



Shipping: UK policy

Standard Note: SN/BT/595
Last updated: 23 February 2010
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Section: Business and Transport

Shipping has proven over the years to be an integral part of the British psyche, as well as its history. One only has to recall the eighteenth century British standard *Rule, Britannia*, that promised Britons their freedom for so long as Britannia ruled the waves; or Wordsworth's description of the sea sprinkled with ships 'like stars in heaven'; or Constant Lambert's *Fanfare* for the merchant navy which was played at the BBC Proms in recent years; or John Masefield's *Salt Water Ballads*, inspired by his own service in the British merchant navy: "I must go down to the sea again, to the lonely sea and the sky/And all I ask is a tall ship and a star to steer her by".

The merchant fleet has declined from a quarter of a million men in 1914 to 79,000 by the time of the Falklands Conflict in 1982 and to 14,600 on the most recent figures. Similarly, the number of British-owned merchant vessels weighing over 500gt has fallen by over two-thirds from 3,000 in 1950 to less than 1,000 on current figures. This note summarises the key debates about the future of British shipping over the past 25 years; it also provides an overview of the present Government's policy. Information on other maritime issues, including the tonnage tax, can be found on the relevant topical page of the [Parliament website](#).

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1 Brief history to 1945

By virtue of being an island nation, Great Britain¹ has been dependent upon the sea for its trade and its defence since the first farmers came to these shores approximately 5,000 years ago from what is now mainland Europe. The noted naval and shipping historian Ronald Hope describes the scene thus:

The first farmers arrived in Britain from France about 3,000 BC and brought their livestock with them. The nature of their boats is unknown but in fine weather the prehistoric dugout canoe, hollowed from the substantial trunk of a forest tree and anything up to fifty feet long and five feet wide, would be adequate for the purpose ... The peaceful interchange of goods by sea in British waters becomes apparent from the time of the first farmers onwards, even though Britain remained in the Stone Age for at least another thousand years.²

However, it is difficult to pinpoint the moment when Britain could be said to have a 'merchant service' as such. Certainly by the mid-fifteenth century there were various 'corporations' granted legal status under British law that traded across the sea. For example, the Fellowship of the Merchant Adventurers found great success exporting English cotton in the early to middle years of the fifteenth century, making it "by far the most important trade in English hands".³ But, a century later, England still ranked low amongst maritime nations. In the 1550s, the country had approximately 50,000 tons of merchant shipping of all kinds (less than the capacity of two modern containerships) and probably possessed a smaller fleet than many of her rivals such as Hamburg, France and Venice and was well behind the Netherlands, Spain and Portugal. It was not until Elizabeth I came to the throne in 1558 with a view to promoting shipping that things began to change.⁴ Consequently, by the middle of the seventeenth century, and following the expansion of the trade routes to both the east and west – particularly to the New World and the Levant – the British were building 600 and 700 ton ships, where before the maximum tonnage had been closer to 350 tons, and in 1787 the first 1,000 ton merchant ship, *Ceres*, was built.⁵

By the time of the Napoleonic Wars, seafaring was booming. Ronald Hope describes how, out of a British population of some 12 million at the end of the eighteenth century, there were "nearly 300,000 seamen of all descriptions, excluding 33,000 foreigners who also served the British at sea". Further, 126,000 seamen and marines of the Royal Navy and 145,000 registered merchantmen served during the war with France. Hope estimates that one British family in six may well have been directly dependent on the sea at this time.

When the Second World War broke out over a century later some 159,000 men were employed at sea on British sea-trading vessels.⁶ Merchant shipping played a critical role in the war: some 60 passenger liners were taken over by the Admiralty in 1939 for conversion into armed merchant cruisers and it was largely a collection of merchant ships that helped rescue 350,000 British soldiers from Dunkirk in 1940, prompting the German fleet to step up its attacks and to begin bombing London's docklands later the same year. Hope describes

¹ although 'Great Britain' and 'British shipping' is used in this note, legislation and policy refers to that of the UK Government

² Ronald Hope, *A New History of British Shipping* (1990), p3

³ *ibid.*, pp67-68

⁴ *ibid.*, p105

⁵ *ibid.*, pp194 and 220

⁶ *ibid.*, pp248 and 383

the sacrifice of Britain's merchant seamen and the merchant fleet during the course of the war:

By the end of 1940 6,000 merchant seamen had been killed. Seven thousand more were killed in 1941, and nearly 8,000 in 1942. When Europe was at last invaded, on 6th June 1944, some 2,000 merchant ships, aggregating 4 million tons, most of the British, supplied and maintained the armed forces. At this time and in the months that followed more than 70,000 merchant seamen served in such ships. By the end of the war 2,426 British ships totalling 11,331,933 gross tons had been lost and 6,500 decorations had been given to merchant seamen for specific acts of gallantry.⁷

The merchant service's contribution to the war effort was subsequently acknowledged during the victory celebrations in London when it marched side by side with the three armed services. As one would expect, tributes were also made in Parliament. For example, during the Second Reading debate for the *Merchant Shipping Bill 1947-48*, the then Minister for Transport, Alfred Barnes, said that the Bill "to a very small extent":

... expresses the deep feeling of gratitude which the people of this country developed as a result of the services of the Merchant Navy during the war. I should like my tribute to cover all ranks. During the war many shipowners served in my Ministry. Their experience and knowledge were invaluable in carrying out the gigantic operations then necessary. I do not need to remind hon. Members of the heroism and endurance of the officers and men. I must confess that I could not rise adequately to the occasion. The fact that the losses of the Merchant Navy amounted to about 30,000 men and tonnage losses amounted to over 10 million tons indicates how great and far reaching were their services.⁸

Similarly, in the debate on the King's Speech in October 1947, William Blyton (Lab.) stated that:

In relation to the Merchant navy, I think I am speaking the feelings of the House when I say that we owe a great debt of gratitude to them for the services they rendered during the war. Many a time I have watched from the piers of my native town, and have seen the convoys lined up and going to Russia to supply the battlefields with the necessary equipment. Many I have seen that never came back, and in my native town the death roll of those who lost their lives at sea in the war is the heaviest in this country. When the history of the Mercantile Marine comes to be written, it will be an epic story.⁹

A more personal tribute came from Commander Sir Allan Noble in the previously mentioned Second Reading debate from April 1948:

I had in the last war quite a lot of experience of the Merchant Navy in the ocean convoys, including those to North Russia and Malta, and in some of the little convoys sailing around the coasts of this country which, perhaps, have not had as much publicity as some of the others. In 1941 I was on the run from the South Coast to the Thames, when many ships, coasters, used to carry coal from Newcastle to the South coast, and so saved valuable carriage capacity on our overloaded railways. In those little convoys we were nearly always the same teams of ships which, in addition to running the risk of the conventional forms of attack by the enemy in passing through the Channel past Dover, ran the gauntlet of the fire from the long-range guns at Cap Gris Nez.

