transport Committee, Ninth Report, 2012-13, *Marine Pilotage*, HC 840, paragraph 22; and further correspondence arising from the *Marine Pilotage* report which can be found here <http://www.parliament.uk/business/committees/committees-a-z/commons-select/transport-committee/inquiries/parliament-2010/marine-pilotage/>.

82 http://www.maib.gov.uk/cms_resources.cfm?file=/W91P_Report_Web.pdf.

83 Ev w22-25.

[did] not believe there is a need for wholesale stricter legislation of Safety Standards – however, we recognise that the current Code of Practice for Small Commercial Workboats is in need of updating to keep pace with the changes in the Workboat sector – which is why we were keen to lead the working group that has produced the revised Workboat Code – It is now our sincere wish that Government red tape and bureaucracy does not delay the implementation of this revised Code which addresses many of the concerns highlighted in the recent MAIB report.

The Government simply described UK regulations and codes as “comprehensive”.⁸⁴ **There is widespread support for an urgent update of the Code of Practice for Small Commercial Workboats, in the wake of the MAIB’s report on the *Windcat9* and *Island Panther* accidents. We recommend that the Government ensure that this revised Code of Practice is promulgated before the summer or explain to us why this is not practicable.**

41. We were surprised to find that the minimum qualifications for the crew of small commercial workboats are lower than those which apply across the North Sea in Germany and Denmark. In those countries there must be at least two crew with qualifications approved under the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers. For UK vessels, the master need only have a Yachtmaster Offshore or MCA Boatmaster qualification. The MAIB has questioned whether these qualifications can be considered sufficient to operate safely a passenger transfer vessel.⁸⁵ **The MAIB has identified a risk that the crew of passenger transfer vessels may not always be sufficiently qualified for the work they undertake. This is a significant safety risk to the staff servicing offshore wind farms. We recommend that the Government work with the relevant industry groups to increase the minimum qualifications for the crew of wind farm passenger transfer vessels so that they better reflect the seamanship required for this work. The aim should be to introduce new minimum qualifications by 2016, with voluntary compliance with higher standards before then.**

84 Ev 56.

85 http://www.maib.gov.uk/cms_resources.cfm?file=/W91P_Report_Web.pdf_paragraph_4.5.3.

5 Conclusion

42. The maritime sector is a major employer and generator of wealth in the UK. The Government wants to promote the UK as the flag nation of choice for high-quality ships, without over-regulating. Getting the level of regulation right is no easy task. Too much and shipping firms will relocate;⁸⁶ too little could mean lives lost, the sea and our coastal air polluted, and the UK's reputation damaged.

43. We welcome the publication of a Government strategy for shipping, alongside a strategy for ports. This document is the right framework for the Government to use to develop detailed policies. Combined with the successful London International Shipping Week, it helps engender confidence in the shipping industry that the UK Government is committed to shipping and to its vision of being a high-quality flag nation.

44. The strategy also draws attention to the major policy challenges faced by the Government. In an intensely competitive environment, how will it increase the size of the UK fleet and thereby help the maritime sector as a whole to grow? How can it design policies to meet the skills gap which it is anticipated will emerge by the 2020s? How can it enforce new international regulations on labour and environmental issues when the resources available to enforcement and investigation bodies are under pressure? We are not persuaded that the Government can give convincing answers to these questions at the moment. However, these questions will only become more urgent as time passes. The DfT must lead detailed policy work to address these areas if its shipping strategy is to have any long-term significance.

86 See Ev w15 paragraph 2.1.

Conclusions and recommendations

Introduction: the new shipping strategy

1. We welcome the publication of the Government's *Shipping Strategic Partnership*, which could provide a sensible framework for Government policy on maritime issues into the next Parliament. We recommend that:
 - The framework and actions which flow from it be subject to meaningful discussions with both the industry and trade unions;
 - The framework be sufficiently flexible to accommodate changes in policy and circumstance, including ministerial changes;
 - Policy should flow from the framework, rather than the framework being used to legitimate a series of disconnected policy announcements; and
 - Ministers address the clear call from business and unions for a more joined-up approach to maritime policy-making. (Paragraph 9)

London International Shipping week

2. We welcome plans to hold a second London International Shipping Week in 2015 and recommend that the Government ensures that it showcases maritime industries across the UK. (Paragraph 11)

The UK-flagged fleet

3. The growth in the size of the UK-owned and UK-flagged fleets in the decade from 1999 was a significant achievement which had a substantial, positive economic impact. We welcome the Government's commitment to continue to "promote the UK flag as the register of choice for high quality ships" but it is not clear what steps are being taken to achieve this. The recent recession halted the growth of the fleet. We recommend that the Government set out what policy measures it will use to ensure that the UK-flagged fleet begins again to grow in size. (Paragraph 15)
4. We recommend that Government explain how it will "promote the UK as a global shipping base and centre for maritime services" available to vessels of all nationalities. (Paragraph 16)

Red Ensign Group

5. Given that the UK Government has a stated aim of expanding the UK-flagged fleet as "register of choice for high quality ships", it is surprising to find that it also oversees a number of competing shipping registers. Furthermore, the primary attraction of some of these registers to shipowners is that they offer a lower standard of employment rights than does the UK flag. The Government has acknowledged that growth in some of the registers is linked to the tax haven status of the territories concerned. The Red Ensign Group does not feature in Shipping Strategic Framework

and we question whether it contributes to the UK's shipping strategy. It is not clear that the benefits to the UK from overseeing the Red Ensign Group outweigh the costs of doing so. We recommend that the Government review the support it provides to the Red Ensign Group, with a view to raising the standards of the vessels which fly under the flag. (Paragraph 20)

6. We also call on the Government to review whether the MCA could provide registry support to other flags, as another way of ensuring that the UK provides a global lead in high-quality shipping standards. (Paragraph 21)

Training and skills

7. We recommend that the Government make an explicit commitment to address fully the predicted shortfall in trained seafarers by 2021. (Paragraph 29)
8. We have sympathy with the argument that the tonnage tax regime should support the training of ratings as well as officers. We look forward to Maritime UK and the trade unions working together to demonstrate that ratings trained in this way would find long-term jobs in the shipping sector. Once this evidence is provided, we recommend that the Government introduce a pilot scheme to demonstrate whether this form of training would be viable. (Paragraph 25)
9. We welcome the Government's decision, announced during London International Shipping Week, to restore SMarT funding to the level it inherited when it came into office. The current Government cannot determine the funding of the scheme beyond 2016 but it can help build consensus about the wider economic value to the UK of supporting the training of seafarers. One way of doing this would be to commission an updated analysis of the value of the scheme, which could contribute to the post-election spending review: we recommend that DfT do so. (Paragraph 27)
10. We find it unacceptable that the Skills Funding Agency's inflexible approach imposed a two-year delay on the introduction of these apprenticeships, which are crucial to maintaining and developing the UK's maritime work force. We recommend that the Government work with the shipping industry to promote take-up of apprenticeships in order to build the industry's confidence that apprenticeships are now here to stay. (Paragraph 28)
11. We recommend that the Government work with Maritime UK and the Maritime Skills Alliance to develop statistics showing what proportion of the people recruited as officer cadets stay in the maritime sector. Only by doing so can the Government ensure that its financial commitment to training seafarers represents long-term value for money. (Paragraph 30)

MCA and MAIB resources

12. The Maritime and Coastguard Agency is taking on significant new responsibilities at the same time as its budget is being squeezed and while it is carrying a sizeable number of vacancies in key posts. There is as yet no evidence that these factors are undermining the UK's ability to enforce compliance with international shipping

regulations. Some of the concerns about the MCA's performance may be assuaged by increased transparency about its inspection work. However, there is a risk that the MCA will increasingly struggle to discharge its regulatory responsibilities, undermining the UK's status as an influential member of the International Maritime Organization and high-quality flag nation. We recommend that the Government institute an independent review of how the Maritime and Coastguard Agency will successfully take on new responsibilities without a proportionate increase in its resources and publish the results of the review in time to inform the next spending review. (Paragraph 36)

13. We value the work of the MAIB, which we have often found to be extremely useful. We are concerned when senior maritime professionals suggest that budget cuts are undermining the work of the organisation. We look to the MAIB's chief inspector to inform us if budgetary constraints prevent him from adequately discharging his duties. (Paragraph 39)

Wind farm passenger transfer vessels

14. There is widespread support for an urgent update of the Code of Practice for Small Commercial Workboats, in the wake of the MAIB's report on the Windcat9 and Island Panther accidents. We recommend that the Government ensure that this revised Code of Practice is promulgated before the summer or explain to us why this is not practicable. (Paragraph 40)
15. The MAIB has identified a risk that the crew of passenger transfer vessels may not always be sufficiently qualified for the work they undertake. This is a significant safety risk to the staff servicing offshore wind farms. We recommend that the Government work with the relevant industry groups to increase the minimum qualifications for the crew of wind farm passenger transfer vessels so that they better reflect the seamanship required for this work. The aim should be to introduce new minimum qualifications by 2016, with voluntary compliance with higher standards before then. (Paragraph 41)

Formal Minutes

Monday 17 March 2014

Members present:

Mrs Louise Ellman, in the Chair

Sarah Champion
Jim Dobbin
Jim Fitzpatrick
Karen Lumley

Mr Adrian Sanders
Chloe Smith
Graham Stringer
Martin Vickers

Draft Report (*Forging ahead?: UK shipping strategy*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 44 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Thirteenth Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for placing in the Library and Parliamentary Archives.

[Adjourned till Monday 24 March at 4.00 pm]

Witnesses

Tuesday 10 September 2013

Page

Stephen Hammond MP, Parliamentary Under-Secretary of State, Department for Transport, **Sir Alan Massey**, Chief Executive, Maritime and Coastguard Agency, and **Ian Woodman**, Director of Maritime, Department for Transport

Ev 1

Monday 18 November 2013

Nigel Palmer, Chairman, Maritime Skills Alliance, **Jim Stewart**, Chairman, Maritime UK, and **Mark Brownrigg**, Director-General, UK Chamber of Shipping, representing Maritime UK

Ev 10

Mick Cash, Senior Assistant General Secretary, RMT, **Mark Dickinson**, General Secretary, Nautilus International, and **Don Cockrill**, Chairman, UK Maritime Pilots' Association

Ev 17

Dr Sarah Mander and **Dr Paul Gilbert**, Tyndall Centre for Climate Change Research, University of Manchester

Ev 22

List of printed written evidence

1	Maritime Skills Agency	Ev 26
2	United Kingdom Maritime Pilots' Association	Ev 28
3	Dr Paul Gilbert, Dr Alice Bows, Dr Sarah Mander, Dr Michael Traut and Dr Conor Walsh	Ev 29
4	Nautilus International	Ev 31
5	National Union of Maritime and Transport Workers	Ev 35
6	Department for Transport	Ev 40: Ev 47: Ev 51
7	Maritime UK	Ev 48

List of additional written evidence

(published in Volume II on the Committee's website www.parliament.uk/transcom)

1	Wildlife and Countryside Link	Ev w1: Ev w3
2	Rail Maritime and Transport Union Parliamentary Group	Ev w4
3	Dr Conor Walsh	Ev w5
4	RSPB	Ev w9: Ev w12
5	Southampton Marine and Maritime Institute	Ev w15
6	City of London Corporation	Ev w16
7	Isle of Man Yacht Forum	Ev w17

8	Inmarsat	Ev w18
9	Fisher Associates	Ev w20
10	Julian Blatchley	Ev w21
11	International Marine Contractors Association (IMCA)	Ev w22
12	National Workboat Association	Ev w23

List of unprinted evidence

The following written evidence has been reported to the House, but to save printing costs has not been printed and copies have been placed in the House of Commons Library, where they may be inspected by Members. Other copies are in the Parliamentary Archives (www.parliament.uk/archives), and are available to the public for inspection. Requests for inspection should be addressed to The Parliamentary Archives, Houses of Parliament, London SW1A 0PW (tel. 020 7219 3074; email archives@parliament.uk). Opening hours are from 9.30 am to 5.00 pm on Mondays to Fridays.

Barrie Youde

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at <http://www.parliament.uk/transcom>.

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2013–14

Twelfth Report	Future programme 2014	HC 1143
Eleventh Report	Safety at level crossings	HC 680
Tenth Report	Ready and waiting? Transport preparations for winter weather	HC 681 (HC 1139)
Ninth Report	High speed rail: on track?	HC 851 (HC 1085)
Eighth Report	Access to ports	HC 266 (HC 1083)
Seventh Report	Local authority parking enforcement	HC 118 (HC 970)
Seventh Special Report	The new European motorcycle test: Government Response to the Committee's Sixth Report of 2009–10	HC 656
Sixth Report	Flight Time Limitation: Follow-up	HC 641 (HC 795)
Firth Report	Access to transport for disabled people	HC 116 (HC 870)
Fourth Report	Cost of motor insurance: whiplash	HC 117 (CM 8738)
Third Report	The work of the Vehicle and Operator Services Agency (VOSA)	HC 583 (HC 678)
Second Report	Future programme: 2013–14	HC 438
Fifth Special Report	The European Commission's 4th Railway Package: Government Response to the Committee's Twelfth Report of Session 2012–13	HC 439
Third Special Report	Rail 2020: Rail Delivery Group and Passenger Focus responses to the Committee's Seventh Report of Session 2012–13	HC 81
Fourth Special Report	Land transport security—scope for further EU involvement?: Government Response to the Committee's Eleventh Report of Session 2012–13	HC 177
Second Special Report	Marine Pilotage: Government Response to the Committee's Ninth Report of Session 2012–13	HC 79
First Report	Aviation strategy	HC 78 (HC 596)
First Special Report	Cancellation of the InterCity West Coast franchise competition: Government Response to the Committee's Eighth Report of Session 2012–13	HC 80

Session 2012–13

Twelfth Report	The European Commission's 4th Railway Package	HC 1001(HC 439)
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Eleventh Report	Land transport security—scope for further EU involvement?	HC 875
Ninth Special Report	Rail 2020: Government and Office of Rail Regulation Responses to the Committee’s Seventh Report of 2012–13	HC 1059
Tenth Report	The Coastguard, Emergency Towing Vessels and the Maritime Incident Response Group: follow up: Government Response to the Committee’s Sixth Report of 2012–13	HC 1018
Ninth Report	Marine Pilotage	HC 840
Eighth Report	Cancellation of the InterCity West Coast franchise competition	HC 537
Eighth Special Report	Plug-in vehicles, plugged in policy?: Government Response to the Committee’s Fourth Report of Session 2012–13	HC 884
Seventh Report	Rail 2020	HC 329
Sixth Report	The Coastguard, Emergency Towing Vessels and the Maritime Incident Response Group: follow up	HC 647
Fifth Report	Future programme: autumn and winter 2012–13	HC 591
Fourth Report	Plug-in vehicles, plugged in policy?	HC 239
Third Report	Competition in the local bus market	HC 10 (HC 761) (Incorporating HC 1861–i–iii)
Fifth Special Report	Flight Time Limitations: Government Response To The Committee’s First Report Of Session 2012–13	HC 558
Fourth Special Report	Air Travel Organisers’ Licensing (Atol) Reform: Government Response To The Committee’s Seventeenth Report Of Session 2010–12	HC 557
Second Report	Road safety	HC 506 (HC 648) Incorporating HC 1738
First Report	Flight time limitations	HC 164 Incorporating HC 1838
Third Special Report	Sulphur emissions by ships: Government Response to the Committee’s Sixteenth Report of Session 2010–12	HC 87
Second Special Report	Counting the cost: financial scrutiny of the Department for Transport 2011–12: Government Response to the Committee’s Fifteenth Report of Session 2010–12	HC 15
First Special Report	Draft Civil Aviation Bill: Pre-Legislative Scrutiny: Government Response to the Committee’s Thirteenth Report of Session 2010–12	HC 11
Session 2010–12		
Seventeenth Report	Air Travel Organisers’ Licensing (ATOL) reform	HC 1798
Sixteenth Report	Sulphur emissions by ships	HC 1561
Fifteenth Report	Counting the cost: financial scrutiny of the Department for Transport 2011–12	HC 1560

Fourteenth Report	Cable theft on the Railway	HC 1609 (HC 1933)
Thirteenth Report	Draft Civil Aviation Bill: Pre-Legislative Scrutiny	HC 1694
Twelfth Report	Cost of motor insurance: follow up	HC 1451 (HC 1934)
Eleventh Report	Thameslink rolling stock procurement	HC 1453 (HC 1935)
Tenth Report	High Speed Rail	HC 1185–I (HC 1754)
Ninth Report	Out of the jam: reducing congestion on our roads	HC 872 (HC 1661)
Eighth Report	Bus Services after the Spending Review	HC 750 (HC 1550)
Seventh Report	Taxis and private hire vehicles: the road to reform	HC 720 (HC 1507)
Sixth Report	The Coastguard, Emergency Towing Vessels and the Maritime Incident Response Group	HC 948, incorporating HC 752–i (HC 1482)
Fifth Report	Keeping the UK moving: The impact on transport of the winter weather in December 2010	HC 794 (HC 1467)
Fourth Report	The cost of motor insurance	HC 591 (HC 1466)
Third Report	Transport and the economy	HC 473 (HC 962)
Second Report	Financial Scrutiny of the Department for Transport	HC 683
First Report	Drink and drug driving law	HC 460 (Cm 8050)
Tenth Special Report	The proposal for a National Policy Statement on Ports: Government Response to the Committee Fifth Report of Session 2009–10	HC 1598
Third Special Report	The performance of the Department for Transport: Government response to the Committee's Fourth Report of Session 2009–10	HC 549
Second Special Report	Update on the London Underground and the public-private (PPP) partnership agreements: Government response to the Committee's Seventh Report of Session 2009–10	HC 467
First Special Report	The major road network: Government response to the Committee's Eighth Report of Session 2009–10	HC 421

Oral evidence

Taken before the Transport Committee

on Tuesday 10 September 2013

Members present:

Mrs Louise Ellman (Chair)

Mr Adrian Sanders
Graham Stringer

Martin Vickers

Examination of Witnesses

Witnesses: **Stephen Hammond MP**, Parliamentary Under-Secretary of State, Department for Transport, **Sir Alan Massey**, Chief Executive, Maritime and Coastguard Agency, and **Ian Woodman**, Director of Maritime, Department for Transport.

Q1 Chair: Good morning, everyone, and welcome to this session of the Transport Select Committee in these splendid surroundings, which have something to offer beyond our usual venue in the House of Commons, at the beginning of London international shipping week, a very important event showcasing the importance of London in the maritime sector. It is a showcase to the rest of the world.

We welcome the Minister and his team who are with us this morning. Minister, would you like to introduce your team here today? I know that you want to make an opening statement, and I invite you to do that.

Stephen Hammond: Thank you, Chair. I have with me Sir Alan Massey, who is the chief executive of the MCA, and Mr Woodman, who is the director for maritime in the Department for Transport.

If I may, I would like to make an opening statement. I would like to start by re-emphasising that the Government's focus on transport is as an engine for economic growth, and we see the maritime sector as a crucial enabler for trade, which will drive growth and will also be a key contributor to the UK economy in its own right.

The strategy is therefore to ensure that this country has both international maritime connectivity and that our maritime sector continues to flourish. That includes the business services sector. We have excellent international connectivity and a highly efficient, diverse port sector offering importers and exporters links to every part of the world.

The Committee will have noticed how much the UK-port sector is continuing to invest to ensure that we have the capacity that we will need in the future. Private sector investors have invested some £1.4 billion in UK ports in recent years, and a number of key developments are either completed or under way. We are widely recognised as a leading, if not the leading, maritime centre in the world, providing a wide range of services to international shipping. P&I clubs operating in London account for 62% of the global market. UK firms account for 50% of the tanker sector and 30% to 40% of the bulk chartering business. Lloyd's Register is the second-largest ship classification society in the world. The UK accounts for 21% of maritime insurance premiums in the international market. We are a leading centre for legal and banking services to the maritime sector.