⁷ [ibid.](#), p383

⁸ [HC Deb 30 April 1948, c830](#)

⁹ [HC Deb, 21 October 1947, cc7-8](#)

I remember – I always shall – how a little coaster had a near miss, and how she seemed to disappear in a cloud of sparks, coal-dust and water. When it cleared again, there she was, plodding along at exactly the same speed as she was before. A destroyer went up alongside and called her through the loud-hailing equipment, and asked, “Do you want a doctor?” The reply was, “No, but we could do with a bottle of whisky!” I am sure the House will realise that the attitude of the crews of the Merchant Navy was not just sheer bravado; they knew when going back to sea what they would have to face, but there was never any hesitancy.¹⁰

A further tribute was paid in 1949, when the ‘merchant service’ or ‘mercantile marine’, as it was variously called, was given the official name ‘Merchant Navy’ by King George V in recognition of the service rendered the country by merchant seamen during the Second World War. At that time, the Prince of Wales was appointed Master of the Merchant Navy.¹¹

2 Decline of the merchant fleet, 1945 to 1982

The years immediately following the Second World War were, according to Ronald Hope, ‘halcyon years’ for merchant shipping, but when change came, beginning after the Suez Canal affair in 1956, it did so quickly. Passenger services on ocean routes virtually disappeared at broadly the same time that bulk carriers of dry goods replaced most of the old tramp ships; ro-ros revolutionised short-sea trade and road transport took on more and more of the work of coasters.¹² The size of the largest tankers also escalated, meaning that fewer ships could carry more goods. Further, by 1958 the number of passengers crossing the Atlantic by air was exceeding the numbers crossing by sea. Hope writes that in the years from 1957 to 1970 the number of passengers travelling by air across the north Atlantic increased from one million to eight million while, over the same period, the numbers travelling by sea decreased from one million to 250,000. The UK fleet was also in relative decline: between 1948 and 1970 British-owned tonnage as a percentage of world tonnage shrunk from 22.4 per cent to 8.3 per cent.¹³

Prompted by these rapid changes, in 1967 the then Labour Government established a Committee of Inquiry to look into shipping. The Committee’s remit was:

...to review, in light of current commercial and technological development, the organisation and structure of the United Kingdom shipping industry, its methods of operation and any other factors which affect its efficiency and competitiveness and to recommend what action should be taken by ship owners, seafarers and Government, to bring about changes which would improve the position of the industry in these respects.¹⁴

The Committee, chaired by Viscount Rochdale, reported in May 1970. It made a number of suggestions in all areas of the shipping industry, including for the coastal and short sea trades, deep sea cargo liners, deep sea tramps, tankers and in terms of technology, manpower, training, tax and financial arrangements. Despite seeing challenges ahead, however, the report’s overall conclusion on the future of the industry was positive:

¹⁰ [HC Deb 30 April 1948, cc840-841](#)

¹¹ *op cit.*, *A New History of British Shipping*, p356

¹² ‘ro-ros’ refers to roll-on/roll-off ships, which carry wheeled cargo, as opposed to ‘lo-los’ or load-on/load-off which require cranes to move cargo

¹³ *ibid.*, pp413 and 433-434

¹⁴ [Committee of Inquiry into Shipping: Report](#), Cmnd 4337, May 1970, para 1

Considering the outlook as a whole, we see ahead a long periods of continued growth in the world demand for shipping and in the application of new techniques which will alter very substantially the types of services offered, the ships used and the organisations most suitable for providing those services, Shipping will become an even more sophisticated and capital intensive industry with closer international links...

We are aware that there are those in the industry, perhaps in particular seafarers in certain companies, who are disturbed about their future prospects and opportunities. We respect their fears but, as we have already made clear, we believe that the UK shipping industry can have a prosperous future. This we see as the real answer to those who doubt whether or not to commit their careers to it. Of the factors within the industry's own control which will determine its success, we see two as of the utmost importance. First, its corporate structure must continue to evolve in a way that will leave it free to adapt itself swiftly to changing circumstances. Second, it must employ professional management of the highest order to exploit quickly new technological possibilities and to develop effectively the marketing of its services. We have been impressed by the renewed spirit of enterprise and confidence for the future evident in many parts of the UK shipping industry today; this is doing much to stimulate improvements in efficiency and, if encouraged to persist and grow stronger, it will go far to bring about an even more exciting future.¹⁵

Nevertheless, by the time of the Falklands Conflict the UK merchant fleet had declined from 50 million tonnes in 1975 to 29 million tonnes in 1982, a loss of 40 per cent; and in terms of manpower, the number of British officers in the Merchant Navy fell from 41,000 in 1975 to 28,000 in 1982.¹⁶ Indeed, it was the Falklands that brought attention once more to the condition of the merchant fleet and the service of the Merchant Navy. During that engagement, 54 merchant ships from 33 shipping companies were taken over by the Government to be used as troopships, hospital ships, aircraft and ammunition carriers, repair ships, minesweepers, support ships, despatch vessels and tugs.¹⁷

3 The 'Great Debate', 1982-1997

After the Falklands, there followed the so-called 'great debate' about the decline of the UK merchant fleet. In very general terms, the debate centred on the tendency of successive Governments to avoid both specific financial or fiscal assistance to the shipping industry and the type of protectionist measures (such as cargo and cabotage reservation) favoured by many other developed countries. UK Governments tended to pursue relatively free trade, open market policies towards the industry but at the same time insisted that safety and manning standards on UK registered ships should be maintained.

While there were many explanations offered for the overall decline of the UK fleet there was also not much doubt about its relative decline which was at least partly accelerated by the growing practice of 'flagging out', mainly to 'flags of convenience' registries operated by a relatively small number of countries such as Liberia and Panama. The main reason for such flagging out does not appear to have been seriously disputed at the time – the high cost of employing British crews and having to fulfil the manning requirements and crew accommodation standards on UK vessels. In addition, and despite the concern expressed

¹⁵ *ibid.*, paras 1601 and 1603; due, perhaps, to the General Election of June 1970 and the change of Government which followed there does not appear to have been any substantive statement made in response to the Report; there are indications in the responses to various questions from the 1970-1974 sessions of Parliament that some recommendations were introduced piecemeal through various Acts and Regulations

¹⁶ figures quoted by Bob Mitchell MP in: [HC Deb 30 July 1982, cc1513-1514](#)

¹⁷ *op cit.*, *A New History of British Shipping*, p462; the Civil Service acronym for this practice was STUFT – ships taken up from trade

about some of the loopholes in the then system of ship registration, the UK tended to enforce construction and safety standards including those laid down by international conventions, rather more rigorously than those flag of convenience states.

The first Parliamentary debate dedicated specifically to this subject¹⁸ after the Falklands was secured by Bob Mitchell in July 1982.¹⁹ In his opening remarks, Mr Mitchell stated:

The Falklands Islands conflict has clearly shown that the defence of this country requires adequate ships flying under a British flag and staffed by British officers and crew. My contention is that the Merchant Navy should be regarded as an essential part of Britain's defence strategy. If necessary, money should be made available from a defence budget to ensure that we keep in this country a strong Merchant Navy.²⁰

The then Minister, Jerry Wiggin, replied that in spite of Mr Mitchell's concerns about the decline in merchant tonnage, "in one way or another, the Merchant Navy was able to meet the varied and difficult requirements that arose during the Falkland Islands operation". Further, the Minister did not go as far as to provide guarantees for monies, as demanded by Mr Mitchell, but he did recognise that "the Falklands operation has highlighted the interdependence between the Royal and Merchant Navies" and that a 'close and continuing liaison' would persist between the Ministry of defence and the shipping industry.²¹

In 1986 Sir Edward Du Cann (Con.) contributed to the debate by publishing a Bow Group paper that argued for a restoration of the merchant fleet. He argued that it was in "catastrophic decline" as a result of "the Government's application of strict market principles and lack of support". Sir Edward offered the following analysis of the problems faced by the merchant fleet by the mid-1980s:

A gaping hole in our defences

Britain's merchant fleet should be our fourth arm of defence: but the shortage of ships is our Achilles heel. There are nowhere near enough merchant ships for direct Navy back-up as 'force multipliers'. More cross-channel ferries mean that there should be enough ships to supply British and Allied forces on the Continent in peacetime – but only so long as there is no Channel Tunnel. However there would certainly be too small a fleet to satisfy the MoD's third policy objective: the supply ion NATO forces on the Continent from the US. In wartime, problems would be inevitable in attempting to requisition British-owned ships registered abroad or ships on the registers of British Dependencies. Yet the MoD relies on these to bolster the numbers available. It is a mythical armada.

The need to supply our civilian population over any length of time with our shrunken merchant fleet, whether in a post-nuclear setting or otherwise, would compound the problems. The risk of our civilians starving in wartime would arise within a few months of any conflict – sooner than in the last two world wars.

The British merchant fleet proved just about adequate to draw on in the brilliantly successful 1982 Falklands conflict. In all probability, a second Falklands campaign could not now be mounted. Our ability to fight a conventional war on any scale

¹⁸ there had been previous debates on defence matters and the Royal Navy during which tribute was paid to the role of the Merchant Navy

¹⁹ Mr Mitchell was a Labour MP since the 1960s before leaving to join the newly-formed Social Democrats (SDP) in 1981

²⁰ [HC Deb 30 July 1982, c1514](#)

²¹ *ibid.*, cc1518 and 1520

becomes incredible. Our weakness could force us into a nuclear threat in circumstances when only a conventional one is appropriate.

The economic aspect

In 1980, the largest, single net contribution to our invisible earnings (apart from tourism) came from ships. Since then, these earnings have dropped by more than a third. Worse still, the Sea Transport balance of payments, which showed a healthy profit in the years up to 1977 (and a profit of £88m in that year), showed an horrendous £1157m deficit in 1985.

The decline of the merchant fleet has other important knock-on effects. British merchant shipping orders were once the backbone of our British shipbuilding prosperity. Yet by 1985 Lloyds Register's list of intended ship orders had left the UK off the suppliers' list altogether! A vast array of other ancillary activities are also at risk – engineering, chartering, technological, and finance and insurance. On the training side, 4 English and 2 Scottish nautical colleges have closed in the past 18 months.

A 'cab rank' of ships available to the British exporter, resulting from completely free access to British ports, is fine in economic theory. However, exchange rate fluctuations and, in manufacturing industry, wage levels, frequently dwarf transport costs as a proportion of total point of sale costs. Strict adherence to free market principles is inappropriate in the case of shipping.

Why the decline?

Britain's 'hands off' approach has contrasted with market intervention in a myriad of ways by competitor nations – especially the Japanese, the Koreans, the Soviets and the Comecom countries. The market is fiercely competitive, and the competition is usually unfair. Too many ships are chasing too few cargoes. British unions, though wiser today, have also earned a share of the blame. The other key cause of decline is perhaps the unsupportive tax regime introduced by this Conservative Government.²²

Sir Edward concluded that "if dynamic action is not taken to arrest our Merchant Fleet's decline, there may be nothing left for the Royal Navy to defend" and offered the following proposals:

Alert public opinion. In the 1980s we have become as complacent as the public whom Churchill laboured in the 1930s to awaken to danger. Radical Conservatives must speak up against the lack of a merchant shipping policy, in which the Government seems to revel. Nor must we recoil from the cost of a solution. The issues are too serious for inaction.

Give a senior Cabinet Minister overall responsibility for the UK's marine resources, just as Lord Beaverbrook was charged with co-ordinating responsibility for aircraft production in Churchill's wartime cabinet. Twenty Departments of State now dabble their toes in maritime waters. There is no policy and no direction and it shows.

The EEC should exert its commercial 'clout' to reduce the number of ships being built on subsidised terms worldwide. It should encourage scrapping on a massive scale and forbid sub-standard ships to trade at all.

If Britain is now forced to act unilaterally, this new dynamic could galvanise our fellow Member States who, with us, generate 25% of world trade. If things go on as they are we shall live in a world in which the West will be defenceless.

²² Sir Edward Du Cann, *Time to Hoist the Red Ensign* (1986)

Britain should campaign for the EEC to adopt as a fundamental objective the retention of control of its maritime system.

The Government should insist on other EEC Member States ceasing to reserve their own coastal trade. If we achieve no success soon, we should unilaterally reserve our coastal trade to British ships, as the US (on a far larger geographical scale) already does.

Domestically the Government should create a more positive fiscal climate to restore the profitability of shipowning. The abolition in 1984 of the favourable regime for tax depreciation for shipowners was a grave error.

Restore Britain's service vote funding for marine research. The seabed is a largely unexplored treasure house. Oil is just the beginning.²³

The General Council of British Shipping (GCBS) offered other reasons as to why British merchant shipping was in decline. While the GCBS acknowledged that there were fundamental changes that had reduced world demand for ships of particular types or reduced the price of shipping services to uneconomic levels,²⁴ it focused on particular British factors. The five main ones were:

- a) the lack of significant government assistance since 1984 towards the capital costs of acquiring a ship, in contrast with the many schemes available to help our competitors;
- b) the relatively high employment costs of British – and, indeed, European – seafarers, particularly where the competition comes from operators using Far eastern or Soviet bloc crews. Personal taxation and social security costs are a significant element in this disparity as are non-wage costs like leave. But part of it is derived from the radical difference in living standards in Western Europe and compared with those of the third world and the Socialist countries;
- c) political impediments to trading, such as cargo reservation and cabotage restrictions, used by some foreign governments to protect their merchant fleets, which bear heavily on individual companies engaged in the affected trades;
- d) UK national regulatory standards and practices which go beyond the requirements of international law and the wages of other maritime countries, and which for example, inhibit companies from placing newly acquired second-hand tonnage on the UK register;
- e) differences in national treatment of on-costs to shipping, such as the training of seafarers, or payment for the use of aids to navigation, often place UK shipping companies at a cost advantage against their maritime competitors.²⁵

In July 1986 the Transport Committee announced an investigation into the decline of the UK merchant fleet, however due to the General Election being called for June 1987 the Committee was only able to produce a short, interim report and urged its successor Committee to take up the subject again after the election. Subsequently, in the new Parliament, the Transport Committee produced a full report, which was published in May

²³ *ibid.*

²⁴ such as massive shifts in the pattern of world oil supply and demand and the continuing over-supply of ships in depressed market conditions

²⁵ Transport Committee, *Decline in the UK-registered Merchant Fleet* (first report of session 1987-88), HC 303, 27 May 1988, Vol. III, p34

1988. However, before the Committee was able to publish its report, the Government produced the legislative proposals²⁶ for a merchant shipping bill that subsequently became the *Merchant Shipping Act 1988*.²⁷

The 1988 Act contained provisions in three main areas: ship registration, including fishing vessel registration; measures to establish a Merchant Navy Reserve and to assist with the training of seafarers and with the cost of providing relief crews; and measures to improve maritime safety. The establishment of a Merchant Navy Reserve was aimed particularly at addressing the criticisms levelled at the Government since the Falklands Conflict about the decline in the merchant fleet.

Further, the introduction to the Government's response to the Transport Committee's May 1988 report, published in October 1988, outlined the steps being taken by the Government to arrest the decline of the merchant fleet:

The Merchant Shipping Act 1988 which received Royal Assent on 3 May has provided powers for the Government to provide assistance with *training and crew relief costs* and to establish a *Merchant Navy Reserve*. Details of proposals for a scheme for supporting Merchant Navy officer training were announced, also on 3 May, and the scheme will be launched this autumn with a publicity campaign designed to attract new recruits. The Government will shortly be announcing proposals for financial assistance towards crew travel costs and expects to be able to start making payments under this scheme before the autumn. Work is also in hand on the necessary secondary legislation and administrative arrangements for establishing the Merchant Navy Reserve.

Since the Committee reported, changes have been introduced in the Finance Bill which will benefit the shipping industry. The main change, broadly speaking, is to decrease from five-sixths to three-quarters of the year the period during which a seafarer must be abroad in order to qualify for Foreign Earnings Deduction. This will enable more seafarers to qualify for tax relief and should make it more attractive to employ UK seafarers in deep sea trades. The value of this is estimated at £15-20m. In a further change to the Finance Bill the higher £5m limit for Business Expansion Scheme finance has been extended and will now be available to companies operating their own ships as well as those letting ships on charter.

On July 7 the Government announced its first agreement with an open registry scheme – the Bahamas – to make it easier for UK-owned vessels on foreign registers to be available to HMG in time of crisis and war.