That is a huge range of expertise. Therefore, quite rightly, many shipping companies have shipping operations that they choose to base in the UK. I am determined that the Government will do everything they can to ensure that we hold on to that position as the leading maritime sector, by remaining competitive in a world where we recognise that there is increasing international competition in the global maritime business. That is why the Government, like the Committee, is so pleased to support the industry-led initiative of London international shipping week, the key purpose of which is to promote the UK as a place to do business.

Ministerial colleagues from across the principal departments—Business, the Treasury, the Wales Office, the Cabinet Office, and indeed the Prime Minister himself—will all be taking part in events this week, and I hope that the Committee will see that as a sign of a committed cross-government approach, supporting economic growth and particularly supporting this sector.

We have a wide range of policies in place to support UK maritime. The fiscal environment is stable, and an up-to-date regulatory regime allows UK ships to trade freely, with a balanced approach to securing growth while ensuring that there is effective maritime environmental protection and, of course, high levels of safety and extensive support for training and skills, which we recognise as important for ensuring the future of this country's competitive position. That is why I was delighted yesterday, when we announced an additional £3 million to the end of the spending review period to support training in the UK, adding some 200 additional training places per annum.

I hope that the Committee will recognise that we as a Government have taken closer steps to achieving a more co-ordinated partnership between the industry and government. We have regular ministerial and industry round tables, which involve the active involvement of ministerial colleagues. We have held several of those meetings in the last six months, and a further one is planned for this autumn. That is a catalyst for some focus and coherence to policy and engagement.

One of the follow-ups from that is a key output from that strength and collaborative position: the development of the shipping and ports strategic

10 September 2013 Stephen Hammond MP, Sir Alan Massey and Ian Woodman

partnership plans, which we published yesterday. I believe that we were able to share them with the Committee last week, and I think that they were sent to the Committee yesterday. It is the first time that the Government has set out quite so clearly the working relationship and how industry and Government might work together in partnership to deliver common objectives. We are well placed to deliver strategic aims and good international connectivity, ensuring that the 95% of goods that arrive and leave the UK by sea continue to reach their destinations quickly and efficiently, and that we continue to see the UK as the leading maritime centre in the world.

Q2 Chair: Thank you very much, Minister, for that statement. Do you have any more specific objectives for where you want the maritime sector to be in, say, the next 10 years?

Stephen Hammond: What we have set out, first of all, is that it is absolutely key for growth. There are some issues for some people about the constraints of growth, but I have set out a number of things. We want to ensure that we are the most competitive place to do maritime business in the world. That will involve continuing to look at the fiscal regime. We have a very attractive tonnage tax regime, which is widely recognised as probably the most attractive in the world. We have a very stable regulatory regime, working in close collaboration with both the EU and the IMO to ensure that the regulatory measures reflect the needs of safety in particular, but allowing business to continue.

I am keen to ensure that we have the best maritime environmental protection, balanced with the need for growth. The development of a number of offshore wind farms has shown that. We recognise that, if we are going to have a leading position, one thing is to ensure that we continue to commit to drive up our skills base, for ratings and for officers, but also in the professional services. If you look at those four strands, those will be the key to what I am hoping will be the key focus of our Government's strategy over the next 10 years.

Q3 Chair: It is encouraging that the maritime strategic partnership has been set up. There has been a call from the whole maritime sector about the need to have a more cohesive approach between different departments and to develop ideas together. There does not seem to be involvement in that partnership by either the trade unions or professional organisations. Is there any particular reason for that?

Stephen Hammond: To a certain extent, there are the professional organisations on the industry side, with Jeremy Penn from the Baltic Exchange, Richard Sadler from Lloyd's Register and, on a wider basis, Doug Barrow from Maritime London. All of them have sat on the two partnerships. Our officials have regular meetings with the unions. There is an issue about how wide and how big any high-level forum can be; otherwise, it loses its focus. We have been keen to ensure that there is a focus and a coherence. We have had a number of workshops, principally on the national contingency plan regarding safety, and the unions have participated in those workshops.

Q4 Chair: How are you going to measure success with the partnerships?

Stephen Hammond: The success will be measured in several ways. First, as the Committee will be aware, we have delivered strategic partnership plans, which were set out yesterday. They were worked up in consultation with the industry. One of the ways in which you will be looking to judge is to see whether we achieve those plans.

Secondly, one of the other key ambitions of the partnership is set alongside the ambitions for the 10 years that I have set out. One is to ensure that the UK maintains its competitive position as the leading place to do maritime business. We recognise competitive threats. Therefore, there are continuing issues that we will need to get right, but I am convinced that we will do that, working together with the industry, and ensuring that we have the trained maritime expertise in terms of ratings, officers and the professional base.

Q5 Chair: You have had ministerial and round-table discussions with a number of partners. Is there anything that has come out of those discussions?

Stephen Hammond: The key things that have come out of them are the strategic partnerships. Obviously, that has been some of the focus of the first two or three meetings that we have had. As you will also know, in addition to that, because of the concern that was expressed to me fairly quickly after I took over this job about the impact of the new sulphur regulations, I have held two summits of all parts of the industry concerned with how the new sulphur regulations might affect it.

Two things have come out of that. First, while still recognising the competitive threats to the ferry industry, we have had a better dialogue between the ferry operators and the abatement technology industry regarding the possibility of fitting that technology, which is colloquially known as scrubbers. There was initially some reticence from both sides to see whether there might be universal application, but we are moving towards that—but that is recognising that there is still a threat to the industry.

I have had a number of discussions with the IMO about what we might do to look at the review of the 0.5 2020 limit in relation to the availability of fuel. That is quite a productive outcome from that. There has also been a high-level round table on seafarer safety, which involved a number of groups. I did that in conjunction with DEFRA. It has not just been the strategic forum that has met several times; there have been other round tables on issues of particular interest to the industry.

Q6 Chair: Are those round tables going to lead to actions being taken? How are you going to make sure that that happens, and that those round tables are not simply where people talk about matters of concern?

Stephen Hammond: You can see the output of the first two round tables in terms of the strategic partnership plans. That is a real output that was not there, and it has come directly as a result of and with an impetus from those. A number of issues have been raised with us that are on the agenda to directly tackle. I very much thank BIS, particularly Michael Fallon.

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BIS has been instrumental in recognising how important these can be and has been working together with us.

I hope that there will be some announcements fairly soon on sulphur, which will be a direct result of this. You are quite right that there is no point in having these meetings just to have a cup of coffee once every three or four months. The key thing for us as Government is to ensure that our strategy is coherent, to support business and to recognise where the concerns are and to have some discussion about those concerns. At the next high-level round table, as a result of one or two things that were raised, we will be focusing on some of the issues that were raised and some of the issues that HMRC and the Treasury may be able to help us with.

Q7 Graham Stringer: Less than half of ships owned in this country are on the UK register. Are you concerned about that? What can you do to improve it, and what would be the benefits of improving the number of UK-owned ships on the UK register?

Stephen Hammond: You are right. There has been a disappointing number of people on the UK flag. We as a Government would like to see a growth of the flag. A strong national flag gives the basis for a competitive sector. There are some immediate activities associated with the flag that I think are helpful in terms of technical specifications. Some of the work you can do in ship finance and law applications will make it a stronger and much better regulated industry. Equally, the existence of a strong international flag has a benefit in terms of employment. That is key. If there was a larger flag, we would have a greater influence in our negotiations on the international stage at both the EU and IMO levels. Therefore, I am keen to ensure that the conditions that would bring back a larger national flag would be in existence.

Q8 Graham Stringer: Why, then, does the Government promote the Red Ensign Group, which includes some of our competitors from British overseas territories and British dependent territories?

Stephen Hammond: If you look at the Red Ensign Group, all of them are on the Paris MoU, as I understand it, and they are on their whitelist. They do not particularly present a risk to the UK flag in that regard. I do not know whether there is anything that colleagues wish to say.

Sir Alan Massey: The category 1 Red Ensign Group registers, which are basically those that operate large international trading vessels, are all on the Paris MoU whitelist, which means that they are quite low risk. The white list is a kind of league table of better-performing flags. All of those flags, which are UK—Gibraltar, the Isle of Man, the Cayman Islands and Bermuda—are in visibly good positions. There is always a slight variation in performance—there will be from year to year. The analogy is having a family car. Some of them are quite old, like some of the ships that we take on the register that are old, and they are therefore more regularly the target of inspections, and they are more likely to have things going wrong with their lights and tyres. That is a classic case. Some of

the registers in the REG have a fairly elderly age profile. That said, there is also strength and depth in the REG. The fact that the UK, as a flag, has a gross tonnage of about 16 million at the moment gives us a big voice at the IMO. We also speak for all of the REG countries, which boosts our tonnage to 50 million and gives us that much more clout.

It is true that we are in competition, so to speak, with REG registers or ships on the flag. On the other hand, keeping them inside the REG family means that you still have some influence over their quality and performance. We have a responsibility to protect them, and monitoring the performance of all of the flags gives us some control over that. We can take administrative measures against members of the REG if we want to so as to ensure that safety is brought up to the necessary standards.

Q9 Graham Stringer: The International Transport Workers Federation describes these overseas territories and British dependent territories as “flags of convenience”. Nautilus says that registrations in those areas “damage the sustainability of the British shipping industry”. What is the balance of advantage of having some influence—from what you say—against what the Transport Workers Federation are saying and what Nautilus is saying about the negatives?

Sir Alan Massey: “Flag of convenience” is actually an entirely neutral term, even though it tends to have negative connotations. It is used because of its advantages in relation to others. It is all to do with where the beneficial ownership of the ship sits. If it does not sit in the nationality of that flag, it is a flag of convenience. It is an entirely neutral term. It is true that, for all bar one of the REG family of flags, alongside the UK, they are not required to follow EU law in relation to terms and conditions or employees. That has some advantage in the perception of members. I see it as an entirely neutral term and part of the nature of global shipping.

Q10 Graham Stringer: But Nautilus says that they “damage the sustainability” of British-owned shipping by having British-owned ships flagged in those territories. Have you not done a balance of advantage of supporting this against not supporting it?

Sir Alan Massey: I don’t know. I am not aware that the MCA has done that. I don’t really understand what is meant by damaging the sustainability.

Q11 Graham Stringer: I suppose that you would have to ask Nautilus that, but that is what they are saying. I suppose that they are saying that all the advantages that accrue to the industry are less if there is less shipping than there otherwise could be that is flagged in this country.

Ian Woodman: In our view, it is very much in our interests if British shipping companies wishing to flag outside the UK, which they may wish to do for a whole variety of reasons, flag with high-quality flags. If they flag with the Red Ensign Group, as Sir Alan has mentioned, we are satisfied that the quality that is exercised remains extremely high. Sir Alan mentioned the MoU white list—so we would have UK ships still

flying the Red Ensign and still operating under an IMO high-quality flag, providing safeguards about safety and performance, which, as Sir Alan mentioned, adds to our plan to bring them over as we try to negotiate a regulatory environment in which shipping can actually work. Although we would much prefer to have as many ships as possible under the UK flag, in a way, if they are under a Red Ensign Group flag, it is second best, but it is still better than giving them away to a foreign flag, potentially with a much worse standard of safety.

Q12 Chair: Doesn't this affect employment conditions? Does having a flag of convenience mean that UK law does not apply? Isn't that one of the problems?

Ian Woodman: If you fly a UK flag, you are subject to EU employment law. If you fly a Red Ensign Group flag, since those territories are not part of the EU, you are not subject to the same EU employment law. That can sometimes be an advantage for the shipping industry, and they will want to consider that very carefully in deciding where they wish to flag. If you flag outside the EU and outside of the UK's dependent territories, you can obviously choose the employment parameters. We would see the ability to flag with the Red Ensign Group as giving the employer that kind of option while still maintaining that link to the UK and that very high standard of safety and performance.

Q13 Chair: Are you saying that this issue is something that does not concern you in terms of standards in shipping?

Stephen Hammond: We have said at the outset that we are keen to increase the UK flag as opposed to flagging elsewhere, and we continue to put in place measures or support measures that would support that position. We are keen, as ever, to increase the size of the UK flag.

Q14 Chair: The Government's draft Deregulation Bill includes a clause which would amend the Merchant Shipping Act to allow changes in international agreements in the maritime sector to automatically take effect in UK law without being discussed by UK Ministers or in the UK Parliament. Why is that being done? Who was consulted on this? It appears to be something that could surely be to our detriment. There have been many examples where there are international or European proposals, which are currently discussed here in the UK and, as a result of that, they are interpreted in a way that is beneficial to the UK. Why does the Government want to keep the UK Parliament or Ministers out of the discussions?

Stephen Hammond: I am not sure that I recognise that as what the UK is trying to do. We were presented with a number of challenges under the red tape challenge in terms of deregulation. We found many measures that were suitable for that. Here in London, we are home to the IMO. We are a significantly influential player in that, and we are significantly influential in terms of what we do with engagement with the European Union. I do not recognise that the

Government is trying to keep Ministers out of any of those discussions.

Q15 Chair: Why is the Government trying to do something that would put international treaties directly into UK law without the UK having its say? You mentioned earlier the issue about sulphur emissions. That was an example where there was a European proposal, and there were discussions in the UK—indeed, you were party to those, to try to change some of that so that the UK maritime sector would not be unduly harmed by it, and with some success. However, if there is going to be a system where international agreements go directly into UK law without any discussion by Parliament or Ministers, surely that is a very odd thing to do, and I wonder what kind of consultation took place before that decision was taken. The issue is currently being considered by a Joint Committee, so it is not law yet here, but it is what the Government want to do, and I was trying to work out the reason. It does not seem to make much sense.

Stephen Hammond: There are some international convention laws that we are bound to bring in but, in almost every case, there will have been a huge amount of Government influence or attempt to influence prior to those laws being set up. That would not change. We will continue to influence regulations and regulatory proposals, as we see at the IMO. As I understand it, at the moment there are about 240 workstreams at the IMO, and we have identified—Mr Woodman will correct me if I am wrong—I think 126 where there is a key UK interest and which we are attempting to influence. The idea that we are not trying to make sure that the UK position is protected or that the UK's views are not heard is not right.

Q16 Chair: But this proposal means that Parliament would be cut out of the consideration. Who was consulted when you came to that decision to go ahead with the proposal?

Ian Woodman: The proposal arose out of the red tape challenge. It arose from a key industry ask. Where we are implementing international conventions—these are conventions where the UK will have been key part of the negotiation in the first place—we do so by what is effectively a mechanism of copy-out. The international convention is in place, and there are changes to it. Within the IMO, there are constant highly technical changes to the parameters of the conventions. They should be introduced into UK law, first, promptly, and secondly, by a simple process of copy-out, so that industry does not have to continually refer to UK legislation as well as the text of the convention. The easiest way to achieve this is to use a process of ambulatory references, which means that, when the convention comes into force and technical changes to the annexes to the conventions are changed, they would automatically move them into UK law. We already have power to do this within the Merchant Shipping Act, and there is already a power to do this in relation to some safety changes to international conventions deriving from the IMO. They entered into force in merchant shipping notices issued by the MCA. This means that the same

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technique can be used for technical changes to the annexes to the conventions emerging from the IMO in other areas, for example seafaring rights or environmental protection. This is intended only to treat those highly technical changes. I can provide the Committee with lots of examples of what these—

Q17 Chair: But Mr Woodman, the proposal, as I understand it, is currently being considered by a Joint Committee in Parliament, and it does not specify technical things in the sense that they might not be of interest to Parliament. This is cutting the British Parliament out of awareness of the changes.

Ian Woodman: I am sure that, in debating the Bill, that would be precisely the issue that you would want to discuss and debate. We are interested in having a mechanism that applies these to what are effectively technical changes. There are very large numbers of these that are clogging up the system, and they are very difficult for everybody to deal with quickly and efficiently. That is what the proposals are limited to.

We are, of course, not suggesting that in any way that Parliament should be cut out of the process by which we negotiate difficult changes to key issues in the international regulatory framework for shipping, to which the Minister has already alluded. It is very important to us that Parliament is fully engaged in that. Indeed, Parliament's opinions on such subjects are very important in relation to our ability to negotiate effectively, for example, within Europe. The proposal is indeed directed at those technical changes to IMO projects.

Q18 Chair: Are there any other proposals under consideration, Minister, which would affect the maritime sector under the same heading—the red tape challenge or deregulation? Is there anything else in the pipeline?

Stephen Hammond: Not that I am aware of. There has been a huge number of technical references, which Mr Woodman has referred to—there has been a backlog. That is partly because some of them had to be introduced by statutory instrument. By the process of ambulatory reference, we received considerable feedback from the industry in terms of how this would be a deregulatory measure, would speed up the process and would minimise burdens, but I am not aware of any other proposals.

Q19 Mr Sanders: How successful has the Government been in making use of local ports and inland waterways to reduce freight traffic on the roads?

Stephen Hammond: The Government has set out a proposal in terms of coastal shipping and inland shipping. Coastal shipping has increased. I accept that there is plenty of scope for greater use. As you rightly say, it reduces congestion and, potentially, noise and pollution. The key lies in ensuring that there is a mass of traffic so that there is a regularity to the service, which will continue to inspire it.

There are some geographic limits on the use of inland waterways but, if you look at Peel Ports in terms of the Manchester Ship Canal, they have ambitions to do more. Ports continue to invest in rail. Indeed, the

Government continues to invest in access to ports via rail, principally in some of the work that is being done at Southampton and some of the work with the new rail container terminals being built at Felixstowe. That is being put together by investment through Network Rail's strategic freight network.

Q20 Mr Sanders: Do the statistics now show that the volume of domestic waterborne freight has been in decline?

Stephen Hammond: In terms of inland, yes. There are two issues. One is that there are some geographic limits, but if you look at the developments on the Thames, particularly Crossrail, which has been taking almost all its spoil out by water down the river, the new Blackfriars Bridge, which Network Rail initially had some concerns about regarding how they were going to get all the metal supports in—that all came in by the river. The Thames, in particular, has seen an uptake in—

Q21 Mr Sanders: But those are one-offs, are they not, because of Crossrail and other particular projects?

Stephen Hammond: One-offs lasting four or five years.

Q22 Mr Sanders: Is there a strategy to try and have a year-on-year or decade-on-decade increase? At the moment, we have seen a 20% fall over the last decade in domestic waterborne freight.

Stephen Hammond: There is, as you know, the waterborne freight grant. Because of the state aid clearances, that will come to an end in March 2015. We will be looking at the need for that grant, assessing how much impact that has had, what we can do in terms of seeing whether that grant effectively delivers the ambition to have more coastal and short-sea shipping, as well as inland shipping. The costs of moving freight by this means are more expensive at the moment. Therefore, we have to see whether the grant will bias it against roads.

Q23 Mr Sanders: Are there any additional incentives that the Government could put in place?

Stephen Hammond: We will have to be considering, post 2015, whether or not to continue both the waterborne freight grant and the modal shift revenue support grant. For both of those, we will have to look at the state aid clearance, but we could potentially look at that. We are clearly looking at the benefits of the mode shift grant in particular in terms of the environmental and social benefits of that, and whether that should be continued post-2015.

One of the key things that we can do is to ensure the excellence of the rail infrastructure in the UK and the access that that rail infrastructure affords. I am sure, Mr Sanders, that the complete reversal of certain retailers over the last five years in terms of moving freight by rail rather than by road will not have been lost on you.

Q24 Chair: The mode shift grant does not help coastal shipping, does it?

Stephen Hammond: No, but the waterborne freight grant does.

Q25 Chair: Are there any plans to increase the financial support for coastal shipping?

Stephen Hammond: As I said, the grants exist until March 2015. We have already started a review in the Department of the benefits of these grants. State aid clearance ends in 2015, so we will be looking at the need for those grants, what impact they are having, whether or not they are rightly targeted and whether or not they are achieving their ambitions. As I say, there are two things. One is what they do in terms of the operating costs that make it competitive against rail. It is also gaining a momentum. It is that amount or sheer mass of traffic that gives regularity and that will be a virtuous circle, which has not happened in terms of short-sea coastal shipping at the moment.

Q26 Chair: Does that mean that that is an area that you might be looking at?