The Government believes that these steps constitute a clear commitment to ensure that the shipping industry continues to be in a position to provide sufficient seafarers and ships to meet the country's needs in time of emergency.²⁸

Further to this, a Joint Working Party on British Shipping was set up and produced a major report in September 1990.²⁹ This was followed in 1991 by individual reports on the future demand for seafarers and the supply and demand for UK merchant ships in times of crisis and war.³⁰ Two years later, in a June 1993 edition of *The House Magazine*, the then Minister

²⁶ Department of Transport, *Merchant Shipping: Legislative Proposals*, Cm 239, October 1987

²⁷ the provisions in this Act and previous merchant shipping acts were consolidated in the *Merchant Shipping Act 1995*

²⁸ *Government Observations on the First Report of the Transport Committee, session 1987-88* (second special report of 1987-88), HC 681, 26 October 1988

²⁹ Joint Working Party on British Shipping, *British Shipping: Challenges and Opportunities*, September 1990

³⁰ DoT press notice, "Conclusions of merchant shipping studies published", 11 June 1991

of State for Aviation and Shipping, Lord Caithness, set out the Government's priorities in the sector. These were, broadly, to improve the competitiveness of the UK shipping industry, to open up new opportunities in international markets and to continue ensuring high safety and environmental standards. However, while outlining the Government's attempts to reduce red tape, regulatory burden and inefficiency, Lord Caithness gave the Government's view that subsidising the UK shipping industry was not a sensible way forward:

We are well aware of the shipping industry's concerns about the assistance given by other governments to their international shipping competitors primarily in the form of direct and indirect subsidies. To follow the example set by other nations would lead to an ever-increasing spiral of state aids and market-distorting subsidies which would be detrimental to free trade. That would not be in the best interests of any competitive industry. We shall continue to press hard in the EC and OECD the case for eliminating those practices.³¹

In an article for the same magazine, the Labour Party Transport Spokesman, Joan Walley, argued that financial subsidies should be extended:

While other European countries recognise that within international shipping there is no level playing field and support their industries accordingly, this government refuses to take action to help our own industry ... we are calling for a national approach within a European and international framework. As a first step we propose extending financial assistance to the shipping industry [and] ultimately pressing for National Insurance relief to the employment of new UK seafarers, and for the establishment of Regional Enterprise Zones to target assistance to revive our major ports and shipbuilding areas.³²

In December 1993 the then Secretary of State, John MacGregor, announced a package of measures to assist the UK shipping industry. The proposals included modification of the registration requirements to allow EC nationals established in the UK and companies incorporated in an EC Member State with a place of business in the UK to register their vessels in the UK. Further changes came in April 1994 when the then Chancellor of the Exchequer, Ken Clarke, announced that he intended to introduce a provision to allow capital allowances balancing charges for ships to be rolled over for a period of up to three years.³³ At the same time, Mr MacGregor set out four other measures to assist the industry:

- new regulations allowing ships on bareboat charter to be registered in the UK for the first time;
- a consultation on changes to the officer nationality requirements for UK vessels;
- an extension of the financial assistance available to cadets to cover junior officers studying for higher certificates of competency; and
- increased efforts to improve flag state control on an international level and ensure that all states apply and enforce the agreed standards.³⁴

On the second point, the Government announced a relaxation of the nationality restrictions on Merchant Navy officers in June 1995. The positions of Master, Chief Officer and Chief

³¹ "Competing in safety", *The House Magazine*, 28 June 1993

³² "Don't sink Britain's merchant fleet", *The House Magazine*, 28 June 1993

³³ [HC Deb 21 April 1994, cc597-598W](#)

³⁴ DoT press notice, "MacGregor sets out five measures to assist British shipping industry", 21 April 1994

Engineer – restricted since 1919 to British, Commonwealth and Irish citizens – was to open to officers of any nationality from August 1995, provided that they held a UK certificate of competency or equivalent. ‘Strategic’ ships would, however, remain subject to nationality restrictions.³⁵

4 Policy of the Labour Government, 1997-

4.1 Generally

In its manifesto for the 1997 General Election, the Labour Party stated that it would “work with all concerned in shipping and ports to help develop their economic potential to the full”.³⁶ Following the election, the Department for Transport was amalgamated into the new ‘super-ministry’ the Department of the Environment, Transport and the Regions (DETR), headed by the then Deputy Prime Minister, John Prescott. In October 1997 Mr Prescott set out the new Government’s three point plan to boost the UK’s shipping industry. These were:

- better international co-operation to crack down on slipshod practices and to encourage highest standards;
- training to create top quality seafarers; and
- partnership between Government and industry to promote British shipping.³⁷

In the House on 17 November 1997, the then Minister for Transport, Glenda Jackson, stated that the Government was “committed to halting the decline [of UK shipping] and giving the industry its due prominence. Let there be no doubt: we believe that a revival in the UK fleet is long overdue”.³⁸

Mr Prescott also established a Shipping Working Group, under the Chairmanship of the Director of Shipping and Ports at the DETR, to look into four key industry areas:

- enabling maximum economic and environmental benefits to be obtained from shipping;
- reversing the decline in the UK merchant fleet;
- increasing employment and training of seafarers; and
- encouraging shipowners and the wider maritime industry to commit more resources to seafarer training.

The Working Group reported in March 1998. Due to the wide range of interests represented on the Working Group, there were a number of differing views expressed on the issues at hand. However, the Group was unanimous that all the options they had discussed should be presented to the Ministers for consideration. This report by the Working Group subsequently fed into the Government's strategy for reviving the UK shipping industry. This was set out in *British Shipping: Charting a new course*,³⁹ a daughter document of the July 1998 transport

³⁵ *Merchant Shipping (Officer Nationality) Regulations 1995 (SI 1995/1427)*; ‘strategic’ ships are cruise ships, fishing vessels longer than 24 metres, product tankers and roll-on roll-off ferries

³⁶ Labour Party Manifesto, *New Labour because Britain deserves better*, April 1997

³⁷ DETR press notice, “[Prescott charts course for revival of the Merchant Fleet](#)”, 13 October 1997

³⁸ [HC Deb 17 November 1997, c126](#)

³⁹ referred to as ‘the Shipping Paper’

White Paper.⁴⁰ The White Paper acknowledged that the international shipping market is 'significantly distorted' by the effects of cut-price shipping and foreign subsidies. It stated that the new shipping policy would be based on a 'broader, long-term vision' of Britain's future maritime needs, and aimed, therefore, to establish a clear set of objectives with a firm commitment to action agreed jointly by the industry, unions and the Government.⁴¹

The Shipping Working Group made 33 proposals, tabled under nine headings: funding training; facilitating training; adding value to British ratings; improving the employment environment; regulating to enhance UK/EU seafarer prospects; safeguarding the employment rights of British seafarers; improving the fiscal environment; opening up new opportunities for UK shipping; and the operation of the UK Shipping Register.⁴² The proposals are listed below together with a summary of the Government's response where given:

Funding training

Establish a Maritime Training Trust, sponsored by the shore-based maritime-related sector (including the ports), to help secure the seafaring skills base on which their organisations depend. **Accepted that the industry should establish this.**

Encourage British manning agents to develop training levies on foreign owners using British seafarers who do not otherwise contribute to the renewal of the pool of British seafarers. **Accepted that the industry should encourage this.**

Develop a voluntary industry training levy, operated collectively by the British shipping industry, as a means of contributing to securing the future seafaring skills base on which their businesses depend. **Accepted.**

Increase SMarT grant rates to cover 100% of the cost of training allowable within EU rules. **Government will provide sufficient long-term funding for the SMarT training support scheme to meet forecast demand in key training categories and the maintain the value of Smart grants.**

Facilitating training

Seek the removal of restrictions on sea-time VQ training support imposed by the European Commission's current maritime state aid guidelines. **Accepted that government should seek this.**

Ensure that operators of mixed-manned and mixed flag fleets are not discouraged from training British officers by over-restrictive interpretation of SMarT nationality requirements. **Accepted that government should ensure this.**

Devise industry mechanisms for making berths available on all suitable British owned ships for the use of British seafarers undertaking training. **The government accepts the proposal that the industry devise mechanisms for making berths available on all suitable British ships for the use of British seafarers undertaking training.**

Use the Merchant Navy Training Board (MNTB) to develop and operate training promotional initiatives to persuade shipping companies to train, and to provide support in setting up training schemes. **Accepted that the industry should use the MNTB for these purposes.**

⁴⁰ DETR, *A New Deal for Transport: Better for Everyone*, Cm 3950, July 1998

⁴¹ *ibid.*, para 3.180

⁴² DETR, *British Shipping: Charting a new course*, December 1998, Annex A

Facilitate the development of graduate fast-track training programmes. **The government supports the SWG proposal that the industry facilitate the development of graduate recruitment and 'fast-track' training programmes.**

Adding value to British ratings

Create a data base on British ratings to inform the decision-making of employers, employees, trainers, unions and government. **Accepted and government will assist industry in undertaking this work.**

Develop formal ratings-to-officer and ratings sea-to-shore career paths in each of the shipping sectors. **Accepted that industry should develop this.**

Identify how the employability and value added by British ratings can be increased by training and development. **Accepted.**

Improving the employment environment

Introduce employers' National Insurance contributions alleviation for the shipping industry either directly or by grant. **Rejected. The British government has always taken the view that exception on a sectoral basis is irreconcilable with the principle of universality on which the NI scheme operates. The government does not believe that any potential benefits attaching to formal alleviation would warrant breaching the principles of the NI scheme.**

Amend the rules of the National Insurance contributions regulations to permit voluntary payment of employees' Class 1 contributions by certain UK domiciled/resident seafarers employed on foreign flagged ships. **The government will consider, in the context of the present Welfare Reform exercise, the case for providing better protection under the UK social security scheme to certain seafarers, in particular those British seafarers that work on mixed-flagged fleets and are currently denied the ability to make voluntary payment of employees' Class 1 contributions when working on ships not registered in the UK.**

Expand the Crew Relief Costs Scheme but limit eligibility to companies which meet a minimum training commitment. **The government will revise the Crew Relief Costs Scheme eligibility criteria to align with current shipping policy objectives in support of UK register and British seafarers employed in the short sea sector, and will ensure appropriate CRCS funding.**

Extend the geographical scope of existing seafarers' income tax exemption so that it is available at least to all those seafarers who live on board for the qualifying period. **Rejected. The seafarer's FED (foreign earnings deduction) scheme means that the income of anyone employed on a ship is free of UK income tax provided that they spend at least half the days of a qualifying period of at least 365 days outside the UK and not more than 183 consecutive days in the UK during that period. In the 1998 Budget the government withdrew the FED concession from all classes of employee other than seafarers for whom it considered it prudent to retain support. However the government does not consider that it would be appropriate to extend the measure.**

Regulating to enhance UK seafarer employment prospects

Amend current immigration arrangements to allow increased employment opportunities for British seafarers.

Examine what might be done within the context of EC legislation to encourage the manning by Community nationals of regular passenger services on trades between Community Ports. **The government will continue to support the early adoption of the European Commission's draft directive on the Manning of Regular Passenger Services of Trades between Community Ports.**

Ensure that the Maritime and Coastguard Agency is adequately funded fully to discharge its responsibilities both as Flag State Administration and as Port State Control Authority. **The government will continue to campaign widely against substandard shipping, thereby reducing unfair competition to the benefit of the UK shipping industry and will ensure that the Maritime and Coastguard Agency is adequately funded fully to discharge its responsibilities both as Flag State Administration and Port State Control Authority.**

Consider extending to vessels under 500 grt the requirement to hold a Safe Manning Document and any other relevant regulations.

Safeguarding the employment rights of British seafarers

Amend employment rights legislation, as required, to safeguard for British seafarers employed by British shipping companies on offshore contracts the full rights, entitlements and protection normally afforded by UK legislation to seafarers employed on UK contracts. **The government will establish clear guidelines on the use of offshore contracts for seafarers and will determine whether any amendment to employment rights legislation is necessary.**

Determine the facts of the reported use by UK shipping companies of offshore contracts for British seafarers employed on domestic services, and determine the legitimacy of such arrangements. **The government will amend current immigration procedures to ensure that an appropriate level employment protection is provided for seafarers engaged in domestic service.**

Examine the reported use on domestic operations of foreign seafarers lacking work permits, and take measures to enforce the law. **The government will enforce the law when there is evidence that foreign seafarers are working on domestic operations without work permits.**

Review the Race Relations Act 1976 to determine the effect on British seafarer employment of the exemption made in the legislation which allows foreign seafarers to be paid at rates related to their home countries. **Government will consider in its review of the Race Relations Act 1976 any evidence submitted to it during the formal consultation.**

Improving the fiscal environment

Introduce the option of tonnage-based corporation tax for UK tax resident companies, or UK branches of non-resident companies, primarily involved in the operation of seagoing shipping services.

Introduce an enhancement to the rate of depreciation allowance within the orthodox corporation tax regime, for ship operating companies so that they can choose between this and the tonnage-based regime according to their particular circumstances.

Safeguard a generally attractive tax climate by, in addition to proposals 25 and 26, ensuring: (a) continuation of beneficial leasing arrangements; (b) the continuing attraction of the UK as a place to do business for both UK and foreign shipowners; (c) that cross-industry support does not have features that exclude shipping. **The**

government will discuss fiscal options with the shipping industry in the context of the pre-Budget consultation and without any commitment on implementation.

Opening up new opportunities for UK shipping

Protect existing waterside sites in ports and along waterways where there is a potential for developments facilitating or generating waterborne transport.

Institute a positive planning policy to encourage the waterside location of industrial projects which are likely to be major consumers or generators of raw and bulk materials. **The government will consult on the revision of planning guidance to encourage more freight to be carried by rail and water and to give better protection to sites and routes which could be critical in developing freight infrastructure, including facilities for water transport.**

Ensure users of each transport mode face costs which properly reflect full infrastructure and environmental costs, thereby ensuring that transport markets are not artificially distorted, each finding its own level based on a full recovery of costs. **The government will undertake research into transport track costs and externalities.**

Undertake joint case studies on streamlining port handling in any ports that are willing actively to seek short sea/coastal shipping business. *Accepted.*

Ensure that there is no discrimination between shipping and other transport modes; in particular extend the current 44 tonne lorry concession to all traffic. **The government will ask the Commission for Integrated Transport to consider the case for allowing 44 tonne lorries for general use.**

Explore what form of grant would be most effective in encouraging the carriage of freight by waterborne transport. **The government will extend the Freight Facilities Grant scheme to include coastal and short-sea shipping.**

Promote an initiative with the shipping and ports industries to examine the scope for further measures to encourage waterborne freight. **Accepted.**

Increase the UK's involvement in European initiatives to encourage short sea shipping. **The government will continue to be involved in European initiatives to encourage short sea shipping.**

Continue to maximise opportunities for UK shipping and seafarers by seeking to open markets in international shipping. **Accepted.**

Operation of the UK register⁴³

Ensure that the Maritime and Coastguard Agency (MCA) works with the industry to maintain the reputation of the UK register as a quality flag, in such a way as to support the aim of encouraging growth in the number of merchant vessels on the flag. **Accepted.**⁴⁴

The Conservative Party broadly supported the Paper. The then Opposition Transport Spokesman, Bernard Jenkin, stated:

The Conservative party supports this initiative and agrees with the unusually poetic statement of John Prescott, a former seafarer himself, that "an island without a fleet is like a ship without a rudder". In many instances the Government intends simply to give

⁴³ the UK Register was renamed the UK Ship Register in February 2007

⁴⁴ *ibid.*, paras 85-137

official approval and act as a facilitator to initiatives already being taken by the industry for itself.⁴⁵

However, four years later, in the course of a debate on maritime policy, the Conservative Peer the Earl of Caithness stated that the paper had “produced little that is new” and showed how “blinkered the Government are by old-fashioned institutional thinking”.⁴⁶

The Shipping Paper was followed, six months later, by a report on the future of British shipping by the Environment, Transport and Regional Affairs Committee. This report also commented in detail on the proposals put forward in the Shipping Paper and made several recommendations.⁴⁷ The Government issued its response to the report in July 1999: it made a number of observations on the key issues raised by the Committee.⁴⁸ In particular, on safety:

The Government will keep under review the resources available to the Maritime and Coastguard Agency for its Port State Control work. The UK's Port State Control effort is co-ordinated with that of coastal states in Europe and eastern Canada under the auspices of the Paris Memorandum of Understanding (MOU) on Port State Control. Signatories to the Paris MOU are required to inspect at least 25% of foreign flag ships visiting their ports; to pool inspection information; and to harmonise procedures.