Stephen Hammond: The short answer is yes, because we are conducting a review of it at the moment.

Q27 Chair: There is a lack of clarity in the Government guidance on who should pay for infrastructure and giving better access to ports. There is a view that the port authorities or the industry might be required to pay more for infrastructure access in local areas near ports. Could you clarify the Government's position?

Stephen Hammond: It is true that, in certain other countries, there is not a requirement on ports to contribute to inland infrastructure. However, the UK planning requirement requires looking at detriment to others and the need to avoid that. That is not new, and it is not unique to ports. Planning obligations often put some obligations on ports to help in terms of ensuring that incentives are put in the right place.

The Department has tried to give clear guidance, but I accept that it is a complex issue. I accept that there are some timing issues—and sometimes the interrelationship between road and rail in terms of the benefits and what can be delivered, as well as coastal shipping. As part of the strategic objective and partnership plan that we put out, objective 2.5, we have committed to review that guidance to see if we can simplify it in terms of how it applies to ports, and we will be doing that in consultation with the ports industry. I hope to improve and clarify that guidance.

Q28 Chair: When do you expect that exercise to be completed?

Stephen Hammond: I would be misleading the Committee if I gave a definitive date, but there is a commitment to do so, and it would be disappointing if we had not made substantial progress within the next year.

Q29 Martin Vickers: Building on the infrastructure issue, as I understand it, because many other ports within the EU are either state or municipal owned, they qualify for certain EU grants that private operators such as ABP do not qualify for. Am I right in that? That is my understanding from local people in my constituency. Are the Government considering any action to try to improve on that?

Stephen Hammond: I will ask Mr Woodman to give you complete chapter and verse in a moment, but I do not think that that is right in terms of the description. However, it is right, and it is true for some UK ports, that either local economic partnerships such as they exist abroad, or certain local authorities in the UK, choose to give ports some economic support. Clearly, the UK port sector is largely private sector. We therefore think that it is right that there should not be those subsidies, and that the market should decide.

I will get Mr Woodman to clarify for you the point on the EU.

Ian Woodman: It is true to say that a port in any member state can apply for the same grants. The key difference is that other European member states municipally own their ports. There is also a suggestion that they are getting finance and support out of their municipalities, which is not available to UK privately owned ports. This is sometimes judged as acceptable state aid, although there are reservations about whether that is always the case. We would firmly like to see a position where there were no subsidies going into ports, which is a deeply private sector enterprise, and that this was a level playing field across Europe. That would be the ideal outcome that we would like to achieve across Europe. The Commission is considering some of these issues at the moment under its port services directive, although we have doubts as to whether the mechanisms that they back and that are being put into the draft regulation would actually achieve the outcome that they want to see.

Q30 Martin Vickers: Turning back to rail access to ports, Minister, you mentioned investment and so on a few minutes ago. I note the article in *Rail* magazine last month about access to ports, suggesting that rail freight operators are now more enthusiastic about electrification, because more of the network is or will be under wires. Are the Government actively pursuing a policy of trying to extend electrification to our ports?

Stephen Hammond: We have been actively ensuring that there is as good a rail access to ports as possible. Sometimes, that is not directly in the port; it is around the port. The substantial work at Northam in Southampton two years ago, for instance, had a huge impact on the investment in terms of the railway going into Southampton. You have seen new rail container works happening at Felixstowe. The Government, as you know, is committed to the largest programme of electrification, which will clearly impact on people's decisions. It is key for the Government to make sure that there is good rail access to ports, and Network Rail have that in their strategic freight framework.

Q31 Chair: Does that mean that you accept that the Government should pay?

Stephen Hammond: No—we have just gone through the answer a moment ago about who pays for some of it. Clearly, the Government is the largest investor—quite rightly. It makes the largest investment in national infrastructure. However, I have made the point that it is a well accepted planning principle that, in certain cases where it may create a detriment to others, certain corporations or ports might pay. I have

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agreed that we need to clarify that guidance. That is why we are working with the ports to do so.

Q32 Chair: When you are seeking to clarify that, will you be looking at the competitive aspects in relation to ports in other parts of Europe?

Stephen Hammond: I am sure that that will be part of the consideration, but there are clearly key planning considerations in making sure that the clarity of guidance we give for ports is there. That would be the key thing that they want, almost invariably, across the array of where government touches the port sector—what they are asking for is certainty in the relationship, and that is what we are intending to give.

Q33 Chair: The independent review of Government support for training points to a skills gap in the maritime industry by 2021, and it suggests a skills gap of 3,500 deck and engineer officers at sea, 1,600 ex-seafarers ashore and 800 ratings. Why have current initiatives, including the tonnage tax, not dealt with the skills gap?

Stephen Hammond: If you look at how much support the Government is giving to maritime training, yesterday we announced a 25% increase in support for the maritime training scheme, which will allow an extra 200 places per annum. On the funded training so far, this year alone we will be training something like 775 new officer trainees, as well as 13 navigational engineering watch ratings. We announced an extra £3 million yesterday, which will, from 2013 onwards, allow for an extra 200 trainees up to March 2016. That is for trainees and officers of the watch, and for upgrading ratings to officers of the watch. The Government is making a fairly substantial commitment. Through the tonnage tax regime, some 320 officer trainees have been trained.

Don't forget that, through the Government's support for apprenticeships—this was made clear to me at a meeting with ABP and at a reception last night—they are now taking on increasing numbers of apprenticeships. The Government is making a large financial commitment to ensure that we close that skills gap.

Q34 Chair: What is the Government proposing to do? Are there any new initiatives? There have been announcements of additional funding, have there not?

Stephen Hammond: As I said at the outset of my answer, yesterday we announced a 25% increase in the funding for the principal scheme, which is the support for maritime training scheme, known as the SMarT scheme. That alone will make a huge commitment, with 775 officer trainees and eight ratings upgraded to officer of the watch in terms of this year. What that money will do for the next three years up to the end of the spending review period—we are not making a one-year commitment; we are making a three-year commitment—will be to make available an extra 200 training places per annum as a result of that extra money that we announced yesterday.

Q35 Chair: The companies that are unable to fulfil their training responsibilities under the tonnage tax

scheme can make a payment in lieu of that. Is that something that has become a loophole, where companies are doing that rather than doing training that they could do if they wanted?

Stephen Hammond: We are keen to ensure that the tonnage tax regime continues to provide people with excellent training. There are clearly some people who have made that payment. I don't think that it is a widespread loophole. If you look at the tonnage tax regime in the United Kingdom internationally, it remains the most competitive tonnage tax regime, and it still remains the most advantageous for training.

Q36 Mr Sanders: Can I ask about the incidents that there have now been twice involving non-oil substances that were washed up on the shoreline across the south coast, particularly in the south-west, in very distressing scenes that most of the country has perhaps not seen? It is very pertinent in the West Country. The RSPB tells us that the national contingency plan is unclear about the roles and responsibilities of different organisations in responding to non-oil pollution, and that this caused confusion when responding to what are described as PIB incidents this year. How can responses to non-oil pollution in UK waters be improved?

Stephen Hammond: I have to confess that I am slightly surprised by that. We had ongoing discussions and consultation with the RSPB. I was certainly at a meeting that they were at with the Maritime and Coastguard Agency, when we discussed the work that the MCA were doing. In a moment, I will ask Sir Alan to detail exactly what happened.

I have to tell you that there was the most extensive investigation by the MCA regarding the two incidents that occurred. We have spent a considerable amount of time with other Governments and international organisations and shipping lines trying to trace the source of the PIB. Unfortunately, after what can only be described as a very extensive investigation, there was no ability to trace exactly which ship it came from. We are also looking at the possibility—there is excellent work being done by the forensic team at the MCA about changes to PIBs in terms of their molecular structure—of bringing forward a paper to the IMO to upgrade those molecular structures. I am happy to ask Sir Alan to detail exactly what went on, if you would like to know. One of his heads of department came to London on two occasions and briefed Members of Parliament who had written to me about the incident, including a number of colleagues from the south-west.

Sir Alan Massey: We did hard work on two strands. One was the science of what actually happened regarding polyisobutenes or PIBs, which mask a whole range of different chemicals. On the science side, it has become quite evident to us, through analysis done at Plymouth University and abroad, that there is probably some class of chemical within PIB that is more dangerous than had been bargained for previously. It is to that extent that, as the Minister suggests, we are looking to put a paper to the IMO to consider whether something needs to be separately classified and designated as a hazardous and noxious substance and treated accordingly through

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enforcement and regulation. That work is still ongoing. It is hoped to bring a paper up to the IMO within the next two months.

The other strand that we pursued was the enforcement strand, trying to discover where this chemical may have come from, using satellite technology through the European Maritime Safety Agency and using our own tracking systems. Unfortunately, we were not able to do that—bearing in mind that PIBs, as a general class, can be discharged at sea under normal conditions—under closely controlled conditions—by ships on the basis that they are considered harmless if treated in that sort of way.

A third point is that all of these oil and non-oil pollutants are covered by the national contingency plan to counter pollution at sea, which is currently being revised precisely to look at mechanisms and frameworks in which we can operate with local authorities, shipping companies and non-government organisations such as the RSPB so as to bring to bear expertise quickly to deal with these things once they happen. It is not good that we lost thousands and thousands of seabirds on the south-west coast.

Q37 Mr Sanders: How difficult is it going to be to get international agreement to accept that these substances should be treated differently from the way that they are at the moment?

Sir Alan Massey: We have got to get the science right and assemble the evidence, as ever, and take this forward to the IMO with a view to expressing our well-researched opinions in the hope that we can gain a sort of consensus, as one always has to at the IMO, among other nations that recognise the threats that we are talking about and the need for some sort of regulation.

Q38 Chair: We hear from the International Maritime Organization that the UK has not yet ratified the convention on ballast water management. Why is that?

Stephen Hammond: I expect us to ratify that convention after the conclusion of the IMO's work on enforcement. I am expecting that to take place in the early months of 2014. We have always been supportive in principle of the ballast water convention. We had some outstanding concerns about how, practically, it was going to be enforced, and about some of the sampling issues. We therefore pressured the IMO to put forward a framework which would ensure that there was a clear package of international guidelines on how they were going to enforce the convention, and to make sure that those run alongside, particularly in terms of inspection, before we were prepared to undertake ratification. I think that that work has been done by the IMO. As I say, I expect us to ratify that early in 2014.

Q39 Chair: Shipping is excluded from the UK's carbon reduction target. Are there any initiatives or targets to tackle carbon emissions at sea?

Stephen Hammond: There are a huge range of techniques that the sector uses in terms of fuel saving. Some of those could be pursued at little or no cost. The slow steaming that you are seeing because of

pressure on fuel costs, and also some of the environmental constraints, are putting huge downward pressure on emissions. That is probably the most efficient thing, but there are a number of other things that companies can do in terms of how a boat is cleaned, ensuring that the engine is properly tuned and so on, which help to ensure that emissions are kept low.

There are, of course, the standards that were adopted by the IMO in 2011: the energy efficiency design index, which looks at how ships are designed in terms of their energy efficiency in the future. The Government has been involved in a number of key EU groups, and to a certain extent some non-EU groups, looking at some of the further technical specifications ensuring that the technical standards reflect the need for new vessels to have lower emissions.

Q40 Chair: Is this issue seen as something important or something fringe? I don't get any sense of urgency about it.

Stephen Hammond: I think that it is key. I am not entirely sure how we can express greater urgency, other than that we are committed to doing it. We are working with other nations. We are working on a whole range of issues about shipping, at the IMO and with other EU states. It is certainly a key part of the Government's strategy to ensure that carbon reductions are clearly seen as important.

Q41 Chair: Is shipping likely to be included in setting carbon reduction targets in 2016, when this issue is looked at again?

Stephen Hammond: We will take a view on how effective some of the other measures have been. There is a major meeting of the IMO committee next spring, and we will be taking evidence from that and then reviewing the situation.

Q42 Chair: Are there any ways in which you think the Government and the IMO could work together more closely on addressing environmental issues in the shipping sector?

Stephen Hammond: We work extremely closely with the IMO. At the moment, we choose to work as closely as we can with the IMO on both regulatory and environmental issues. We recognise that, although there are clearly key EU interests, shipping is a global industry, and getting agreement at a global level is hugely important. We are recognised as an active and influential participant in the EU. The IMO has had good success on a number of issues on the environment, particularly on the energy efficiency design index, which was introduced in 2011, which has had quite a big impact. However, it is important to recognise that the IMO is a body where we need to use influence. It is a consensual body. It is therefore important that we remain a key player there, and it is important that we continue to work with it very closely, so that the EU position on environmental protection and other regulatory measures is heard strongly.

Q43 Chair: Are there any specific areas where you think more could be done by closer co-operation?

10 September 2013 Stephen Hammond MP, Sir Alan Massey and Ian Woodman

Stephen Hammond: When we make our arguments, we need to prove to the IMO and to other nation states that there is a clear, scientific basis for the environmental protection measures that we are proposing. Where we need to work closely is to ensure that that evidence is properly presented. I hope that you will see that we are working very closely on the issue of sulphur emissions. I continue to have regular meetings with the secretary-general about those matters. We are maximising our influence.

Q44 Chair: On a previous occasion, we expressed our concerns about changes and closures in the coastguard service. We will be debating that in Parliament shortly. We continue to receive a lot of representations from people in the sector with concerns about the changes that have been put in place. Do you have any current assessment of the changes that are now under way?

Stephen Hammond: Yes, my current assessment—I will ask Sir Alan to comment as well—is twofold. First, we have agreed with the Treasury the new job descriptions for the service. When Sir Alan and I gave evidence to you before, we made the key distinction that the migration of positions was to new positions, and these new positions offered greater opportunity for career, but also greater responsibility. At the time when we gave evidence, we were in negotiations with the Treasury to ensure that the new pay scales reflected that.

It has also been true that during this period there has been greater uncertainty in certain areas of the country, which has led to some people choosing to leave the service prior to us being able to recruit. There have been ongoing recruitment efforts, but there are now two key strands. One is to make final agreements with the trade unions to recognise the new positions and the terms and conditions that go alongside them, and then to migrate as many people who wish to move from their current jobs to the new positions, and in other cases to continue that recruitment exercise.

The second point is that the MOC, the national centre, will be technically ready for operation as from the agreed date in 2014. I see no technical barriers to that, and all of that workstream is on track. The key workstream at the moment relates to the first point, which is to agree the new job specifications and terms and conditions with the unions, and then to head to having a continual heavy recruitment process to ensure that we have those positions filled.

Q45 Chair: We are hearing quite serious concerns about the operation of the service, with the closures that have gone ahead and the closures that are planned. Sir Alan, do you have any current view on that? We expressed our concerns very strongly before, and we keep hearing about the matter.

Sir Alan Massey: We are not complacent, to begin with. The concerns that I have at the moment, if any, focus principally, as the Minister has suggested, on the people aspects, because the technical aspects are well under control. It is true that we are carrying vacancies, and I recall that we spoke about those the last time we met. We are carrying about a 15% vacancy rate. That is notwithstanding significant efforts to recruit. Part of the difficulty that we have is that, in the absence of an agreed way ahead with the unions on job specifications, pay and terms and conditions, it is difficult to recruit new members, and there are also problems with retaining some of the experienced staff.

That said, we have closed three stations, as planned. We have just gone through the busiest summer in recent history, with a 23% uplift in incidents. Up to now, no ball has been dropped, and the system has worked extremely well. I pay unreserved tribute to the professionalism of the staff who have made that happen. Where we have had stations that have been carrying particular vacancies at below-risk-assessed watch-keeping levels, we found our pairing arrangements, particularly those pairing arrangements between stations covering stations that are now closed—for example, Belfast and Stornoway are covering for the removal of Clyde—in those cases, the joint working has been exemplary, completely in line with our intentions and plans. In that sense, I am reassured. As I say, we are not complacent, and we are watching very carefully how manning levels are going at the moment.

Chair: These issues will be debated in Parliament shortly.

Stephen Hammond: Just before we leave that point, I pay tribute to and put on record the excellent and professional work that the MCA did in the Puma rescue recently, which I think was exemplary.

Chair: We had a session scheduled last week, which could not take place. It will take place in the autumn. Thank you, Minister, and your team, for coming and answering our questions today.

Stephen Hammond: Thank you.

Monday 18 November 2013

Members present:

Mrs Louise Ellman (Chair)

Jim Dobbin
Jim Fitzpatrick
Karen Lumley

Jason McCartney
Adrian Sanders
Martin Vickers

Examination of Witnesses

Witnesses: **Nigel Palmer**, Chairman, Maritime Skills Alliance, **Jim Stewart**, Chairman, Maritime UK, and **Mark Brownrigg**, Director-General, UK Chamber of Shipping, representing Maritime UK, gave evidence.

Q46 Chair: Good afternoon and welcome to the Transport Select Committee. Would you give your name and organisation, please?

Nigel Palmer: I am Nigel Palmer, chairman of the Maritime Skills Alliance.

Jim Stewart: I am Jim Stewart, chief executive of the port of Poole, chairman of Maritime UK and chairman of UK Port Skills and Safety.

Mark Brownrigg: I am Mark Brownrigg, UK Chamber of Shipping but also part of Maritime UK.

Q47 Chair: What do you think are the key challenges for the UK's maritime sector over the next five to 10 years?

Jim Stewart: It is very important to recognise that the maritime sector is made up of a range of different activities. Maritime UK represents the port sector, the shipping sector and maritime services. They all face different challenges. Maybe I could start with the port sector. The challenges that we are facing, coming out of recession, are to ensure that we have an effective inland access from ports to markets within the UK. It is very important that we have an effective and efficient marine planning system. There are a number of issues relating to the new MCZs that are coming through. It is also very important that we have a proportionate and cost-effective understanding of how ports operate with regard to security and the ISPS code in the UK.

In terms of services, we have just had a very successful London International Shipping Week. London has traditionally been the centre for maritime services globally, but there is no doubt that that is being eroded as we see the development of economies in the far east, particularly in China. We are seeing other maritime centres coming forward. Singapore and Shanghai are eating into London's traditional market. That is something that we need to address going forward.

Mark Brownrigg: From a shipping perspective—and some of this also applies to the business services sector in the City and elsewhere—what we really need from Government policy in the immediate and continuing future is predictability and stability. That may sound a little boring, but it is the message that is necessary to investors in this important sector—both in a fiscal context and an employment and training support context.

We need to see a focus on skills at sea, not just for the time when they are at sea but when they come ashore as well. We have some specifics that we can

put forward in that area. We would also like to see a continuing predictability and stability in the context of the regulatory climate. Regulation is necessary in shipping in an international sense. It needs to be practical, timely and effective. There are then specifics that follow on from that, but that is probably enough.

Q48 Chair: Captain Palmer, is there anything additional that you want to add?

Nigel Palmer: As Mr Stewart has already said, the maritime sector is broad. It covers quite a wide area. If you look at the MSA, we cover just under 200,000 people across the whole of the industry working in the wet maritime sector. That is anything to do with ship operations. The deep-sea part of that takes up about 26,000 of those employees, but, in the particular context of those and their international competitiveness, it is important to emphasise the importance of the link to the tonnage tax for training. It has been a major factor in boosting the training in the UK. You have to recognise that we are competing not domestically for this but with other countries. You are already seeing others using taxation regimes as a tool to be competitive.

As has been said earlier on, our competitors in this market are not necessarily those from Europe. They are increasingly from the far east and emerging economies. In the past cost was their advantage, but these days cost is diminishing as an advantage as their economies evolve and they are improving in quality. We have to keep ahead of the game in order to maintain our competitive position.

Q49 Jim Fitzpatrick: I would draw attention to that which I have registered at the beginning of the meeting. I am a member of the Worshipful Company of Shipwrights. That is to avoid any conflict or confusion, given that I know several of the witnesses are also members, and so it is out in the open.

I know that the industry welcomed the Government setting up the Joint Committee across Government Departments to look at shipping in the round. Given that the Chair has asked about the challenges and the nature of the industry among ports, shipping companies, legal and financial services and all the different aspects, is there more that can be done to assist shipping, particularly within a UK context, in terms of providing employment, apprenticeships and training? Notwithstanding the progress of the publishing of the strategy, is there something that the

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Government could do particularly to assist the industry even more?

Jim Stewart: Yes, there has been a huge improvement in terms of the relationship between the maritime sector and the Government. This work was started by you, Jim, in your previous role within the previous Administration. We have taken that forward with the current Administration, and for the first time we now have regular meetings every three months, not just with the DFT but with a range of different Departments. Following this Transport Select Committee meeting, we are going straight off to a round table involving DFT, DCLG, BIS and DEFRA to talk about issues that the sector is currently facing. There is a lot more to be done. I do not think we can be complacent at all. We feel that we have made some huge strides forward.

From the ports' perspective, we are particularly concerned in terms of port development and obstacles that might be put down before the ports industry as we are looking to bring developments forward. There are things like the habitats regulations. A lot of it emanates from Europe, to be honest. There are challenges that we face and we have to ensure that we are not hampered in our ability to provide facilities that the UK needs within the ports network by environmental legislation, which perhaps is not entirely fair and partial. That is where we are coming from in terms of the ports' perspective.

Mark Brownrigg: From my perspective of the maritime services sector as a whole, we are in rather an exciting time. This cross-departmental working is something that a number of us have not seen happen in quite the same way before. Building out from a core of transport, trade, Treasury and Cabinet Office, and then on specific subjects moving out beyond that, as Jim has just explained, is something that is new and exciting. We are trying to establish mechanisms that can underpin this vital services sector for the long-term future in a way that will withstand the departure of enthusiastic individuals, whether in the position of officials or ministerial posts, and hopefully beyond elections. We are engaging with the major Opposition parties to try and engage on the whole question of what some might call industry strategy but what is currently called strategic partnership.

Nigel Palmer: From my perspective, over the last few years there has been a continuation of taking SMarT funding through between Administrations and carrying that through. Anything that improves the different Departments' understanding of the way the maritime industry works and the fact that it is an international industry that is internationally regulated helps.

The biggest frustrations we have had over the last few years have been the delays in bringing in apprenticeships for ratings and advanced apprenticeships for junior officers. A lot of the hold-up was not EU or international legislation; it was the alternative completion conditions, for example, for the advanced apprenticeships. The problem was not the international legislation but the Skills Funding Agency's fairly narrow interpretation of the UK's domestic rules. It is a problem that has run through almost everything we have done on the training side.

We put people away at sea on training and sandwich courses and they found it very hard to understand how it would work. Because it did not fit the standard model, then they nit-picked at everything. It just took two years longer than it should have done to get those systems in place. That meant that a lot of people who could have had jobs did not.

Q50 Chair: How did you resolve that issue?

Nigel Palmer: In the end, by persistence. That would be the best way of putting it. The thing that worries me is that, had we not been an industry that had been training for over 100 years and knew how to do it, we would probably have given up, if I am quite honest, because it was just so inflexible and so difficult. In the end, it was by going to fairly senior people and actually asking them to intervene. Eventually, and now, we are seeing a much more co-operative approach from the apprenticeship service to the work we are doing.

Q51 Chair: Could you tell us which Department the senior people were in?

Nigel Palmer: It was both DFT and BIS that we had to get together to sort it out. Every time you thought you had got it dealt with, then they came back with yet another problem. It just ran on and on and on. That caused a lot of delays and I think it is a great tragedy.

Q52 Karen Lumley: I want to go back to the ports issue. Bearing in mind the new port that opened a couple of weeks ago, do you think there is enough capacity and trade for all of our ports in the UK, especially those in the north of our country?

Jim Stewart: From the UK's perspective, we currently have sufficient capacity. Going forward, as you say, there has been a new facility opened at London Gateway, but we have also recently seen new container facilities being built or planning-approved in Felixstowe, Southampton and Liverpool. From that perspective, it has been a tough three or four years for the ports industry. I won't pull any punches there. It has been difficult and we have seen volumes fall with the problems we have had with the world economy. Currently, ports are investing £300 million per year into new developments and new facilities in the UK. I believe that the UK ports industry is the largest and most efficient in Europe. We are dependent on ports for 95% of the UK's international trade. It is of absolutely critical importance that we get it right. To answer your question, yes, I think we currently have sufficient facilities, but there is this concern that with other facilities—maybe not container facilities because that is only part of the mix—we see an opportunity in the marketplace and, by the time we have gone through all of the environmental issues, planning and possible public inquiries, it can take five years from inception to delivery of some of these facilities. In that time we are obviously missing out perhaps to some of our European competitors.

Q53 Karen Lumley: If nobody else wants to say anything, can I move on to that? With regard to getting stuff off the containers, do you think we have

enough capacity on our railways to deal with the freight coming from these ports?

Jim Stewart: I think more can be done. I gave evidence at the Transport Select Committee just a few months ago on port access. There is investment going into rail. Over 50% of rail traffic is port-related, which might perhaps surprise some people. It is important not to lose sight of the fact that rail is only part of it. For a lot of the regional ports, and maybe the smaller ports, road links are even more important than rail links. We have 120 commercial ports in the UK, which is far bigger than any other European state. Some of those ports struggle with their road connections, and it is important that we sort out the pinch points in some of the regional ports.

Chair: We will shortly be publishing a report on that issue—maybe next week.

Q54 Mr Sanders: Maritime UK is very critical of Government strategy. I am interested to know which one area of current maritime strategy you would change.

Jim Stewart: When you say that Maritime UK is critical of Government strategy, I think we have been very pleasantly surprised at the progress we have made in the last 18 months or so in terms of pulling together the maritime strategies, reports for shipping and for maritime services. The job is not finished. There is a lot more to do, but for the first time people within the industry and certainly from overseas are seeing the Government and the maritime sector standing together. We hope that message will have a big impact on investment decisions from international shipping companies. The message is out there that the UK is open for maritime business. London International Shipping Week reinforced that message.

Q55 Mr Sanders: How much of your business is a consequence of membership of the European Union?

Jim Stewart: That is a big question.

Mark Brownrigg: That is a bit difficult to say. Others will know better than I what proportion of our economy is engaged in business with the EU. Shipping does not see boundaries; it is global, including within the EU. Some movements go through the EU as well as abroad, so it is very difficult to say that. The other EU states are clearly a major trading partner with the UK alongside other major trading partners across the world. So it is important.

Q56 Mr Sanders: It was just that Mr Stewart had said that the UK is the biggest port in Europe. It struck me that it is not the biggest economy in Europe, but it is the biggest port.

Jim Stewart: It is the biggest port sector—and that is because we are an island. France and Germany rely on rail and roads to a far greater extent than we do. From my own perspective, I run the port of Poole and I would say that 85% of the business we do within the commercial port is trading with other EU states, whether that is France, Spain, Portugal or the Baltic. Certainly from my own perspective, the European Union is critically important. It is our biggest market. That is less so with some of the other big container

ports, which have deeper water and handle container ships coming from the States and the far east.

Q57 Martin Vickers: Mr Stewart, you mentioned a short while ago the various hurdles to port development such as the habitat regulations. You have since touched on planning. Representing, as I do, a constituency that includes Immingham and the South Humber Estuary, I am well aware of a number of developments that have taken considerable time to come to fruition as a result of that. You specifically mentioned the habitat regulations. Have you put specific proposals of what you would like to see changed to Government and have you had any response from them?

Jim Stewart: We have to live with the habitat regulations now, but, as I say, straight after this we are off for a round-table meeting looking at marine planning. We will be raising a number of issues there. Some of them relate to landside planning in terms of developments of new major infrastructure projects. We also have other issues with regard to the MMO introducing marine plans and MCZs being pushed through. We feel it would have been far more logical to complete the regional marine plans before designating MCZs. They are doing it the wrong way round, in our view. That is because of pressure from the European Union, as I understand it.

We think that Government are listening to our concerns. Obviously, the growth agenda is very much there at the forefront. We feel that shipping and ports are essential with the improvements to the UK economy going forward.

Q58 Martin Vickers: We keep coming back to EU regulations. You rightly say that because we are an island we are more affected. Are we disproportionately affected, and is it to our disadvantage when compared with other EU economies?

Jim Stewart: That is an accusation that is often made. It is my understanding that French, Dutch and German ports have exactly the same problems that we are facing. The key thing from our perspective, because we are an island economy, is that we are much more dependent on getting the port planning right, whereas in other EU states it is less important.

There is also the issue of the new port services regulations, which are being brought forward by the European Union. If you look at the UK ports sector, we have a mixed economy. We have privatised ports, trust ports and municipal ports. They sit alongside each other quite well. There is huge competition in other EU states. Port rates are set by the state and there is no competition at all. We feel that the port services regulations are trying to drive things through. They have problems in other parts of Europe and we are getting caught up in an adverse way because of their attempts to sort out difficulties in other EU states.

Q59 Jason McCartney: Whilst we are on the EU, the independent review of Government support for maritime training identified the demand for UK-trained seafarers at sea. I have an armed forces

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background and I am aware of the shortage of certain trained trades, particularly in the Royal Air Force in which I served. Does that shortage still exist? Are they being filled, as they are in other sectors, by trained seafarers from other EU states as in other sectors, or is it coping because of the same phenomenon?

Nigel Palmer: There are two parts to that question. As far as some of the senior positions go at the moment, we are seeing a lot of people being brought in from overseas. That, to some extent, is a legacy from the people who were not recruited in the 1980s, who would now be moving into the senior positions. They simply do not exist in this country so there is a hole that is moving through the system.

Q60 Jason McCartney: Is it any country in particular from overseas?

Nigel Palmer: Generally, they come from a number of labour supply countries such as India; Poland is a popular source as well, as is Croatia. There are a number of other EU and non-EU countries. There is a wide area from which they come because it is a very international industry. The same thing applies to British people, who work on an awful lot of overseas companies' ships. It is a very fungible industry.

As far as trainees coming into the industry are concerned, since the introduction of the tonnage tax the numbers have increased quite considerably—about two to three times from the numbers that they were at. That has had and will continue to have an effect. Are there enough coming in? More would be better is the simple answer to that question. You have an industry that employs a million people. How much of that market do we wish the country to have? There has been a limit on SMarT payments. The recent increase is very helpful because that does provide the opportunity for another couple of hundred people a year if that funding is taken up.

There is a lot of opportunity. There are jobs available for those people who are qualified. I have spent my whole life in the industry; I think it is a great one to be in. It is getting young people attracted to it. It is an attractive industry now, and people have put a lot of work into making sure that young people see it as an opportunity to go into. Things are much better than they were, but they could be much better still.

Q61 Jason McCartney: Mr Stewart, could we have your views on that please, particularly with Poole in mind?

Jim Stewart: I would endorse what Nigel has said. It is important to recognise that a lot of people who join the merchant navy will want to come back ashore at some point. Ports rely heavily on master mariners and people who have been to sea taking positions within the MCA and the port sector, such as harbourmasters and that sort of thing. It is very important that the Government do all they can to encourage the production of UK seafarers.

Q62 Jason McCartney: Mr Brownrigg, what is your chamber doing in particular to let our young people know that there are these great careers available?

Mark Brownrigg: We have a strong merchant navy training board, which helps govern the standards and

helps to agree programme with colleges. That is a tripartite group that is based within the chamber. It links with the unions and the colleges. We also have a careers service that works with that in this whole direction.

My position is very much aligned with that of Nigel Palmer. This is a very international industry. The challenge is maintaining a strong British caucus of skills within a very competitive industry, which has many countries that are providers of seafarers. There are some very specific things that can be done. I echo what was said about the additional amounts of money allocated to the SMarT funding programme. That reinstated what was taken away shortly beforehand, but none the less that is a good development. What I personally would like to see is a little bit more flexibility in the SMarT scheme to allow for growth in numbers of seafarers so that there would not be a budget limit. Of course, you can't have something that is completely limitless, but it is something that could be flexible to respond to growth opportunities for new seafarers.

There is a very specific one relating to ratings in particular that we are taking to Ministers at the present time. That is to introduce an option as to how the tonnage tax training commitment is fulfilled. Currently, it is primarily directed towards officers or conversion trainees. There is a great opportunity, which has been on the table for a number of years and from the past Government as well, which would allow the training of ratings to be encouraged as one option for fulfilling the tonnage tax training commitment. I think there are some specifics out there on the employment and jobs front.

Q63 Chair: What proportion of cadets trained under the tonnage tax is still at sea?

Nigel Palmer: If you look at cadets, overall, who complete their training, according to the MCA's figures from 2010—and I have not seen any others that would refute that—I cannot answer whether they are tonnage tax or otherwise, but 96% go on to get their first job at sea. It is a very high proportion who complete their training and do continue.

Q64 Chair: How many then stay at sea?

Nigel Palmer: It is a very difficult question. People have always moved between ship and shore employment. Some people stay at sea for the whole of their careers and others will do what I did. I spent 17 years at sea and then moved ashore. The average that people stay at sea really has not changed since the 1960s. It is somewhere between seven and 11 years, but that is an average. Some people stay for a few years and others stay for a lifetime.

Q65 Chair: So there are not any clear records of how long people stay.

Nigel Palmer: Record keeping is one of the issues we have as an industry. We are trying to improve it and there is quite a lot of work going on to track people through so that we do have decent statistics. One of the problems has always been the Data Protection Act. That has prevented a lot of the available data that the Government hold from being released even in

anonymised form. We have spent five years trying to get some of the data out on some of the cadet completion rates.

Q66 Chair: What proportion of companies makes a payment instead of training?

Nigel Palmer: There are two answers to that question. It depends on whether you are looking at it overall or individually. Companies sell, buy and charter ships in and out. They may well go in and out of it for a short period during the year on an individual ship. With companies overall, somewhere between 40% and 50% at various times will make a pilot payment. If you look at the overall amount that pilot payments make of the total training burden, it is just under 5%.

Mark Brownrigg: The rules do not allow for planned payments instead of training except in exceptional circumstances. The amount of what we call “planned pilot” is less than 2%. Pilot is a default payment if a cadet leaves for whatever reason, personal or other reasons, or falls out of the system because they are not meeting the grades, or maybe a shipping company sells a ship. It is a default payment. The intention is that the training commitment should be met through physical, practical training.

Q67 Jim Fitzpatrick: I want to move the focus to domestic because we have covered a lot of international issues at the EU level and international competitiveness. I want to look at the road and rail connectivity issue, which a couple of you have mentioned, and ask a question about coastal shipping, which is a lot easier to say than short-sea shipping: I have tripped up over that phrase many times at the Dispatch Box. Is there scope for more? Are there opportunities, or is the charging regime such that road and rail are far too competitive for people to use coastal shipping as a way of moving freight around the UK?

Jim Stewart: The European Union often emphasises the fact that it wants to increase the amount of coastal shipping. It is not that easy to do within the UK. That is because of the geographical layout of the UK. You are never more than 100 miles away from the coast, whereas in other states you could be hundreds of miles away from a seaport.

The one thing we do have huge concerns about is the introduction of sulphur regulations, which the International Maritime Organisation will be bringing in in January 2015. Certainly from my port’s perspective, the ferry companies that operate within Poole are saying that it could increase their fuel costs by as much as 60%, which would be absolutely crippling. The sulphur regulations, I think, will certainly hamper short-sea shipping going forward, but it is something that we would like to see more of. Again, part of that relates to the connectivity of some of the smaller ports, which is poor.

Mark Brownrigg: The industry entirely supports the development of coastal shipping. It makes sense intuitively and when you look at it in more detail. It does depend on the population masses in different places in order to provide regular services. If you are talking about remote areas, then it is going to be harder to serve those by ships, which are quite large

and carry substantial amounts. Despite all the efforts over the years to build coastal shipping, from a viewpoint of principle it is something that either has to arise or not arise in a market sense. We need to make sure, though, that any disincentives from using shipping are removed. The sulphur issue there is key. **Nigel Palmer:** One other current example is that there has been discussion in the last few weeks about lorries on the road in London. Were river transport to increase as an alternative, there is a future training consequence of that. Anything along those lines needs to be properly thought through. The implications for training and the way that funding for training works need to be thought through as well.

Q68 Chair: Should the Government encourage more ships to be on the UK Ship Register?

Mark Brownrigg: Of course.

Q69 Chair: Are they doing enough?

Mark Brownrigg: The real economic value to the country is establishment of shipping businesses in the UK. From that will flow more use of the flag, more use of employment and a whole range of things. There will be more use of the supply chain in this country. It is the actual operation of shipping and the establishment of those businesses which generate that wider supply chain and the wider knock-on benefits. What we have seen over the last 12 years is an expansion of the fleet beyond our wildest dreams, in a sense. The registered fleet is now something like five or sixfold what it was in 2000. That has been done without any mandated use of the register. It is being done and achieved by establishing the right climate for business in this country.

Q70 Chair: Why do some UK owners of trading vessels not use the UK Ship Register?

Mark Brownrigg: There are all sorts of reasons that people do not use one register or another. Again, we are talking about a global industry, and in some cases, if a ship is trading in Brazil or Qatar, for example, you may find that those countries impose certain flag requirements. It does not make much difference at the end of the day, except of course that we want a large register because that is important in terms of our influence in international bodies such as the IMO, in generating a level of standards and in regard to the legal systems that apply on board. The industry is entirely in favour of that, but we have to face up to the realities of that international industry, which means that different parts of the shipping operation, including the flag, will be in different places at different times.

Q71 Chair: We have heard concerns about the Red Ensign Group. Do you think it is right for the Government to give support to shipping registers of the various Crown Dependencies? We have heard some representations that the Red Ensign Group is a way of disadvantaging UK shipping. Is that something you would agree with?

Mark Brownrigg: I am not particularly sighted on this. All I know is that there is an historic convention whereby the UK Government has an oversight

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responsibility for the standards within the Red Ensign Group countries. My guess is that that has helped ensure higher standards in the world fleet over the years and decades.

Q72 Chair: Does anybody else want to comment on that?

Nigel Palmer: On the Red Ensign Group, people choose registers for all sorts of reasons. Sometimes it is just because that is the one they are used to and the one with which they have developed a working relationship. The Red Ensign Group all operate to essentially the same legislation and to pretty much the same standards. There is of course a difference in that some of them are EU flags and some of them are not, which does have a bearing on the selection of flag choice by some people. As I say, some of it is around what people are used to and which ones they find the best ones to work with. The cost differential between them is minimal.

Q73 Chair: The Maritime and Coastguard Agency have had significant cuts in their revenue budgets. Have those cuts affected their ability in any way that you are aware of? Does your silence mean no?

Mark Brownrigg: In the modern world, all organisations have to adapt to the situation of the times. There have always been areas where one can see failings in Government or even in industry organisation, and other areas where there is great success. It is a bit difficult to highlight. We have regular engagement and dialogue with the MCA to try and ensure that its product and delivery is suited to the modern day fleet. By and large, we are satisfied with that, but I will not hide that there are areas where we wish that service to be improved and to continue to be improved. Great strides are being made and have been made over recent times. It is just going to be a constant with us.

Q74 Chair: Does anyone else want to give us any examples of the problems you have encountered because of these cutbacks?

Jim Stewart: All I can say is that it has been a very difficult job for Sir Alan Massey, both politically and operationally, to restructure the MCA. However, my personal view is that he has conducted the review in an efficient manner and with great integrity. We have certainly not seen any reduction in the MCA's efficiency or effectiveness in my port as a result of the changes that he has made.

Q75 Chair: Are there any concerns about carrying out safety inspections?

Nigel Palmer: I have to declare an interest. I was a former non-executive director of the MCA until the end of 2011. The MCA faces, as Sir Alan has said, a number of issues. One of the problems from which they suffer is ensuring that they can pay, certainly for their surveyors, competitive salaries in order to get the people whom they want. That is an issue sometimes with the Treasury and the way that pay mandates are sorted out.