There is an increasing recognition within the Paris MOU that improvements in the targeting of inspections are necessary to avoid penalising the good shipowner and quality flag; and there are continuing discussions to improve effectiveness by replacing the 25% quota with more focused quotas for member states which incorporate targeting factors. The intention is to minimise for good quality shipping the inconvenience caused by Port State Control inspections, thereby making more resource available to inspect those ships and flags which have a poor record. That should increase the effectiveness of Port State Control effort within the Paris MOU and reward by virtue of fewer inspections those flags and shipowners with a good record.

And on the UK register:

Improving user friendliness without compromising the standards of the UK register is a high priority for the UK. The MCA has been working with the industry to reduce those UK regulations which were in excess of international requirements. Technological advances have made other regulations obsolete or redundant. The introduction of the International Ship Management (ISM) Code, based on the principle that primary responsibility for the safe operation of its ships rests on the shipping company itself, provides the scope and means for greater industry self regulation and allows responsible flag administrations to focus attention on eliminating sub-standard shipping, thus improving safety. It is this 'partnership' with the industry which the MCA is keen to nurture and which lies at the heart of Government policy.

To improve access to the Agency a "One Stop Shop Service", with a 24 hour contact point, was launched at the beginning of this year. MCA "customer service managers" have been introduced as designated contact points for individual shipping companies and to deal with all aspects of ships registering, or being built under the British flag.

⁴⁵ “The Conservative response to the Shipping White Paper”, *Parliamentary Maritime Review* (No. 35), May 1999

⁴⁶ [HL Deb 17 December 2003, c1182](#)

⁴⁷ ETRA Committee, *The Future of the UK Shipping Industry* (twelfth report of session 1998-99), HC 172, 26 May 1999, paras 57-82

⁴⁸ seafarers training and employment is addressed in the following section, below; tonnage tax is addressed in a separate HC Library Standard Note SN/BT/603, available on the [Parliament website](#)

This improves communication and enables a close working relationship between ship managers and MCA surveyors, helping to ensure that UK standards are fully met.

The registration process itself has also been reviewed. MCA now accept faxed documents in many cases, speeding up the process. Further improvements to modernise the registration process are being considered for implementation over the next year.⁴⁹

The Government published an update of the status of the actions from the Shipping Paper in response to a written PQ in February 2004. The update stated that with regards promotion of training, initiatives to persuade companies to train were being taken forward in addition to an ongoing activity to promote careers at sea and attract quality applicants. In terms of making the most of available and potential skills, graduate recruitment and 'fast-track' training programmes were being taken forward by the Merchant Navy Training Board (MNTB). Progress had also been made on facilitating British seafaring employment.⁵⁰ By February 2004 new rules had already been put in place to reinforce the regulatory framework, in particular with regards to employment protection for scheduled domestic freight (from April 2001). A review was also undertaken into the *Race Relations Act 1976* and changes came into force in July 2003.⁵¹ The [Maritime and Coastguard Agency \(MCA\)](#) reported progress in the area of UK ship registration, in particular in terms of maintaining high safety standards and providing an improved service while promoting the UK flag.

The Government continued to offer support at the European level to encourage short-sea shipping and to encourage waterborne freight through an extension of the Freight Facilities Grant (FFG).⁵² In its 2004 Transport White Paper the Government announced its intention to move towards a mode-neutral basis for distributing freight funding in support of sustainable distribution.⁵³ More information on this can be found in [HC Library Standard Note SN/BT/151](#).

The recent recession has hit the shipping industry particularly hard; reports in late 2008 indicated that the industry was bracing itself for the impact of the first decline in world trade for 25 years.⁵⁴ However, a *Guardian* editorial in March 2009 put a more positive spin on things:

The recession is hitting the shipping industry hard, like everything else. But worldwide a million seafarers ply their trade across the oceans to deliver five billion tons of trade; and the British fleet has grown markedly since the government introduced a new tax regime in 2000, and is now the 9th largest in the world. Nautical colleges are getting busier too. With London still the maritime capital for insurance and the marketplace for joining up cargoes with ships, the sea is still a good little earner for Britain.⁵⁵

Responding in a letter to the newspaper in April, the general secretary of the RMT union, bob Crow, outlined some of the problems facing British shipping:

⁴⁹ [The Government's Response to the Environment, Transport and Rural Affairs Committee's Report 'The future of the UK shipping industry'](#), Cm 4423, July 1999

⁵⁰ more information on this issue is contained in the following section

⁵¹ *Race Relations Act 1976 (Seamen Recruited Abroad) Order 2003* ([SI 2003/1651](#))

⁵² [HC Deb 24 February 2004, c359W](#); DfT, *British Shipping: Charting a New Course – Summary of Progress*, February 2004

⁵³ DfT, *The future of transport*, Cm 6234, 20 July 2004, paras 8.7-8.12

⁵⁴ see, e.g., "Who will throw a lifebelt to the shipping industry?", *The Times*, 10 December 2008 and "Dead wait", *Financial Times*, 18 December 2008

⁵⁵ "[In praise of ... seafaring](#)", *The Guardian*, 27 March 2009

The British fleet has indeed seen welcome growth since "tonnage tax" relief was introduced - hardly surprising when more than £100m in taxpayers' money has been handed to shipowners who sign up - but we urgently need to see a reciprocal link to jobs and training for seafaring ratings.

For, despite the tonnage tax, fewer than 9,000 of the "million seafarers [who] ply their trade across the oceans to deliver five billion tons of trade" are now UK ratings. Why? Because shipping bosses were among the first to discover the neoliberal joys of globalisation, systematically displacing unionised crews with cheap labour. And thanks to the now routine super-exploitation of overseas seafarers - even on vessels serving in British waters - UK seafaring ratings and their skills are in danger of extinction.

The strategy has all but wiped out UK ratings in the deep-sea fleet, and most of those left in the industry work on short-haul ferry routes.⁵⁶

In response to a November 2008 WPQ, the Government confirmed that: "Our strategy remains fundamentally as set out in *British Shipping: Charting a New Course*. We continue to work with the UK shipping industry and maritime trade unions in pursuit of policies aimed at increasing skills, encouraging employment and training, and maintaining the UK's attractiveness as a quality centre of shipping excellence".⁵⁷

There has been some debate about pay and discrimination as it affects UK seafarers, in particular there have been calls for the National Minimum Wage to apply to their work.⁵⁸ The Government has consistently rejected such proposals on the grounds that it would breach international law.⁵⁹

4.2 Employment and training

Throughout the nineteenth century a succession of merchant shipping acts were passed which, amongst other things, assured minimum levels of training and competency for officers.⁶⁰ This remained a prominent issue throughout the 'great debate' of the 1980s and early 1990s and by the time the Labour Government published its Shipping Paper in December 1998 it was perhaps the pre-eminent issue for the industry.

Prior to the 1997 General Election, the Conservative Government had commissioned some studies into seafarer employment and training which reported in 1996-97. The main such study was commissioned by the then Department of Transport, the Chamber of Shipping and the Marine Society and carried out by the University of Wales; it looked into the UK economy's requirement for people with experience of working at sea. The report, published in 1996, found that the industry needed to recruit 1,200 cadets a year, against a current intake of some 400.⁶¹ The report stated that there were, at that time, 17,000 jobs in the maritime-related sector where employers would have preferred to fill the position with an ex-seafarer, and in 70 per cent of these cases, seafaring qualifications and experience were regarded as essential. Further, it predicted an increasing shortfall in seafarers coming ashore, in turn having a knock-on effect for the ability of the maritime-related sector to recruit those with appropriate skills. The report found that few organisations had addressed this long term

⁵⁶ "There is a murky side to the British shipping industry", *The Guardian*, 3 April 2009

⁵⁷ [HL Deb 4 November 2008, c35WA](#)

⁵⁸ see, e.g., [EDM 252 of session 2009-10](#), 25 November 2009

⁵⁹ see, e.g., [Letter from Lord Malloch-Brown to Brendan Barber](#), 24 July 2009 [DEP 2010-0264]

⁶⁰ see, for example, s24 and s26 of the *Merchant Shipping Act 1850*; the Acts of 1854 and 1894 made similar provision

⁶¹ Cardiff University, *A study of the UK economy's requirements for people with experience of working at sea*, July 1996 [DEP 3867(3s)]

problem. The report concluded that training for the maritime-related industries was best provided through the shipping industry, and that consideration must be given to who should pay for this training.⁶²

Another study by London Guildhall University attempted to make an accurate assessment as to the size and major characteristics of the active UK seagoing labour force.⁶³ This study predicted that the numbers of British officers would decline by a third in the five years to 2002 should then-current trends continue: 70 per cent of British officers were, at the time, already between the ages of 40 and 65.⁶⁴ In October 1997 this was followed by the Government's 'three point plan' for shipping (see above); one of which was training. Mr Prescott said that the key to revitalising the industry was 'top quality' training for seafarers and the Support for Maritime Training Scheme (SMarT), which was subsequently introduced on 1 April 1998. The SMarT programme integrated the two existing training programmes, GAFT and DOCS, under a single contract and budget. GAFT (Government Assistance for Training) provided funding for those studying for a first Certificate of Competency and DOCS (Development for Certificated Seafarers scheme) for sailors going on to the second Certificate. The introduction of SMarT had been the subject of a consultation paper issued under the Conservative Government in March 1997.⁶⁵ Full details of the SMarT scheme are given in *Marine Guidance Notice MGN 250 M*, available on the [MCA website](#).

As stated above, the 1998 Shipping Paper dedicated a large part of its recommendations to improving the training and employment of seafarers. However, some commentators doubted whether this could – or should – be encouraged. For example, an article in the January 1999 edition of *Transport Law and Policy* questioned whether the proposals in the Shipping Paper were actually deliverable. In particular, it questioned whether the Government had taken into account the issue of supply and demand:

It is all very well training hundreds or even thousands of new British officers and ratings but what is to happen if there are no jobs for them to go to? Surely this means that the Government cannot delay its review of fiscal and other measures to promote seafaring employment at the demand end if promises of the White Paper are not to be wasted?⁶⁶

When the Environment, Transport and Regional Affairs Committee addressed this question of demand for seafarers' skills in its May 1999 report on the future of British shipping, it came to quite another conclusion. The report, drawing on the work done by Cardiff University, made a strong case for training greater number of seafarers in the UK and argued that it would lead to increased economic benefits for the country as well as for the industry and the individuals concerned:

Many ... shore-based industries are ... dependent on a supply of experienced ex-seafarers. The British Ports Association told us that about one in six employees in its sector, such as pilots, harbour masters and vessel mooring staff, out of a total of 25,000, required marine skills. Although it admitted that some of these posts could be filled by those with little or no seafaring experience, "there will always be a need for a hard core of personnel with specialised marine skills who understand the language of ships and are familiar with their requirements; this will always be a vital part of the

⁶² DoT press notice, "Government and industry in partnership to examine long term needs of maritime industry", 18 July 1996

⁶³ London Guildhall University, *UK Seafarers - An Analysis*, 1997

⁶⁴ op cit., *British Shipping: Charting a New Course*, Annex B

⁶⁵ Marine Safety Agency/DoT, *The Government Support for Maritime Training Scheme: Consultation Document*, March 1997

⁶⁶ "Treasury reigns in Prescott on Shipping White Paper", *Transport Law and Policy*, December/January 1999

safety network provided by a port". The Shipbuilders and Ship-repairers Association emphasised the symbiotic relationship between seafarers and its industry: shipyards "were suppliers of engineering skills to the merchant navy, and in their turn also drew on the skills of merchant navy engineer officers and ratings".

In all, the University of Wales has calculated that there are 16,825 shore-based jobs which employers would prefer to fill with those with seafaring skills. For 11,778 of these posts such skills are considered essential. Thus each year it is estimated that it is essential to recruit 497 ex-seafarers, and employers would prefer to employ a total of 810. Of those, employers would like to recruit 528 merchant seafarers each year, and 421 such personnel were considered essential. We asked whether the Royal Navy could meet some of the demand for ex-seafarers, but we were told that the number of suitably-qualified ex-naval seafarers was insufficient. Therefore, 77 shore-based posts, and only 20 of the 'essential' category, are likely to be filled each year by former Royal Navy seafarers. In short, the Merchant Navy is the only assured source "of a continued supply of people of seafaring skills and experience not merely to man our ships but to fill a wide range of jobs in the shore-based maritime-related sectors of the economy". Suitable training may in some cases be offered by shore-based companies, but "Merchant Navy service still provides the most cost-effective training for these jobs ... reliance on non-seafarers, where that is possible, would lead to quality loss".⁶⁷

The Committee also made some specific recommendations about seafarer training and employment; these constituted the majority of the points responded to by the Government in its reply to the Committee of July 1999. The Committee's recommendations and the Government's comments on these issues (in bold) are outlined below:

Seafarer Training

We welcome the Government's commitment to training, and support the measures proposed in 'British Shipping: Charting a new course' which are intended to increase the number of cadets recruited each year, as well as that intended to promote the training of ratings. **The Government welcomes the Committee's support for the measures for increasing the training of cadets and ratings outlined in the shipping paper.**

We doubt that many companies, if they do not already contribute to training, particularly those based abroad, will respond favourably to attempts to raise a training levy on a voluntary basis. We recommend that the Government, in conjunction with the Chamber of Shipping and others, should monitor closely the success or otherwise of its proposed voluntary training levies and, if they prove unsuccessful, should consider what measures should be put in place to eliminate 'free riding'. This is a subject to which we return when we consider the proposed tonnage tax. **Experience has shown that a training levy operated by one of the market leaders in ship manning and management has worked well. The Government believes that the wider industry will recognise the need for the involvement of the industry as a whole to secure its own future manpower resources. The Government is not in a position to control employment practices in a way that would proscribe 'free riding'; we can only encourage best practice. The Government intends to set clear targets and establish a formal process for systematic monitoring and review of the effectiveness of the package of measures. It is proposed that a review should be carried out within 36 months of the introduction of the training and employment measures.**

⁶⁷ op cit., *The Future of the UK Shipping Industry*, paras 17 and 18

We recommend that, hand in hand with efforts to increase the funding for, and the availability of, training berths, the Government should take the lead in ensuring that sufficient cadets come forward to fill those berths. We recommend that the Government looks to the example set by the Netherlands, and the successful campaign mounted there to attract recruits to the industry. **Whilst the Government believes that prime responsibility for recruiting cadets must rest with the sector itself, the Department for Education and Employment is examining with the Merchant Navy Training Board (MNTB) the possibility of supporting initiatives to attract more young people to the industry, and to clarify career pathways. The MNTB is the appropriate body to take forward such a promotional role, particularly as it has recently been recognised as the industry's National Training Organisation.**