I have to say that all of the people I have ever come across who work in the MCA, and the people who

support them in the DFT, are hugely supportive of the industry and hugely co-operative in trying to ensure that it works as well as it possibly can. From a training perspective, the MCA has a clear role as the regulator. That is an interesting issue when you come down to look at some of the training problems. For example, the Skills Funding Agency does not recognise the MCA qualifications—the certificates of competency—as recognised qualifications within the English training system. You have all sorts of problems around areas like that. The MCA does an awful lot of work in trying to resolve many of those issues and helping the industry out. Do the cuts have an effect? It would be surprising if they did not.

The deregulation issues do cause problems. A lot of delays have occurred in a number of areas. We are a regulated industry, and we need to be a regulated industry in many areas. When new regulations have been proposed—there was one example over some of the tugs qualifications that were being brought in—deregulation held up the implementation of that when it questioned the necessity for them. In a regulated industry, you need proper, sensible regulations that meet our international obligations. A huge amount of effort has had to be expended by both the MCA and the industry to get that message across.

Mark Brownrigg: I would like to echo that. We do need regulation. We are a worldwide industry and we need worldwide regulation. We have to be able to respond as a country to that need. While we have a totally better regulation or deregulation agenda as an industry, none the less, without that international framework, we cannot work. When something like the International Labour Organisation's Maritime Labour Convention is delayed because it has gone through not the MCA or the Department for Transport but wider deregulatory and regulatory agenda processes, that is unfortunate because it inhibits the UK from being seen as a leader.

Q76 Chair: Are there any examples you can give us?

Mark Brownrigg: That is precisely one where we ratified just before the convention came into force, which means that we have a fairly limited and inhibited role for about 12 months until it comes into force for us in the UK. That was a pity, and the importance of that convention made it a double pity in a way.

The industry and the Departments in question worked well on trying to overcome those deregulatory processes. In that context, to return to the MCA issue, we need to have confidence, and we do have confidence, in the administration. It is just a matter of working together on current issues and working on that to good effect.

In terms of implementation of international regulation, the industry put forward—and the Government have taken on board—some basic principles on how international legislation can be adopted or brought into the UK system in the future. The concept of directly applying that international legislation with guidance on top of it—I think the term is ambulatory references—is a particularly useful way of cutting down that red tape.

Q77 Chair: The Government tell us that they will “continue to resist” what they call “the unnecessary extension of EU competence in the maritime sphere, in particular the use of EU legislation to go beyond provisions adopted by the IMO and impose additional regulatory requirements”. Are the Government right in adopting that approach? Can you give us any examples of where you think things have gone wrong, or is this a real issue?

Mark Brownrigg: I think they are right. We have talked a lot about this being a global industry, subject—appropriately—to global regulation. Any interpose at a regional level, whether it is in the EU or anywhere else, is not helpful. We have seen in the past examples of unilateral impositions in, say, the United States, which have not necessarily been helpful.

Can I give examples of that? We have seen industry and Government agreements on ILO issues, which have then been reflected in industry/Government agreements at EU level. That is a good example of how things can work, but that is driven very much by the international agenda. It is where an interpose is put in, which adds a regional dimension which does not help, that is a danger. Part of the sulphur debate, which is quite a complex mix of international and regional, does stem from that interpose.

Q78 Chair: We did look at that issue in the Committee. Does any other panellist want to comment on this issue?

Nigel Palmer: I would add that we have spent a lot of time developing a suite of qualifications for the maritime sector, which enables people to transfer from one sector to another and take the core part of their qualifications with them. Those are the maritime studies qualifications. You are hearing noises and seeing stuff now potentially coming out of the EU in the future over, for example, the training requirements for inland waterways trying to get a uniform European system that would cover both UK and European waterways. That would potentially severely damage the flexibility of people to move around within our industry and change what is a very workable structure that we now have for qualifications on inland waterways in the UK.

Q79 Chair: Did London International Shipping Week help the UK maritime sector?

Mark Brownrigg: You will have a big chorus of yes from all three of us.

Q80 Chair: What should be done to get the benefit from it? What new measures are needed?

Mark Brownrigg: It had benefits at many levels. In Government, it was extremely helpful to have ministerial engagement, not just with one Ministry but with several Ministries. The Department for Transport responded incredibly well in offering Lancaster House, for example, and in the way in which they supported the week. They came proactively with the question as to how they could contribute to the week and to the industry/Government relationship, hence the strategic partnership plans. It was more of a trade promotion than a pure maritime meeting, but, none the less, the fact that the Prime Minister was there demonstrating commitment to the country and that there was cross-departmental engagement demonstrated cross-departmental commitment. All of that was of benefit.

What does that mean in practical terms? If we get one or more large maritime shipping companies deciding that the UK is a good hub for their activities, that will be interesting. Personally, I think it has raised maritime services by a significant margin in people’s awareness and consciousness; I hope that is true. If it has done that and if we can repeat that in the future, then the runes are very good.

Nigel Palmer: Coming back to your opening question about joined-up Government in the maritime sector, if it has raised the understanding of the maritime sector not just as infrastructure but as a business, whether it is people, shipping, companies or ports, which is hugely valuable to this country and can contribute enormously to the wealth of the country, then it was a good thing.

Mark Brownrigg: I would say one last thing. From the shipping, ports and maritime business services’ perspective, the UK and London stood up and shouted. It has not done that for a while. Other competitor countries like Singapore and aspects of China, Hong Kong and Dubai will have noticed that. I think that is a big message to have sent.

Jim Stewart: Additionally, it attracted the world’s most important shipping companies. I had discussions with some of them. They said they were hugely impressed by the Government and industries standing alongside each other. We know that some of those shipowners are thinking about relocating to the Red Ensign going forward, so I think there will be a huge number of pluses from London International Shipping Week. It is something we are looking to try and replicate maybe every two years going forward.

Chair: Thank you very much, gentlemen, for coming and answering our questions.

Examination of Witnesses

Witnesses: **Mick Cash**, Senior Assistant General Secretary, RMT, **Mark Dickinson**, General Secretary, Nautilus International, and **Don Cockrill**, Chairman, UK Maritime Pilots' Association, gave evidence.

Q81 Chair: Good afternoon and welcome to the Transport Select Committee. Would you give your name and organisation, please?

Mick Cash: I am Mick Cash, senior assistant general secretary of the RMT.

Mark Dickinson: I am Mark Dickinson, general secretary of Nautilus International.

Don Cockrill: I am Don Cockrill, chairman of the UK Maritime Pilots' Association.

Q82 Chair: Mr Dickinson, in the written evidence we received from you, you spoke about the lack of joined-up thinking between Departments, resulting in sometimes contradictory or damaging approaches being taken. Could you give us any examples of what Nautilus mean by that?

Mark Dickinson: Our evidence was written of course before the Government announced their new maritime strategy. In some respects we need to think about that today in my answer.

Q83 Chair: Maybe you could tell me in your answer what you think of the new maritime strategy.

Mark Dickinson: Okay, thank you; that is a good opportunity—absolutely. The Government have a strategy, so we are pleased about that. Is it perfect? No, it is not. Are we concerned about some aspects of the policy? Yes, we are. Have we voiced those? Of course we have. We understand that it is an organic document and one that will develop going forward. We are looking forward to playing a constructive role in that policy.

The strength of it is that there is this understanding of co-ordinating across Departments. That is something which we have long called for. We have had problems in the past about the tonnage tax. Mark Brownrigg said that he wanted stability and predictability. That is something that we would also endorse. It does cause problems if issues are being raised about the tonnage tax and the unique feature of our tonnage tax—the core training commitment for officer training.

We have had concerns over the national minimum wage and the Equality Act. There are regulations coming out for seafarers where we have had examples of less than co-ordinated thinking across the piece. Any policy or strategy that has at its heart bringing different Departments together so that we all understand what the impact is of any regulatory measure on our industry is going to be welcomed by Nautilus International.

Q84 Chair: Are there any other views about the new strategy or the issue of contradictory policies from different Departments?

Mick Cash: From the RMT's perspective, I would echo Mark's views. The document we have seen is certainly a plan, but one of the disappointments we have is that early drafts of it had specific references for the employment of ratings. The final document excluded specific references to employment of ratings. I was listening at the back earlier on. When we talk about employment in this industry we talk about

seafarers, but they are officers as well as ratings. Ratings are not given the justification and the importance that we think they should have. The plan, strategy document or whatever you want to call it is certainly lacking for that reason in itself.

Q85 Chair: Mr Cockrill, do you want to comment on the new strategy?

Don Cockrill: Only very briefly on two things. First, as a document or a strategy it needs to remain dynamic. It needs to be an active strategy that is continually reviewed and not something which, having been published, ends up on a shelf somewhere with very little reference in years to come. Secondly, it is to do with the longer-term view of the strategy. There is some mention about the retention of younger seafarers, whether they are ratings that are able to get through into officer training schemes or officers who are trained within the industry. You referred to it with a gentleman earlier. They remain within the industry to ultimately come ashore in various positions of administration, whether it is harbourmasters, pilots, VTS managers or whatever it is. It is a maritime skill base rather than a business skill element that is required.

Nigel Palmer mentioned the fact that we have this migrating hole from the 1980s that is now coming to fruition, if you like, over the next 10 years. I am part of that tranche that was recruited before the 1980s. I am now coming up towards retirement with others of my era and there is nobody behind us at the moment. There is a big hole and we do not want to see that repeated. Whatever we do, we must make sure that that experience is not repeated. It is important to maintain that within the strategy.

Q86 Jim Fitzpatrick: I want to bring in the industrial dimension. You heard the witnesses before in respect of their attitude to what Government are trying to do and have been doing. Lots of it was quite complimentary but some was quite qualified. The Maritime Labour Convention is clearly one area where both sides of industry were pressing Government to ratify that more quickly for the benefit of UK shipping. Do you stand closer to the industry or Government on the general issues of employment and strategy? There must be some differences between you and the shipping industry. Can you elaborate on what qualifications you have of Government policy with the industry?

Mark Dickinson: I will try and field that question first. Obviously, there are differences between us as unions within the industry as opposed to the shipowners and the Government. I would phrase that or describe that as lack of ambition. We could make such a big push on youth employment and valuable and long-running careers. Nigel Palmer had 17 years at sea and a lifetime in the industry. I am a little bit younger than Nigel, but, equally, I have spent my entire life in this industry. It offers such wonderful opportunities. What really frustrates me is the lack of the Government's—all Governments, all colours—

ambition for our industry. We want them to put more support in.

When we had the review of SMarT funding, we have already demonstrated that the value of that investment in young people is returned threefold in the economy. It is a fantastic opportunity. There are worldwide shortages. There are jobs there and there are young people who want to go to sea. I make apologies if I steal your thunder Mick, but they advertised for some ratings vacancies with Caledonian MacBrayne. There were 10 ratings trainee slots and 1,000 applicants. If that does not tell you all you need to know about the opportunities that exist, then nothing will convince you. That is the difference. We believe employers could be bolder and firmer on their opportunities for ratings and officer trainees. The benefit would be to underpin our lead in the international maritime services. It does not matter how many foreign shipowners we encourage to come to this register and relocate their business; if you do not have the seafarers, ratings or officers coming through the industry, the whole thing is built on extremely shallow foundations.

Mick Cash: I would echo that. The theme of lack of ambition is correct. We are severely disappointed that the tonnage tax, for example, as far as we are concerned, has not delivered improvements in employment for ratings. It has done some good in terms of officers and SMarT funding, but we really do need to see a step change in employment opportunities not only for apprentices but for ratings.

You asked in one of the earlier questions what London International Shipping Week was like. One of the things that came out of it for me in particular was the fact that the Government announced they were putting £3 million more back into SMarT funding, having cut it in 2010 by the way; but that is a separate point. It is still welcome. It would seem to me that targeting that money specifically for ratings would be a step change.

Just as an aside, again, it is about this lack of ambition. That is a perfect way of describing it. Last month I was in HMS Sultan in Portsmouth. In my other day job I deal with the rail industry. Since 2005, the rail industry has been recruiting over 200 apprentices a year. I addressed over 230 apprentices at HMS Sultan who are employed by Network Rail and their contractors. Forgive me if I get the figure wrong, but I think they spend about £10 million a year doing that. I could be right or wrong, but that is commitment and ambition. That is in an industry where they know they have problems coming up in terms of recruiting and retaining a skilled work force. That is perfect forward planning.

We see all the glossy brochures in the maritime sector about the amount of money being spent and the people being employed. A lot of them might be here in London; I do not know. Where is it for those young people on the front line at the grass roots in the coastal towns and cities facing huge problems for their future? If this industry had ambition, it would commit to a proper arrangement both in terms of using the funding from tonnage tax for ratings and for apprentices. The question is whether it has the

ambition. I doubt it has the commitment if it does not have the ambition.

Q87 Chair: Where will the people come from in the future if there are not enough trained people in the sector?

Mark Dickinson: Maybe I could give you an example. The MCA has 95 full-time main surveyors. It has 95 MS1 posts and 73 in place. There are 22 vacancies. They advertised for an MS1 in Dover and got 16 applications, 14 of which were from outside the EU and two from the UK. The answer is that we either home grow or we import from abroad. That is the only option you have. That is the only way we are going to underpin our maritime skills in this country and maintain our maritime services lead. We either train our own, which I would have thought is a more sensible way forward for a number of reasons, or we are going to have to import them.

Q88 Jim Fitzpatrick: The previous witnesses said that they had great difficulty persuading the Government on the merit of apprentices and the recognition of the qualification. Is that a joint criticism that you share? Have you had meetings with the Skills Agency at BIS when trying to press this? Obviously, if Government do not recognise the qualification or the quality of the training, then you are not going to get the funding to be able even to promote the employment opportunities as they arise.

Mark Dickinson: To be fair, I do not think there was a problem convincing the Government of the opportunity that existed. It was when we got down to the detail. There is a lack of understanding and appreciation of our industry, the peculiarities that exist and the way things have developed over the generations. Making things fit in order to access the funding was the problem. I share the frustration of my colleague, Nigel Palmer, when he explained how that process basically took an extra two years. The detail was the problem. The commitment was there, and I think everybody would acknowledge that there was a commitment there to achieve the objectives. It was just a pity it took so long.

Q89 Chair: The Government promote the Red Ensign Group of registries. Is that detrimental to UK shipping?

Mark Dickinson: I think it is. It is bizarre when I get this new e-magazine from the ship registry part of the MCA and there are glossy photographs of various people in Japan and Germany enticing German and Japanese shipowners to come and do business in the UK. Whilst I thought the meeting with the Prime Minister during London International Shipping Week was an amazing coup and fantastic for the profile of our industry, it was disappointing from my perspective at least to see that, of the major shipowners that were there, very few, if any, of them were British. I wonder why it is we prop up the system of the Red Ensign Group registries. Many of them have been declared flags of convenience by the International Transport Workers Federation and feature on OECD lists of tax havens. They are being propped up by the U.K. They would not exist and would not be able to compete in

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the marketplace without the MCA or the Government propping them up, whatever the reason or policy is behind it. They are principally Crown Dependencies and former Colonies.

Q90 Chair: Are there any other views on the Red Ensign Group?

Mick Cash: I would concur with what Mark has said.

Q91 Chair: The Maritime and Coastal Agency has had some pretty severe cuts to its budget. What is the impact of that and what are your concerns?

Don Cockrill: One of the things that we do as pilots is to observe the day-to-day operations of ships on an up-to-date daily basis. One of many things that we do is to observe standards and report substandards. We report operational standards or whether we believe it is to do with poor physical conditions, equipment failures or whatever it might be.

I would not level this as any criticism of the individual people involved in the MCA. They are all trying to do a very hard job under very difficult circumstances. It is certainly apparent from our experiences of either reporting deficiencies or trying to find out what action might have been taken after events that have been investigated and reported by the MAIB, bearing in mind that the MCA is not able to use MAIB evidence in any prosecution and it has to do its own investigations afterwards—that is the legislation—that there seems to be a general reluctance on the part of the MCA, which we believe is through lack of resources and nothing more, to follow up on particular cases of regulatory non-compliance. Some of them are quite serious, we think. The answer to your question is yes, that is the sort of thing we would see has happened.

Q92 Chair: Are there any other concerns about MCA budgets?

Mark Dickinson: There is a shortfall of 22 MS1s, which is your full grade marine surveyor. There are 95 identified posts and 73 are in post. Those shortages impact in a number of ways, and Don has just explained some of them. The MLC will now come into force in the UK in August next year. All of the preparation for the MLC is being covered by overtime. This is extra work beyond the existing work that they have and which has been impacted by the cuts. MLC is extra and the agency is filling in those gaps through overtime. That is not going to be sustainable going forward. They need to find a way to fill those posts.

Q93 Jim Fitzpatrick: Mr Cockrill just mentioned that the marine accident investigation branch's evidence cannot be used by the MCA in prosecutions. Notwithstanding that conflict under the regulations, has the MAIB's role and operation been impacted by budgets, or, in your view, is it still operating as efficiently as it needs to be to investigate those events that need to be examined?

Don Cockrill: It has had some very substantial cuts in its budget. Mark might know the figures better than me. That has reduced the number of investigators that they have. We have noticed around the country that

certainly the investigations that happen within port areas are quite often now devolved to port authorities, unless they are very serious. If there has been a fatality, for example, then quite clearly they are not going to devolve that, but they will otherwise devolve investigations to port authorities, with an oversight to it. That raises some concerns for obvious reasons because there are potential conflicts of interest.

When one looks into some of the investigation reports, there sometimes seems to be a bit of a reluctance to dig too deep into the underlying causes of some accidents. It is almost as if they go so far in trying to determine the cause of an accident and then reach a point where they stop as if to say, "We don't want to go beyond that," because perhaps it is digging too deeply into the system itself rather than just the operators that are working within the system. Whether that is because they do not have the resources to spend the time to dig any deeper or for some other reason, I do not know.

Q94 Mr Sanders: What impact have the spending cuts had on the marine accident investigation branch?

Don Cockrill: That really follows on from what I was saying to Mr Fitzpatrick. There seems to be this devolving of certain accident investigations of a less serious nature and the depth, in some cases, of the investigation results and the conclusions to which they come. One also wonders about the recommendations that come out. Quite often the recommendations that come out as a result of their investigations, if one looks at them from a practical knowledgeable perspective, do not necessarily require enough of those to whom they are directed.

Q95 Mr Sanders: In relation to safety at sea, what about the impact of cuts on the reorganisation of the coastguard service, or has that not had any effect at all?

Don Cockrill: I don't know whether Mark might like to comment on that.

Mark Dickinson: At the same time I would like to address the question you asked about the MAIB. I wrote to the Secretary of State for Transport in July 2012 when the impacts of the 2010 budget cuts on the MAIB were taking effect. In fact, the chief inspector had commented upon them in his annual report. That 18% reduction in the budget from the 2010 level resulted in the number of inspectors declining from 16 to 12. That was at a time when pressure was on the MAIB because of the incidents around our coast. There were pollution incidents, groundings and sinkings. One is reminded of the Swanland in which all the crew died.

Bearing in mind the limitations on civil servants to criticise their paymasters, when you read the 2012 foreword of the chief inspector's report, he talks about the staff "working under tremendous pressure to deliver valuable, well-structured and intellectually rigorous investigation reports to tight deadlines." Their resilience to future change is much reduced, and staff turnover, sickness or other planned events are now less easy to absorb. This is an organisation that is on a knife edge in terms of its resources, and I hope

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that the Government will be able to return the MAIB to the pre-cut levels in short order.

It is early days to know whether the impact of the cuts on the MCA coastguard stations around the UK has had any detrimental effect because the true impact won't yet be felt. The other cuts that came as part of the package to ETVs around the UK coast and the closing of the MIRG—and Jim, as a former fireman, would feel very—

Q96 Chair: We did a report on these things and we shared your position. Mr Cockrill, you mentioned that there were examples where recommendations have not been strong enough. Can you tell us any more about that?

Don Cockrill: Not specifically for recommendations not being strong enough. It is a difficult question to answer because it is not one I had prepared. It is really a comment in passing. I am quite happy to write to you and give you an answer to that question.

Certainly, where recommendations are made and not necessarily complied with, the MAIB itself supplies an annual audit of that. It is quite noticeable that the MAIB can make recommendations, but there does not seem to be any sort of machinery in place to make the recommendations compliant. I think one can see that that is something to be reviewed within the system, though “failing” might be too strong a word.

Q97 Chair: So it is a follow-through.

Don Cockrill: Yes, a follow-up having made recommendations. As an example of that, there was a recommendation, following the Sea Empress way back in 1996, for the need to have some sort of national qualification for pilots. It is now 2013 and we still do not have it.

Q98 Mr Sanders: The pilots are in a front-line position when servicing vessels to record when something is wrong. Take us through the protocol. There will be various different things that can go wrong, but if you have a suspicion that the vessel is unsafe what process do you go through? On whose desk does it end up and in what format?

Don Cockrill: The reports are made under regulations. We are required in law to report substandard operations, whether it is operations personnel-wise, mechanical or just general ship condition, and also, interestingly, health issues on board as well, such as unsanitary conditions. If there is anything like that, we are required to report it.

As pilots in the port become aware, we are required to report it to the harbourmaster. In practical terms, that is either going to be through reporting to the VTS station—the port radio station—or, depending on the nature of it, it might be better left until one comes off the ship and then to report it once one is ashore. Basically, it goes to the harbourmaster and then they decide whether it goes to the MCA or the port health people, depending on the nature of what is being reported.

Q99 Mr Sanders: Presumably, most harbourmasters are employed by local authorities.

Don Cockrill: The harbourmasters would be employed by their ports. Whether it is a local authority or not would depend on the nature of the port. It might be a private port, a trust port or a local authority port. Yes, the harbourmaster is employed by the port authority in whatever form it is in.

Q100 Chair: Mr Cash, the RMT say that legally requiring seafarer health and safety representatives to undertake a union-approved training course as soon as they are elected would make a significant difference to health and safety. Can you tell us what lies behind that recommendation?

Mick Cash: Yes. We have already heard the concerns about the MCA and the regulatory authorities. Effective health and safety reps provide a good way of preventing accidents and ensuring the welfare of seafarers and passengers. There seems to be a divergence between land-based safety regulations, where as soon as you are trained you can get access to training as soon as possible, and actually to a wider range of training as opposed to what happens on a ship, where effectively you can become a safety rep but you do not seem to have the same rights or entitlements to training and time off to do your duties.

Q101 Chair: Would it be possible for the unions to make that a requirement, or does there have to be a change in the rule to do it?

Mick Cash: I think you will find it is based on the need to change the regulations. We supported an amendment to the Code of Safe Working Practice 2010, which applies to seafarers to allow proper time off and training for seafarers who are health and safety representatives.

Q102 Chair: We spoke earlier about problems in training and not having enough personnel. Would you say the tonnage tax has been successful overall, or not?

Mark Dickinson: This is probably where you will find some differences between the two main unions representing the seafarers.

Q103 Chair: Let us start with Nautilus and then I will ask the RMT.

Mark Dickinson: From the officers' point of view, on average, for the last three years, there has been something in the region of 900 officer trainees who have entered the industry as a result of the tonnage tax sMarT. Obviously there has been an increase in the fleet, but that in itself is not what it is about for me. It is about the seafarers of the future. Am I completely happy? No; I want more. As I said before, I want the nation, the Government, the administration and the shipowners to be more ambitious in their targets. We need twice that number coming through to stop the long-term decline in the number of British officers.

Q104 Chair: Mr Cash, what is your view?

Mick Cash: Obviously it has been beneficial in terms of officers, but certainly in terms of ratings it has done very little indeed. The tonnage tax, if my figures are correct, has given tax breaks of over £750 million to

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the industry. You would wonder, therefore, whether or not you would see more for that tax break. We were told at the time it was being introduced that SMarT money was targeted specifically at officers because there would be a natural increase in ratings due to the fact you had tonnage tax. We have actually seen a decline. We would prefer to see the model they have in Australia where they link tax benefits for the industry and employers to the employment of Australian seafarers. Failing that, we would want to be in the position where we see more money being targeted as part of the SMarT scheme for the training of seafarers, as I said earlier on.

In addition to that, it is also important to understand that there are drivers out there that stop the employment of seafarers. They can be trained, but then there are practices out there such as those we see on Condor Ferries—funnily enough, out of Poole harbour, I think—where they employ non-European economic area seafarers from the Ukraine on £2.30 an hour. You can have trained seafarers from the UK, but if you then allow the national minimum wage not to apply or the Equality Act to be able to discriminate against non-EEA seafarers—you have to do both things together. You have to provide the training and you have got to resource it, but then you have to ensure that you do not undercut UK seafarers.

Q105 Jason McCartney: Mr Cash, just to be absolutely clear here, are you advocating a “British seafarers for British shipping” policy?

Mick Cash: When you say “seafarers”, are you saying—

Jason McCartney: I am asking what policy you are advocating. You are saying what the problem is, but what are you advocating?

Mick Cash: We want to see better employment for UK seafarers, which includes officers and ratings.

Q106 Jason McCartney: How do you propose to do that?

Mick Cash: We identified that earlier on. We have £750 million-worth of tax breaks. We should get more employment back for that, shouldn't we? What is the purpose of the maritime policy if it is not to ensure better employment, not just in this place, in the City of London, but for UK workers to be employed? If we cannot get a direct link between the tonnage tax and employment, then we would want to see more money provided from the SMarT scheme to train seafarers and stop the use of non-EEA seafarers to undercut UK workers. You would support that, wouldn't you?

Q107 Jason McCartney: Which nationalities in particular are you seeing in the industry, other than British nationals? I asked this question earlier.

Mick Cash: I gave an example earlier on about the Ukraine. There are Ukrainian workers on Condor

Ferries operating from the south coast to the Channel Islands.

Don Cockrill: I would like to answer that briefly. It is not unusual to go on board a British registered ship that will have a Russian master, non-EU officers and probably an Asian—more likely Filipino but not necessarily—crew. It will be sailing under a UK flag. There are a lot of ships like that and that is not unusual.

Q108 Chair: Do you agree that the London International Shipping Week was successful?

Mark Dickinson: It would be difficult to answer that in anything other than a positive way. Anything that exposes our industry to wider audiences has to be a good thing.

Q109 Chair: Should it be repeated?

Mark Dickinson: I think it should be repeated. I would like to think that part of this is also down to us. We have to take, but be offered, a more active role in the whole proceedings.

Q110 Chair: Mr Cockrill, do you have any views on that week and what we might learn from it?

Don Cockrill: There are three parts to the answer. Yes, I thought it served its purpose and without any doubt achieved the goal that was intended. There is no need to repeat what has been said before. If we are going to do it again, I think it needs to have a more national perspective. It is difficult to try and find a suitable title to repeat it again, but my members thought there was not a national feeling to it. It was very much London-centric, for obvious reasons. If it is going to be repeated and to have more success, it needs to have a more national perspective rather than just London. You could take it to Liverpool, Aberdeen or wherever it might be.

The third thing is that it needs to be more public. It was too introspective within the industry. We are an island nation. One of the big problems we suffer with this industry generally is that the average man in the street has no idea what goes on behind the dockyard gate. It is a superb opportunity, if it is repeated, to get it out into the mass media in some way or other. I do not know how that would be done, but there are people who are expert at that and would be able to advise us. We need to get this message about the industry that we have out into the country as a whole.

Mick Cash: I would support the comments that my colleagues have made. I would also like to make sure that it achieves its purpose. Did it deliver one extra job, particularly for UK ratings? I do not know. But if its target is to improve employment going forward, then, fine, it should do that. I have my doubts; it did seem at a distance.

Chair: Thank you very much, gentlemen, for coming and answering our questions.

Examination of Witnesses

Witnesses: **Dr Sarah Mander** and **Dr Paul Gilbert**, Tyndall Centre for Climate Change Research, University of Manchester, gave evidence.

Q111 Chair: Good afternoon and welcome to the Transport Select Committee. Could we have your name and organisation, please?

Dr Mander: My name is Sarah Mander. I am from the Tyndall Centre for Climate Change Research at the university of Manchester.

Dr Gilbert: I am Paul Gilbert from the university of Manchester, again at the Tyndall Centre for Climate Change Research.

Q112 Chair: Cars are much more fuel-efficient than they were 20 or 30 years ago, but the same does not seem to have happened in relation to shipping and ships. Do you know why that is?

Dr Gilbert: As you are aware, shipping is very international. It is not covered under regional or national targets compared with the car industry, which is covered under UK and EU targets. It also has a different policy framework, in the sense that at a national level we are very much under the common but differentiated responsibility when we are looking at national targets to address climate change, whereas the shipping and aviation sectors have no more favourable treatment in that sense.

The industry itself also has very slow rates of change. When we look at cars and try and negotiate targets, it is negotiated at a national and EU level with different tiered systems for efficiency and scrappage rates. When we look at the shipping sector, it is very slow and late in the day. We look at negotiating aspects at a global level and trying to reach a global majority. Looking at benefits, it is very clear from looking at the automotive sector who would benefit from efficiency improvements. When you are looking at the different actors involved within the car industry, it is very much the driver and the owner of the automobile, the manufacturer and some level of distribution. When you are looking at the shipping sector, it is very difficult to pinpoint the benefit and responsibility. There are different ship operators, owners and different people with different goods transporting the goods between different nations. Ships are registered in different nations at the same time with different employers within them. It is very hard to pinpoint the benefits and who holds the responsibility to implement those measures.

We do have standards in place within the sector. There is the energy efficiency design index, which came in in January of this year. That is a 10% efficiency improvement on new builds. That is going to be tightened by 2030 out to 30%. Again, it is not a strong measure. It is a very weak measure, in the sense that it is only covering new builds and it is not looking to address efficiency across both new builds and retrofits, especially when you consider how long ships are going to be in operation for. Something that came in in 2012, for example, before the regulation, will be in operation for perhaps the next 30 to 40 years. It would not have been covered under the energy efficiency design index measures.

Q113 Chair: You have said that the maritime sector is international rather than national, which some of the other sectors that I have referred to are. There is this mix of regulatory bodies, is there not? There is the IMO, the ILO, the EU and the UK authorities. Could those be used to assist this, or is it just too complicated to have an impact?

Dr Gilbert: The regulations working together have both advantages and disadvantages. In one sense, yes, at an UK and EU level we should be working towards a global target with the International Maritime Organisation. At the same time this has been seen as a stumbling block where, because we are waiting for something to happen globally, it often leads to us waiting around and not implementing stuff at an EU or UK level.

The UK Government have had several opportunities to introduce UK shipping into carbon budgets and targets. There have been issues with that and it has been put off by what is happening at an EU level. There is a lack of interaction there. It was put off in the sense that there was trouble with the aviation industry and how the European emissions trading scheme was implementing aviation emissions. That put the UK Government off from implementing their own measures to look at addressing UK shipping carbon budgets and targets.

The UK can address stuff as a nation unilaterally. It can also do this in partnership with the EU. It does not have to wait to understand what its share of maritime emissions is. It can start to look at standards and targets, looking at what happens in UK and EU ports or in UK and EU waters. It can introduce regulations and standards for the efficiency of vessels. We can also look beyond the shipping industry at trying to address more as a system how we address international shipping emissions.

Chair: Let me stop you there for a moment. Other members may want to put questions on some of the points you have made.

Q114 Mr Sanders: How feasible would it be for a nation state to refuse entry into its territorial waters of a vessel that did not meet a certain environmental standard?

Dr Gilbert: There are barriers to introducing unilateral measures. It is the same thing if you look at what is happening with the sulphur regulations. We are having sulphur standards and regulations in north-west European waters where we will have to meet a regulation of 0.1% of sulphur content in the near future. The industry has to look to adjust in that sense. Again, there will be issues surrounding it if it does not meet those targets. It has to change, adapt and look at burning alternative fuels like LNG or low-sulphur diesel. There are transmodal shift barriers, shifting on to lorries or not going into the waters.

Q115 Chair: Dr Mander, do you want to add anything to that?

Dr Mander: To back up what Paul has said, regulations such as the sulphur regulations would

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appear to work well within particular geographical boundaries where particular countries or parts of the world are keen to drive the same regulation forward. That cannot be said about every part of the world, which would then lead to the issues that Paul was highlighting. You might have transshipments or transmodal shifts as people sail the more polluting ship to a particular hub port and then either switch to a cleaner ship or alternative methods of delivery when you enter the area covered by the regulation.

Q116 Jim Fitzpatrick: My apologies for having to leave shortly. I am interested in following up this point. The EU tried to introduce an emission trading scheme for aviation. They had to cave in because ICAO basically said, "We are not doing it." China refused to buy A380s and the whole thing just collapsed. The IMO did appear to be more progressive in addressing climate change than ICAO was for aviation. The emission control zones—for example, you mentioned the North sea for sulphur—did seem to be an attempt to start addressing the hot spots within the world.

You may not have heard the witnesses earlier on, but they said that for the ferry companies in the North sea it could increase their fuel costs by up to 60%. These regulations were signed off in 2007 for a 2015 introduction, but the industry is basically still saying, "We can't do it." In your view is it going to happen, or is it just not feasible for the IMO/EU to be able to enforce the sulphur zones in the North sea as an example of a localised regulation to try and improve shipping's performance in addressing climate change and dirty fuel?

Dr Gilbert: That is a good question. Was it the British Chamber of Shipping that mentioned—

Q117 Jim Fitzpatrick: I think it was Associated British Ports, because Poole harbour, which has the ferry companies, is being told by the companies that use Poole—at Goole, rather—that they are going to hit this wall of costs and they may not be able to continue operating. Is it scaremongering?

Dr Gilbert: It could be scaremongering to some extent, yes. I do not think I can comment either way on that situation. There are two things to state. First, if you are looking at what the EU is trying to do at the moment with carbon emissions, the climate change carbon emissions are treated in a different silo from sulphur emissions. They have a very formatted approach to try and address carbon emissions at the moment. This is in addition to what is happening by the IMO. They are trying to monitor, report and verify emissions from large vessels coming into European waters. That will be from 2018 onwards. At the same time, in conjunction with that, they are trying to develop greenhouse gas targets—it is what the sector needs to reduce its emissions by—and also looking at what sort of market-based measures and levies they could introduce within a trading scheme to make sure that emissions reduce to those targets. They are rolling that out and it is getting support. At the moment they are trying to decide how to go about monitoring emissions.

Q118 Chair: How long is that going to take? I know you have suggested a combination of sulphur and carbon targets or measures, but how long would it take to do something like that?

Dr Gilbert: For the verification? The EU has said it will be 2018 when it will have the monitoring and verification process in place. The monitoring is called MRV: monitoring, reporting and verification. That will be for larger ships calling at EU ports.

The second aspect is sulphur emissions. We understand and agree that there are going to be cost implications and issues of potential job losses in trying to meet these targets, which is why we are trying to argue that sulphur and carbon emissions should be looked at in parallel. A lot of the issues and technologies they are looking at to address sulphur emissions, such as liquefied natural gas and diesel, do not look to mitigate emissions within the sector from a carbon perspective. We are trying to argue the case that this should be looked at in conjunction to prevent any lock-in of technology and also trying to prevent lock-out.

Q119 Chair: You have spoken about loss of jobs if these things are done. Have you made any assessment of that?

Dr Gilbert: No.

Q120 Chair: That is not your remit, but it is something you are aware of.

Dr Gilbert: That is me referencing the British Chamber of Shipping's AMEC report.

Q121 Chair: What measures could shipowners take to reduce their carbon footprint, and what is it that the Government could do? I am trying to think of practical measures. What could actually be done?

Dr Mander: The biggest driver of the past few years has been the high cost of fuel coupled with the economic downturn. That has resulted in a reduction in ships' speed, which has had a huge impact on the energy consumption and, as a knock-on effect, the carbon emissions of the sector. The challenge for shipping going forward is that, as countries come out of recession, there is more economic growth. The temptation, if you are a shipowner, is that you are going to want to speed up and deliver goods more quickly to be able to make more money from your ship, because ships are hugely expensive. One potential area to look at for regulation would be whether there is anything you can do with speed to try and make sure that the energy savings and carbon emissions gained since 2008 are not lost going forward as people speed up.

Looking at speed, that has a huge knock-on effect in terms of sulphur and impacts on the wider marine environment. From an environmental perspective there are huge double benefits, as it were.

Q122 Chair: Are there any other things that could be done to decarbonise a ship? What practical measures could be taken and who should be carrying them out?

Dr Mander: At the moment there is still massive overcapacity. There are more ships than are needed. There are very old and inefficient ships. Consolidation

of the industry and looking at how you remove the less efficient ships might be something to look at, in addition to looking at other changes to operations as well as speed. There could be pooling of cargo. There needs to be more central control and monitoring to make sure that you avoid weather whereby ships go quickly to arrive at a port, rather than sitting outside and waiting at that port. You need to look across the whole voyage. There is also various low-carbon technology.

Q123 Chair: What about new technologies? In your paper you talk about vessels propelled by electric batteries, nuclear energy or wind power. Are these things realistic?

Dr Gilbert: They are realistic, yes. One of the main ones to look at and to consider as a technology, moving forwards, is wind propulsion. To build on what Sarah said, when ships slow down there is less power demand in the main engine so the opportunity to exploit wind propulsion, in terms of kites, Flettner rotors, which harness the Magnus effect, or sails, becomes more attractive. Wind propulsion is not in competition with other sectors. The one thing the maritime sector should be aware of is that a lot of the technologies that are being put forward at the moment—for example, biofuels—could be in potential competition with other sectors such as the automotive and aviation sectors, which have had a longer period of time to put research and development into those technologies.

Wind is a potential technology to deliver up to a 20% saving. It obviously has its issues and barriers. Biofuels is another technology that is very viable for the sector. Microalgae, as a third-generation biofuel, is very attractive in the sense that it can be grown in coastal waters and then refined to a level that could be burned in a marine diesel engine. Do you want more information on technologies?

Chair: No; it was just to get an idea of what could be done.

Q124 Jason McCartney: I would like a little more information on those new technologies. First, is there any one maritime shipping nation that is at the forefront of this? Secondly, is there a company that is winning business because they are seen as being very green and environmentally friendly? Thirdly, is any organisation or company running merchant shipping using sails or wind propulsion at the moment so that I can look into this more?

Dr Gilbert: We made clear in our evidence that there is not going to be one silver bullet when it comes to looking at technology choices for the sector because of the different market services.

Q125 Jason McCartney: But is anyone doing this, to answer my specific question? We are short of time. Is there any one nation that is leading the way or any one company?

Dr Gilbert: It is not as clear-cut as saying one nation, but there are companies that are looking at technologies. They are not necessarily the shipowners and the operators, but companies are looking at the technologies. B9 Shipping is one of the largest

companies looking at developing a fully renewable vessel. They are looking at sails and LNG in the first instance. The sails would complement LNG propulsion. Then they are going to move from LNG to biogas, which is produced via anaerobic digestion of biodegradable waste. They are a company that is trying to look at that and at services to and from the UK, with the Baltics, to supply pelletised biomass into the UK market. It is what they would class as a sustainable service, introducing biofuels into the UK on a renewably powered vessel and also looking at renewable green steel which, at the end of its life, is reused within the ship. They are looking at the material aspect as well.

There are a lot of other technology providers again working at an experimental level and, to some extent, a demonstration level. SkySails is a company that is looking at kites for vessels. I think Enercon—

Q126 Jason McCartney: When you say “looking at kites”, what do you mean?

Dr Gilbert: They are a company that are developing kites that attach on to the front of vessels. Obviously, as the wind blows—

Q127 Jason McCartney: Are they trialling them now?

Dr Mander: Yes.

Dr Gilbert: Yes. They are installed on about 10 different vessels. I am not too sure of the owners or the companies involved, but SkySails are developing and installing.

Dr Mander: As a region, many Scandinavian countries invest more in technology development and are looking at the R and D of new technologies and trialling them on their ships. Wallenius or maybe Maersk are container shippers that are close to end markets, as it were, that have good relationships with big multinational companies that are themselves based in Scandinavia, or for whom a green supply chain is an important company driver.

Dr Gilbert: It is important to say that, as the UK Government and as the UK in general, we should be looking to invest in more demonstration of these technologies, to try to bring them to life and put confidence in shipowners and ship operators, who see them as having no short-term competitive advantage. There are concerns with the safety of running these technologies and also the high capital cost from the start. It is about going beyond the modelling work, the experiments and the small scale, and trying to make these a commercial reality.

Q128 Chair: Where are the companies you have mentioned based? Where do they work?

Dr Gilbert: B9 Shipping is based in Northern Ireland.

Dr Mander: SkySails is a German company.

Dr Gilbert: I am not too sure about the companies working on Flettner rotors.

Q129 Martin Vickers: To some extent you have elaborated a little on the point that I was going to make. My main concern was the mention of job losses and how we offset that with jobs in research, development and so on. As someone who represents

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a constituency with a large port, obviously any job losses will be of concern. Do you think the Government have got the balance right? You mentioned helping out with R and D, but are there one or two policies you would like to see our Government pursue that would alleviate job losses but would also move in the direction you are advocating?

Dr Mander: Low-carbon shipping is quite new. We need policies that are able to support the demonstration, the commercialisation and the de-risking of technologies such that their viability can be proven on a commercial scale. If you take B9 Shipping as an example, they would in the first instance be looking to manufacture their ships in the UK. It is helping de-risk that technology to show a shipowner or a shipper who has a valuable cargo on board that a ship with a new technology will arrive at the time it is expected to arrive, will arrive safely and so on.

Dr Gilbert: Just to clarify, we do not do research specifically related to job losses. There are two things to mention. The first would be about the shipbuilding industry in terms of job losses. You probably saw in the news about the job losses at BAE Systems. We have an opportunity in the UK where we can develop a shipbuilding industry looking at a new type of market in terms of shipbuilding. Instead of building ships that run to the end of life, we could try to embrace the circular economy more. We could lease out vessels and materials and create a sustainable UK shipbuilding industry, which, at the end of its life, could remanufacture, reuse vessels and create a market in that sense. There would be jobs around that issue. The circular economy and how we look at implementing that in all sectors is very crucial at the moment in terms of funding and also research and industry funding.

The second aspect is the work force that can deal with and adapt to a low-carbon ship. The training involved with running something like wind technologies is going to be very different from the training involved with operating a ship that runs on heavy fuel oil. We need training to ensure that we have a work force that can meet the demands of that and other potential technologies, whether it is nuclear, biofuels or otherwise.

Dr Mander: I would say the training even comes down at the moment to training crews so that they can work with the EEDI and the new operational regulations.

Dr Gilbert: Yes—the EEDI and the Ship Energy Efficiency Management Plan, which is more about the operations of the ship.

Q130 Martin Vickers: Do you think this can be done so that it is commercially economic? Would you

foresee that it would need some sort of taxpayer money to support it or initiate it?

Dr Gilbert: To be honest, I look at what is happening in terms of industry funding at the moment—i.e. the Technology Strategy Board. We are moving in the right direction from Government funding to support these sorts of projects. There are opportunities there. I would not be able to add beyond that.

Q131 Chair: Are there any other factors or issues you would like to bring to our attention in this area? We have your written evidence and we have listened to the answers you have given us. Is there anything we have missed that you would like to put on the record in relation to dealing with this whole area of carbon emissions in relation to shipping?

Dr Mander: It is just worth re-emphasising the fact that currently shipping and aviation are not within carbon budgets. With the importance of cumulative emissions—the fact that CO₂ is long-lived within the atmosphere—any kind of delay in including aviation and shipping within those budgets could then have a huge knock-on impact for other sectors that may have to do more—

Q132 Chair: So you would like this to be in the carbon emission targets.

Dr Mander: Yes.

Q133 Chair: You think that would make a big difference.

Dr Gilbert: It would make a big difference in the sense that it would need to be included in the carbon budget targets. This is putting it alongside other sectors as well. If we add the shipping industry early, it would give other sectors an indication of what level of cuts we would have to make as the whole UK economy to meet an 80% reduction target. If we leave it too late, until 2020 or 2030, to go on to include aviation and shipping, then to meet our 80% reduction targets the likelihood is that we might have to make larger cuts than we would have if we had done it in the short term, because of the cumulative emissions.

Q134 Chair: You have covered a lot of issues. I just want to make sure there is nothing else you want to say.

Dr Gilbert: Yes; when we saw the brief we thought it was a lot of stuff to ask. The main thing is to include it in the carbon budgets and targets.

Chair: Thank you very much for your evidence and for coming here today.

Written evidence

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; and
- 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. Thank you 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?".

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; and
- 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 (ie 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 Drs Paul Gilbert, Alice Bows, Sarah Mander, Michael Traut and Conor Walsh (MAS 005)

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...ⁱ).

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?...ⁱⁱ). Gilbert and Bows (see paper attached: Exploring the scope for complimentary...ⁱⁱⁱ) 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 (eg 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 (eg 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...^{iv}). 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).^v

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)^{vi} (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...^{vii}) that the upcoming sulphur regulations should be postponed and instead, a co-ordinated suite of regulations should be implemented that tackle cumulative CO₂ emissions and localised SO_x 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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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 £31 billion a year to the country’s economy, and a further £8.5 billion 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 (eg 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 2008–09, 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 2001–02, 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

Written evidence from the National Union of Rail, Maritime and Transport Workers (RMT) (MAS 008)

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 24,100¹ 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 2012.² 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% of employers' costs for training an individual. The review of SMarT commissioned by the Coalition in 2010 resulted in the scheme being retained but the annual funding was cut from £14.9 million to £12 million 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 MacBrayne³ 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.⁴

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 2021.⁵

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.⁶ 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.

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

² Ibid

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

⁴ *Hansard* 16 April 2012, Col. 60W.

⁵ *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

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

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 1,800,⁷ 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.”⁸

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.⁹ Despite this, 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).¹⁰

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 £732 million since it was introduced.¹¹ 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 Australia¹² 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.

⁷ Hansard 5 July 2013 Col. 853W-854W

⁸ Pg. 28 Transport Committee HC299 (04–05) *Tonnage Tax* 10 Feb 2005

⁹ Hansard 15 Jan 2013 Col. 643W

¹⁰ Source: Maritime Educational Foundation

¹¹ Hansard 17 Apr 2012, Col. 343W; 21 May 2012, Col. 428W; 15 May 2013, Col. 278W; 20 May 2013, Col. 469W

¹² http://www.mua.org.au/media/filer_private/2012/07/16/muashippingpolicy.pdf

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:

*“On the basis of the evidence submitted, I recommend outlawing the practice of nationality-based pay differentials for seafarers altogether (option A).”*¹³

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 agreement¹⁴ 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 principle¹⁵ 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 (ie 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.¹⁶ 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 confirmed¹⁷ 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 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.¹⁸ This anomaly increases the risk to seafarer health and safety when working at sea and in port.

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

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

¹⁵ Pg 11–12, BIS NMW Enforcement Guidance update June 2012

¹⁶ <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>

¹⁷ *Hansard* 30 October 2012, Col. 184W.

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

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.¹⁹ 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 20th August this year); the International Maritime Organisation's MARPOL (Annex VI) Convention on maritime pollution (comes into effect 1 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.

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."²⁰

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 June 2013 to the Institution of Civil Engineers:²¹

"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

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

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

²¹ 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>

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.

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 £1.6 billion in 2000 to £5.3 billion in 2011. The maritime sector as a whole (including ports, shipping and maritime business services) directly contributes between £8.8 billion and £13.8 billion 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 £2 billion 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 £12 million 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.



Gross Value Added

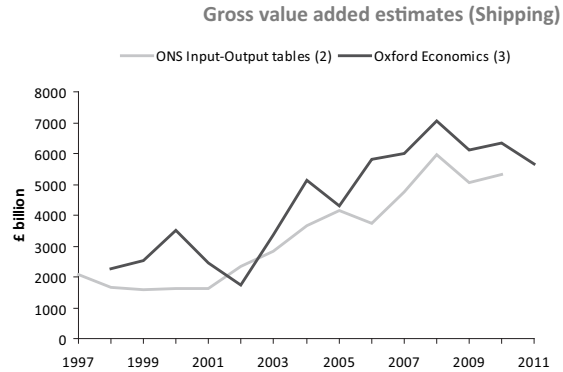
Gross value added (GVA) is the net contribution of a sector to the domestic economy (GDP).

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: £5.3bn¹ to £5.6bn²
- Ports GVA: £2.0bn³ to £6.7bn²
- Business Services GVA: £1.5bn²

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

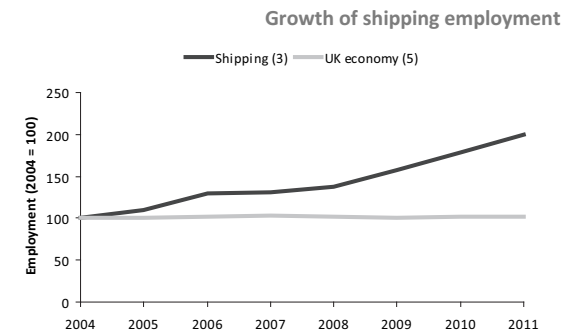


Employment

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: 146,000²
- Ports employment: 58,000⁴ to 107,000²
- Business Services employment: 10,000²

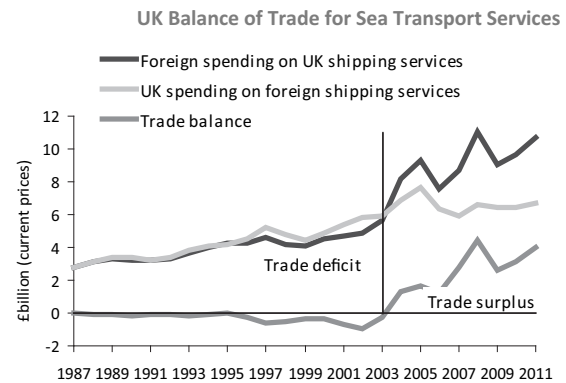


Trade

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 £4.0bn⁶ 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.



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.
- ONS Pink Book, 2011.



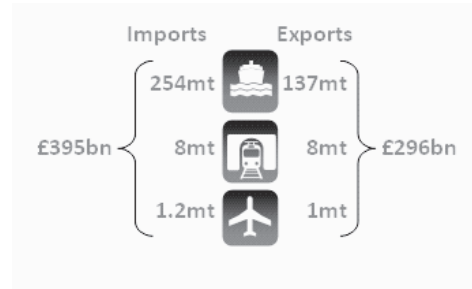
Port Traffic

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 Mt⁷, 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.

Value and tonnage of foreign imports and exports by mode



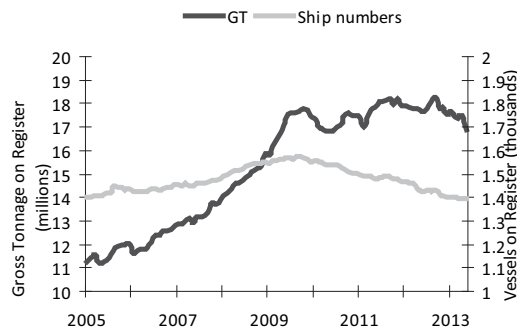
UK registered Fleet

The deadweight tonnage (dwt) of trading ships on the UK Register has more than trebled since 2001 to 17.7 million dwt in 2011.⁸

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.

Size of UK Registered Shipping Fleet



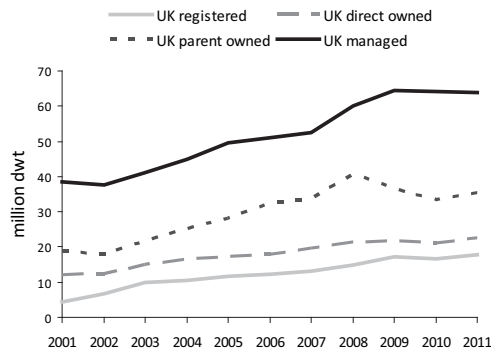
Measures of the UK fleet

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.⁸

UK Shipping Interests



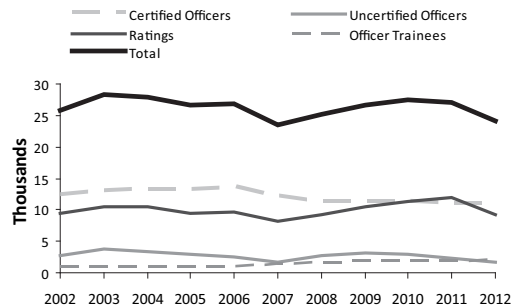
UK Seafarers

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

In 2012, an estimated 24,100⁹ 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.

UK Seafarers active at sea



1. DfT Port Freight Statistics, 2012 provisional annual publication.
 2. DfT Shipping Fleet Statistics, 2011
 • 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 £8.8 billion to £13.8 billion.

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 one 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.

Annex B

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% 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 9th Report of Session 2012–13 on Marine Pilotage²² 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,²³ 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 2013.²⁴ 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.

Further written evidence from the Department for Transport (MAS 010a)

DRAFT DEREGULATION BILL—MARITIME AMBULATORY REFERENCE TO INTERNATIONAL SHIPPING INSTRUMENTS CLAUSE

Thank you for the points you raised about the maritime ambulatory reference draft clause during the oral evidence session as part of the Transport Select Committee's inquiry on maritime strategy on 10 September 2013.

I thought it might be helpful if I provided additional information on the scope and intent behind this clause.

As was explained at the hearing, the requirement for such a clause arose out of the responses from industry and others to the extensive consultation carried out as part of the Maritime Red Tape Challenge over the period November 2011 to July 2012. Industry told us clearly then that what they wanted; this included:

- the prompt implementation in UK law of international regulation allowing them to continue to trade freely without any hindrance resulting from incomplete or outdated certification;
- regulations enacted without gold-plating;
- regulation enacted by direct reference to the text of the international instrument and not rewriting it; and
- consolidating different pieces of legislation relating to the same issues.

The Government agrees with these points and identified a range of ways in which they could be achieved. As we said in announcing the outcome of the Maritime Red Tape Challenge, a key part of the plan is to amend the Merchant Shipping Act 1995 so there is a clear power *where appropriate*; to give effect to international conventions by ambulatory incorporation by reference. This is a key ask by industry and will significantly speed up implementation of international conventions.

Clause 48 in the draft Deregulation Bill will give effect to this public commitment. It amends the Merchant Shipping Act 1995 (the "1995 Act") so that the powers to make secondary legislation provided in the 1995 Act can be exercised so as to provide for a reference in the legislation to any international agreement to be

²² At: <http://www.publications.parliament.uk/pa/cm201213/cmselect/cmtran/840/840.pdf>

²³ At: <http://www.publications.parliament.uk/pa/cm201314/cmselect/cmtran/79/79.pdf>

²⁴ 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.

interpreted in the future as a reference to the agreement as *modified from time to time* (and not simply to the version of the agreement that exists at the time the secondary legislation is made).

The practical effect of this clause would be that *where the power has been applied through secondary legislation*, which would of course normally require Parliamentary scrutiny, the Government would not need to make further secondary legislation or publish any other regulatory document in order to give effect to changes, which we consider will be generally technical in nature, to international obligations and standards. Changes to the text of an international agreement would be automatically incorporated into UK law in the circumstances specified in the secondary legislation.

There are a few points to make about this proposal in the Bill:

- First, this approach is not novel. The Merchant Shipping Act already allows such an approach in relation to marine safety and pollution issues. This reflects the fact that the International Conventions covering such issues are subject to constant updating—often technical in nature which it would not be sensible to implement through secondary legislation. Parliament will of course have debated this point during the passage of the Act.
- Second, it does not apply to the implementation in the UK of any new conventions, for which new primary legislation would be required and where Parliament would be able to determine the appropriate level of scrutiny that would apply to any new secondary legislation.
- Similarly, although we would expect to ask for powers to use ambulatory references for any subsequent changes to new conventions which are subject to frequent technical changes, the justification for this would need to be put to Parliament at the time the secondary legislation was considered.
- Third, if we wish to apply this approach to any existing conventions, we would need to bring forward new secondary legislation to provide for this power and again would expect to justify to Parliament why it was appropriate.
- And finally, the power being sought in the Deregulation Bill does not cover European legislation. This is normally implemented through means other than the Merchant Shipping Act and where there are powers to make ambulatory references in the European Communities Act and the views of Parliament on such legislation will continue to be sought through the scrutiny committees during negotiation, and when bringing forward appropriate secondary legislation finally to transpose the legislation into UK law. The views of Parliament on these matters are of course often important in strengthening the UK Government's position in European negotiation and the Government welcomes this process.

The practical effect of this proposal will be to speed up the implementation into UK law of changes to international agreements. It will mean that industry only has to familiarise itself with texts of the agreements rather than also having to refer to national legislation implementing -and sometimes interpreting—the agreements. It would also allow for a radical simplification and consolidation of the existing maritime legislative framework. For example, the Government would expect to use it in connection with the main international conventions such as MARPOL (the International Convention for the Prevention of Pollution from Ships) and SOLAS (the International Convention for the Safety of Life at Sea).

The Government will of course be happy to explain its intent in this area further during Parliamentary scrutiny of the Deregulation Bill later this autumn.

September 2013

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 £8.5 billion 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.
- 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 (eg 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

Supplementary written evidence from the Department for Transport (MAS 10b)

THE DEPARTMENT FOR TRANSPORT REPLIES ON THE POINTS RAISED THE LETTER FROM LOUISE ELLMAN, CHAIRMAN OF THE TRANSPORT COMMITTEE (DATED 19 December 2013)

RED ENSIGN GROUP

On 12 September, Sir Alan Massey said that the UK was able to influence the quality and performance of ships flagged under a member of the Red Ensign Group (Q8). Could you explain how this is done and what action the UK can take if a Red Ensign Group ship is found not to meet appropriate standards (Q9)? Can you give specific examples of the Maritime and Coastguard Agency taking action of some sort against a Red Ensign Group flagged ship in such circumstances?

Could you also explain which, if any, employment regulations apply to the crew of ships flagged under Red Ensign Group members (Q12)?

The Foreign and Commonwealth Office (FCO) or Ministry of Justice (MoJ) have overall responsibility for overseeing the general governance of the Overseas Territories and Crown Dependencies respectively. The MCA provides supervisory oversight and assurance to FC/MoJ through an external monitoring team, External Improvement and Assurance (EIA). In its work the monitoring team makes use of intelligence provided by the survey and inspection division of MCA and works with MCA surveyors to provide follow-up and close out of identified issues.

The EIA team conducts monitoring audits on the functions of the REG Category 1 and 2 shipping registries and administrations over a four year cycle. These include all the ship registration, seafarer standards, accident investigation, standards of ship survey and implementation of conventions and regulations.

Following each monitoring audit, any issues of concern and shortfalls against the required standard are raised in a formal report with a series of formal recommendations that the REG member will be required to address within a given timescale. Failure to implement corrective action results in a sliding scale of increased control measures—from control of fleet numbers and vessel types to closing the registry. Further control measures that may be implemented include MCA taking over the survey and inspection function of the REG member either wholly or in part.

In addition to the monitoring audits carried out by EIA, MCA surveyors carry out targeted inspections of REG ships under the provisions of the Merchant Shipping Act and have at their disposal the same control measures as for Port State Control, ie detention, prohibition notices, improvement notices and defect rectification.

Further information on the relationship between the MCA/DfT and the REG Administrations can be located in the DfT's Partnership with the Overseas Territories paper published in May 2012 and available via the DfT website.

The REG registries have a track record of high quality standards and deal with under-performing ships and owners directly. Accordingly the need for MCA implementing control measures is infrequent. However, the following are given as a range of examples of where the MCA has implemented control measures against a REG register or individual REG ships, working closely with the REG member:

- The monitoring audit of a Category 1 REG register in 2012 identified a number of shortfalls against the required standard of performance, specifically lack of resources to meet survey obligations and implementation of statutory conventions. The frequency of audit was increased and a further audit took place in 2013. Findings of that audit showed insufficient progress with corrective action. Accordingly the REG member in question has accepted restrictions to stop fleet expansion and has further entered into a technical support agreement with the MCA to facilitate direct survey by MCA surveyors for part of its fleet until it has fully implemented the required corrective actions.

- A REG passenger vessel in March 2013 was preparing to re-enter service after refit. MCA received intelligence that the vessel was not in a fit state to sail and accordingly boarded the vessel to conduct full drills and an Expanded Inspection. The extent of defects and failures in the safety management system was sufficient to warrant detention. The REG member's surveyor attended and re-audited the vessel's Safety Management System and declared it fit to sail. The vessel was subsequently moved to another port where MCA surveyors re-inspected the vessel and judged the vessel still to be deficient and re-detained it. REG member's standard of survey and audit taken forward by EIA at next audit of that REG member.
- Allegations of hours of rest requirements not being enforced on a REG registered car carrier in April 2012. MCA boarded the vessel and imposed an Improvement Notice.
- In April 2013 it was found that a REG registered general cargo ship in April 2013 was using unauthorised navigation systems, had navigational failings, failed to report a grounding and official procedures not being followed. The REG member was advised that there were grounds for detention but given the option to take matter forward to resolve with operator.

EU employment regulations will apply to the UK and Gibraltar as the one REG member that is also within the EU. All other REG Category 1 members either have, or will, adopt the Maritime Labour Convention (MLC) which encompasses employment regulations and criteria. The REG members' adoption of the MLC is through, and by extension from, the UK. Accordingly the interpretation and application is in line with the UK's. Of the five Category 1 REG registers, the Isle of Man and Gibraltar were included in the original UK ratification submission, the application for the Cayman Islands is underway, Bermuda is expected to have ratification extended to them shortly, and we understand BVI is preparing implementing measures.

REG flagged vessels that trade within the EU or UK territorial waters may come under certain EU employment regulations as regards their crew, for example minimum wage, but only for the duration that the vessel is within territorial waters. Otherwise the employment regulations of the REG member's crown dependency or overseas territory will apply.

EMPLOYMENT AND TRAINING

We discussed the support provided for the employment of officer cadets, both under the Tonnage Tax regime and via SMarT funding (Q33–35). Could you explain how much funding has been provided under both arrangements since 2010 plus budgeted provision to 2015–16? In doing so, could you differentiate between funding in support of the training of officers and funding relating to the training or employment of ratings?

The table below shows the breakdown of the funding provided for training purposes since 2010 and differentiates between funding in support of officers and that in support of ratings. The SMarT funding schedule operates from April to March each year.

<i>Reporting year Apr–Mar</i>	<i>SMarT1 Officer- Cadet trainees</i>	<i>SMarT3* ⁽¹⁾ Ratings and ancillary courses (from April 2011)</i>	<i>SMarT5 ⁽²⁾ following Merchant Navy Training Board Route (from April 2011)</i>	<i>Total</i>
2010–11	£11.81m	£0.55m ⁽³⁾	£0.020m	£12.380m ⁽⁴⁾
2011–12	£11.42m	£0.04m	£0.005m	£11.465m ⁽⁴⁾
2012–13	£11.81m	£0.03m	£0.005m	£11.485m
2013–14	£11.65m	£0.04m	£0.005m	£11.695m
forecast	approx	approx	approx	approx
2014–15	£14.90m		£0.1m	£15m* ⁽⁵⁾
2015–16	£14.90m		£0.1m	£15m* ⁽⁵⁾

(1) Smart 3 figures include payments for Ratings to Officer of the Watch conversion training (shore based elements).

(2) Funding under SMarT 5 is available for those trainee ratings following an MCA/MNTB approved training programme leading to a Navigational (STCW Reg II/4) or Engine Room (STCW Reg III/4) Watch Rating Certificate or a General Purpose Rating Certificate (Deck and Engineering). Trainees completing the Rating to Officer upgrading course will be eligible for funding under SMarT 5 during the sea service period of their training.

(3) 2010–11 figure is prior to the SMarT budget being limited to £12m per annum following the outcome of the DfT's 2010 Spending Review settlement and the subsequent amendments to the Scheme in April 2011. Previously, more courses were funded under SMarT 3 and included payments for concessionaires. Since 2011, payments have been restricted to Watch Rating training and ratings converting to Officer of the Watch.

(4) Figures exclude SMarT 2 payments which related to junior officers training for their second Certificate of Competency. No SMarT 2 payments have been made since April 2012.

(5) Figures include the additional £3 million allocated by the Secretary of State for Transport.

A nominal figure of £100,000 has been set aside (which can be adjusted if demand warrants) for ratings and ratings to Officer of the Watch training under SMarT 3 and SMarT 5. However, actual demand has consistently fallen short of the funding capacity. The current spend, as mentioned in the above table, is less than £50,000 per year.

There is no budget for Tonnage Tax. It is a tax regime that provides companies the ability to pay a reduced rate of Corporation Tax. The UK Tonnage Tax includes a mandatory requirement to undertake officer cadet training. Companies enrolled in the TT scheme are required to offer one cadet training place for every 15 seagoing billets in the company.

In relation to the tonnage tax, could you clarify the circumstances in which a payment in lieu of training can be made (see Q66) and often this provision has been used since 2010?

A proposal to make a payment in lieu of training (PILOT) rather than take on trainees will normally only be accepted where a company can give good reasons why it is unable to provide training itself or arrange training elsewhere. Companies that are unable to do this will need to explain in writing to the Department the practical reasons why they are proposing to do so. This will be considered by the Department and either approved or rejected.

Default PILOT will occur where a company fails to meet half of the agreed Core Training Commitment (CTC) over a period of a year. This will trigger a surcharge of 50% on the level of PILOT payable throughout the following year, unless the Secretary of State is satisfied that there are mitigating circumstances for this failure.

Failure to meet at least half of the CTC over two or more successive years will result in a surcharge of 100% on the level of PILOT applying in the third and subsequent years, unless the Secretary of State is satisfied that there are mitigating circumstances for this failure. Finally a PILOT payment may also arise where there is an incremental training commitment as a result of additional vessels joining the fleet.

The information held by the Department on the number of PILOT payments made by each company relates to Tonnage Tax training commitment years, which run from October to September, and is shown in the following table:

<i>Reporting Year (Oct-Sept)</i>	<i>Number of company groups in tonnage tax</i>	<i>Number of Trainee Months</i>	<i>Number of months met by making PILOT Payments</i>
2009–10	90	21,701	3,869
2010–11	87	22,138	4,128
2011–12*	86	21,428	2,847
2012–13*	82	20,706	1,714

**2011–12: returns are still outstanding from one company group. 2012–13: returns are still outstanding from three company groups.*

We would also be grateful for further information on how the Government will support the employment and training of ratings and officers in future.

We continue to work with industry and the Trade Unions to ensure that the budget of up to £15 million a year announced by Ministers during London International Shipping Week in September 2013 (an increase of 25% over the Spending Review period to the end of 2015–16) for the training of ratings and officers leads to a pool of well trained seafarers available for work on ships or ashore.

Several proposals are under consideration on how to make best use of the additional £3 million of funding—this needs to take into account such factors as availability of berths on vessels and capacity at relevant nautical colleges. It is unlikely that more than 1,000 new cadets could be recruited in any one year due to these constraints.

Industry and the Trade Unions are keen for Tonnage Tax to include a mandatory requirement for ratings training alongside cadets, citing an increased demand among the industry for UK based ratings. The Department has asked for evidence to support this view and to show that there are long term employment opportunities for a newly trained rating. While Tonnage Tax does currently include the scope for training ratings it is not mandatory, any change would seem to be best served by allowing companies the option to train either an officer or as yet unspecified number of ratings to meet their training obligations.

In light of the new apprenticeship route to qualification, the Department are also holding a workshop in January 2014 involving the Maritime and Coastguard Agency, Department for Business, Innovation and Skills (BIS), the National Apprenticeship Service and the Merchant Navy Training Board. This meeting will examine the different types of qualification required to obtain a Certificate of Competency as an officer, the training needed to become a rating, the duration of training and the funding streams available. BIS is also currently undertaking a review of apprenticeships and this Department will be taking a keen interest in any changes to the current system.

Maritime training will be discussed in detail at a future ministerial Maritime Round Table to which industry and Trade Unions will be invited.

MARITIME LABOUR CONVENTION (MLC)

Can you explain how the UK is implementing and enforcing the Maritime Labour Convention, which entered into force in August?

The UK ratified the Convention on 7 August 2013, and the MLC will come into force for the UK on 7 August 2014. Since ratification of the MLC binds the UK to ensure that the standards it sets are applied effectively both on UK ships and on non-UK ships in UK ports, the UK needs to put legislation in place to implement those standards.

Changes to legislation to bring UK legislation fully into force with the MLC were identified by gap analysis and impact assessments were drawn up for each change, together with legislation and supporting guidance. This was subject to public consultation. During this process, in addition to formal public consultation, the MCA has been discussing issues regularly with a Tripartite Working Group (government, shipowners' and seafarers' organisations) on the ILO model. In addition, training sessions were provided to assist UK shipowners to prepare for the MLC.

Two sets of legislation have been made (medical certification in 2010, and survey and certification in 2013).

The Merchant Shipping (Maritime Labour Convention) (Survey and Certification) Regulations 2013 require all relevant ships to be inspected for compliance with the UK standards under the MLC, and those over 500GT and operating internationally to obtain a Maritime Labour Certificate, and carry a Declaration of Maritime Labour Compliance.

The MCA began a MLC voluntary compliance scheme for ships of 500GT and over trading internationally during September 2012. Since then a total of 351 inspections have been completed. The primary purpose of introducing this scheme was to allow the MCA to use its existing resources more efficiently by combining a number of surveys/audits/inspections, whilst giving the ship owner as much time as possible to rectify any deficiencies identified during the inspection. A total of 119 certificates have been issued since 15th August 2013 when the MLC Survey and Certification Regulations came in to force.

The UK will begin to carry out port state control inspections under the MLC on non-UK ships in UK ports in August 2014. In the meantime, inspections of living and working conditions on visiting ships continue to be carried out under ILO 147, the Minimum Standards (Seafarers) Convention, which is being superseded by the MLC. The remaining implementing legislation is due to be made in the next couple of months, in good time for the Convention coming into force for the UK in August this year. Alongside the legislation, a large package of new guidance will be issued in the form of Merchant Shipping Notices, Marine Guidance Notes and a Marine Information Note. For small vessels, separate guidance has been published, drawing together information about all aspects of the MLC (MGN 490(M) and MGN 491(M)).

RESOURCING AT MCA AND MAIB

Witnesses on 18 November made a number of comments about the impact of limited resources on the Maritime and Coastguard Agency's ability to follow up cases of regulatory non-compliance; and on the effect of cuts in the resources available to the MAIB (Q91–97). Could you please provide us with a response to these points and also set out how the MCA will be resourced so it can take on new inspection and enforcement responsibilities, for example in relation to the Maritime Labour Convention and new sulphur emissions rules.

Comments were made during the evidence session about the MCA follow up response to safety observations by marine pilots.

Pilots will report any defects they notice while on board a vessel through their employing Port Authority. The Authority is best placed to decide whether to relay the report to the MCA or to other organisations, for example they may pass concerns about onboard living conditions to local Port Health or to a Seafarers Mission.

We have reviewed the MCA response to each of the reports that we have received over the last year. On every occasion when we received a report in time for us to respond prior to the ship concerned departing from the UK, we took appropriate follow up action, including necessary visits to the ship.

However, there are inevitably many occasions when the report was received from the Port Authority after the ship had sailed. In these cases we made notes against the ships' records in the Port State Control reporting system—THETIS. This provides maritime inspectors at the next port (whether within Europe (or elsewhere)) with grounds to inspect the ship.

The MCA agrees, that as suggested by witnesses at the committee's evidence session that there would be merit in feedback to pilots about the actions being taken in response to their reports, particularly if it encourages reporting in the future. For this reason the Agency have now implemented informal feedback arrangements so that our surveyors will advise the pilot about our follow up actions. The early indications from this approach suggest that it is being very well received by the Pilot's Association.

The MCA's Enforcement Unit will continue to undertake full investigations which may result in prosecution. Current policy allows that prosecution will only be carried out after surveyors have undertaken an initial follow up on the pilot's report and they have decided that further enforcement action beyond that which can be taken by one of the MCA's marine offices is appropriate, and they consequently report the matter to the MCA Enforcement Unit. Details of this break point and the enforcement actions available to the MCA are available in the MCA Enforcement Policy Statement which can be found on the MCA web site.

http://www.dft.gov.uk/mca/mcga07-home/aboutus/mcga-aboutus-transparency/enforcement_policy.htm

The MCA Survey and Inspection function carries out a wide variety of activities, including short notice inspections of ships under international Port State Control arrangements, with inspections often being conducted outside normal working hours. The MCA therefore believes that flexible working arrangements, including managed overtime working, are an integral part of delivery a high quality service.

In the case of the MLC, it was inevitable that there would a spike in the inspection workload with shipowners needing certificates before the convention comes into force.

We dealt with the workload by encouraging owners to have their ships inspected early, prior to all the UK enabling regulations being in place, and as an adjunct to the normal periodic survey regime. In these cases we issued the owner with a statement of MLC compliance, which would be exchanged for a Statutory Certificate as soon as the enabling Regulation came into force. Overtime was used for two principal reasons. Firstly, because the initial MLC inspections were being performed in addition to a ships normal survey regime, and it was necessary for our Surveyors to be onboard the ships for longer and in some cases this took them into voluntary overtime. Secondly, because our plan to encourage owners to have their ships voluntarily inspected ahead of time was so successful that we then needed to exchange many Statements of MLC compliance with Statutory Certificates in short order once the enabling regulations came into force. This did mean that our Marine Office teams, including administration staff and surveyors, needed to work some overtime to prepare and send the certificates. Because the initial work to inspect and certificate UK ships for MLC compliance is a "one off" activity we do not envisage a need to make use of overtime on any habitual or ongoing basis. Future work to fulfil the necessary inspection and certification activities will form part of "business as usual" for the MCA.

In the case of the revised sulphur directive which will enter force on [1 April 2015] inspections will utilise the same approach as is in use for our current enforcement regime for the sulphur content of marine fuel. As a result it is not expected to generate any significant increase in surveyor workload.

We are engaging fully with the wider European discussion on enforcement and will be seeking to ensure that any additional requirements adopted are justified environmentally and do not create an undue burden on the regulator, or the shipping industry.

Notwithstanding the importance of its role, against the background of the need to reduce the deficit, the Marine Accident Investigation Branch (MAIB) cannot be immune from the pressures facing the rest of the Civil Service and it is only right that it should look to improve further the efficiency of its operations. The Branch has achieved this very successfully, adopting new working practices and focusing its efforts to maximise the safety lessons that can be learned from accidents. Overall, the branch has continued to maintain its position as one of the world's premier marine accident investigation organisations.

The Department does not believe that these changes have affected the depth of MAIB investigations or resulted in any lack of probing by MAIB inspectors. For example, the "Swanland" report, published on 12th June 2013, received wide acclamation from industry for its detailed investigation of the problems faced by operators of older dry cargo vessels.

The MAIB has never been able to investigate every incident or accident and it is not necessary that it should do so. Instead, the Branch carefully considers the value that an investigation can provide in terms of potential safety lessons to be learned. It also makes full use of other competent bodies to investigate, where this is appropriate. Some accidents are being solely investigated by the Port Authorities (such investigations are anyway required by the Port Marine Safety Code). However the decision on who is best placed to investigate is always carefully considered on a case by case basis. The MAIB retains the option to conduct an investigation even if there is no loss of life (with the recent "London Duck Tours" accident being a good example where there was a clear need for an MAIB intervention).

PORTS SERVICES REGULATION

Could you also provide us with the Government's view of the European Commission's proposal for a port services regulation.

The European Commission's proposal for a port services regulation, published last May, represents a third attempt by the Commission to legislate in this area, following proposed Directives rejected by the European Parliament in 2003 and 2006.

While the Government is always ready to welcome measures that genuinely enhance competitiveness and efficiency within the Internal Market, the regulation as initially proposed causes serious concern for the

Government, in so far as it would introduce new and onerous regulation on the UK ports industry without any sufficient offsetting benefits in terms of practical market opening on the Continent for UK port service providers or shipping interests.

We are engaging with the EU institutions and with the UK ports and shipping industries on the detail of this proposal. We would like to see a greater recognition of the importance of competition *between* ports as a spur to efficiency, as distinct from over-regulation of commercial arrangements *within* them. We would welcome greater financial transparency in publicly-funded ports, but we do not wish to see bureaucratic regulation of the commercial relations between unsubsidised ports and shipping lines.

The TRAN Committee Rapporteur, Knut Fleckenstein, and other MEPs, have put forward a large number of amendments which the European Parliament will consider in February and March. Some of these amendments could significantly improve the proposal from the UK standpoint, while others would worsen it. Unless the Parliament votes out the entire Regulation, it is expected that the Greek Presidency will seek to make progress on this dossier through Council Working Groups between March and June.

POLYISOBUTANE

We would also be grateful for an update on regulation by the IMO of the discharge of polyisobutane at sea.

Following a UK paper submitted to the IMO Evaluation of Safety and Pollution Hazards group (ESPH) in October the IMO agreed to prohibit the discharge of highly reactive PIB of the type involved in the two incidents in 2013. These restrictions will formally enter into place once adopted by the Pollution Prevention and Response Sub-Committee of the IMO in February 2014 but the shipping industry have indicated they are already applying them on a voluntary basis.

WIND FARM PASSENGER TRANSFER VESSELS

Finally we note MAIB report 23/2013 on recent incidents involving wind farm passenger transfer vessel. Could you explain what safety regulations apply to these vessel. In particular, could you explain:

- *what is the minimum number of crew required for such vessels, what is the minimum qualification requirement for such crew; and how do these requirements compare with vessels under the flags of other European countries?*

The safety regulations that apply to wind farm passenger transfer vessels, including the minimum number of crew (manning) and acceptable crew qualifications, are contained in the Merchant Shipping (Vessels in Commercial Use for Sport or Pleasure) Regulations 1998, SI 1998 No. 2771 which may be found at <http://www.dft.gov.uk/mca/cvs-cd-si2771.htm>. The regulations apply the MCA code of practice for the Safety of Small Workboats and Pilot Boats, which may be found at <http://www.dft.gov.uk/mca/brown-withpage8.pdf>. Alternatively, the standards contained in MCA marine guidance note MGN280(M), for Small Vessels in Commercial Use for Sport or Pleasure, Workboats and Pilot Boats, may be applied. Such craft are limited to the transport of up to 12 passengers. Crew numbers or manning was not raised as an issue in the MAIB report.

The UK regulations and codes are comprehensive and include minimum safety standards applied to all types of workboats including “wind farm passenger transfer vessels”. It is understood that in many cases UK registered windfarm vessels or workboats in compliance with the UK regulations and codes are successfully employed in non-UK sectors of the North Sea and elsewhere. It is also known that in such circumstances, the crews of some of those vessels are qualified to international standards, as domestic crew qualifications recognised by one national maritime Administration are not necessarily recognised by another. UK operators are advised to check what is acceptable to non-UK Administrations before operating their vessels in the waters of other States. No register is maintained of flag minimum crew qualification requirements applied by, or in, other European States.

- *How does the Maritime and Coastguard Agency monitor compliance by wind farm passenger transfer vessels with crewing and qualification requirements?*

Commercial vessels including those that operate in UK waters may be subject to unannounced inspections by qualified officials of the MCA. UK inspections check the compliance of windfarm vessels or workboats with the above UK safety requirements.

- *Given that the MAIB report appears to leave the setting of standards to industry bodies such as the National Workboat Association, can the MCA confirm what steps they have taken to ensure that this body has the capability to carry out such an important safety related task?*

The devising of specific crew training programmes for UK workboats is not left to the National Workboat Association (NWA) or to individual vessel operators but is carried out by the MCA in consultation with the NWA.

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