Seafarer Employment

We recommend that the Government should determine urgently whether any amendment to employment rights legislation is required to respond to increased use of off-shore contracts, and that it should consider the availability of social security benefits for those employed on off-shore contracts, and by foreign shipping companies. The Government should make such amendments to the law, and to the social security regime, that are necessary to safeguard the rights of seafarers. **The Government will publish clear guidelines for the industry and unions on the applicability and use of offshore contracts for seafarers and will consider whether any amendment to employment rights legislation is necessary to safeguard the position of British seafarers employed on such contracts. Further consideration will be undertaken by the Employment catalyst group set up to take forward implementation of the employment action points in the shipping policy paper. The Government recognises an employer's decision to 'flag out' a vessel may disadvantage those employed on that vessel in a number of ways. One such disadvantage may be a loss of access to certain social security benefits as a result of a failure to maintain the necessary National Insurance contributions record. This is indeed a cause for concern. To the extent that such 'flagging out' can be discouraged, this problem will be alleviated. In addition, however, the Inland Revenue and Department of Social Security will explore further the scope for helping seafarers to maintain entitlement to contributory benefits.**

We support the Commission's proposals on ferry manning, relating to minimum conditions of service and wages for seafarers on intra-Community ferries. **The Government welcomes the Committee's support for the Commission's proposals on ferry manning.**

We recommend that the Government should further press the European Union to consider including intra-community cargo vessels within the terms of the ferry manning initiative. **The Government agrees with the Commission's assessment that cargo vessel services constitute a different market to services provided by passenger ferries and that the former are linked to world trade, whereas the latter fulfil essentially a public transport function within the internal market. The Government believes that any potential gain to be derived from the inclusion of cargo vessel services would be more than outweighed by the risk that would create to adoption of the measure as a whole: there seems little prospect of Community consensus on the inclusion of cargo services.**

We therefore welcome the Government's commitment to help the industry to establish a register of British ratings. We recommend that the Government should ensure that accurate data about the state of the British shipping industry continues to be gathered

in future. **The Government is willing to assist the industry in ensuring that the necessary data is collected.**⁶⁸

In 2003 the Department for Transport once again commissioned Cardiff University to look into the UK economy's requirements for people with experience of working at sea. The report was published in February 2004 and found that since the earlier study in 1996 there had been some reassessment by shore-based employers as to which jobs they needed to fill with ex-seafarers, which led to some jobs being downgraded from the 'essential' to the 'advantage' category.⁶⁹ The report also found a shortfall between supply and demand for UK ex-seafarers to work in shore-based jobs, where employers considered it essential to employ former ships' officers. The consequences of a projected shortfall were deemed likely to be:

...a continuance of the trend to use non-seafarers in the essential category although this will not fill the shortfall completely. Reliance on non-seafarers to fill shore-based jobs may also lead to a degree of quality loss because, in some instances, they would be less than perfect substitutes; UK officers currently serving at sea will be encouraged by higher wages to move to onshore employment sooner in their careers; shipping companies currently employing UK junior officers at sea will have less incentive to train, and be more likely to employ foreign officers; firms could move their business to offshore centres or recruit foreign ex-seafarers.⁷⁰

The Government made a statement on seafarers' employment in response to a written question in July 2007:

The Government are currently engaged with social partners, considering joint proposals from the Chamber of Shipping, RMT and Nautilus UK for stimulating UK and EEA rating and officer training and employment.

Although recruitment is a matter for the shipping companies themselves, a dedicated industry body, the Merchant Navy Training Board (which includes representatives from industry, trade unions and the Government), actively promotes officer training, and the Department for Transport gives financial assistance to training providers through the Support for Maritime Training Scheme (SMarT), for the training of officers and ratings. The support available under SMarT at present amounts to roughly half of the cost of training provided by maritime colleges.

Seafarer training is also a key element of the UK tonnage tax which imposes a minimum training obligation (MTO) on companies entering the scheme. This is to train one officer trainee per year for every 15 officer posts in the company's effective officer complement. The MTO is cumulative and covers each trainee for up to three years.⁷¹

There was some controversy in late 2009 about what action was being taken regarding the [joint union-employer proposals on seafarer training put the Government in April 2007](#). It was raised with the Prime Minister at PMQs in October 2009; he replied:

Shipping is a very competitive global industry, but what we did in 1997 so that ships were flagged from the United Kingdom was a very important act of government to help defend, safeguard and expand jobs and opportunities for seafarers. The proposals put

⁶⁸ op cit., [The Government's Response to the Environment, Transport and Rural Affairs Committee's Report 'The future of the UK shipping industry'](#)

⁶⁹ in terms of whether an applicant should have seafaring experience

⁷⁰ Cardiff University, [The UK economy's requirements for people with experience of working at sea 2003](#), 11 February 2004, pp6-7

⁷¹ [HC Deb 26 July 2007, cc1575-1576W](#)

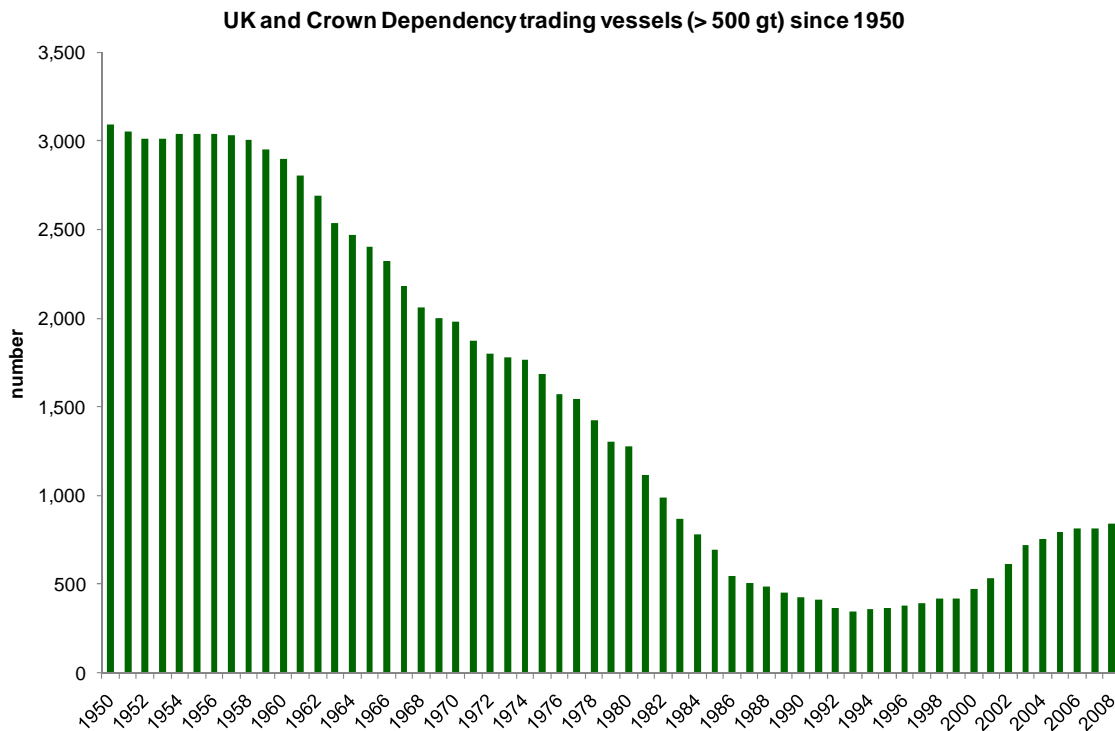
forward by unions and the industry together are ones that we are now looking at in order to create more training and employment opportunities in the industry [...]⁷²

The Transport Minister, Paul Clark, later made the following remarks in response to a question specifically on the Nautilus campaign:

The Government are committed to maximising employment opportunities for UK seafarers. The proposals for improving the training and employment opportunities for UK seafarers submitted by the trade unions and industry are being discussed with colleagues across Whitehall. However, even with an increased contribution from industry, funding remains a key issue. In 2008-09, the Government made available through the Support for Maritime Training (SMarT) scheme some £12.4 million which equated to around 43 per cent. of the training costs of UK officer cadets. The proposals call for an increase to SMarT funding to 100 per cent. of all training costs.⁷³

5 Statistics

From historic highs,⁷⁴ the following table shows the decline in the numbers of UK merchant vessels of 500gt (gross tonnage) or over since 1950:



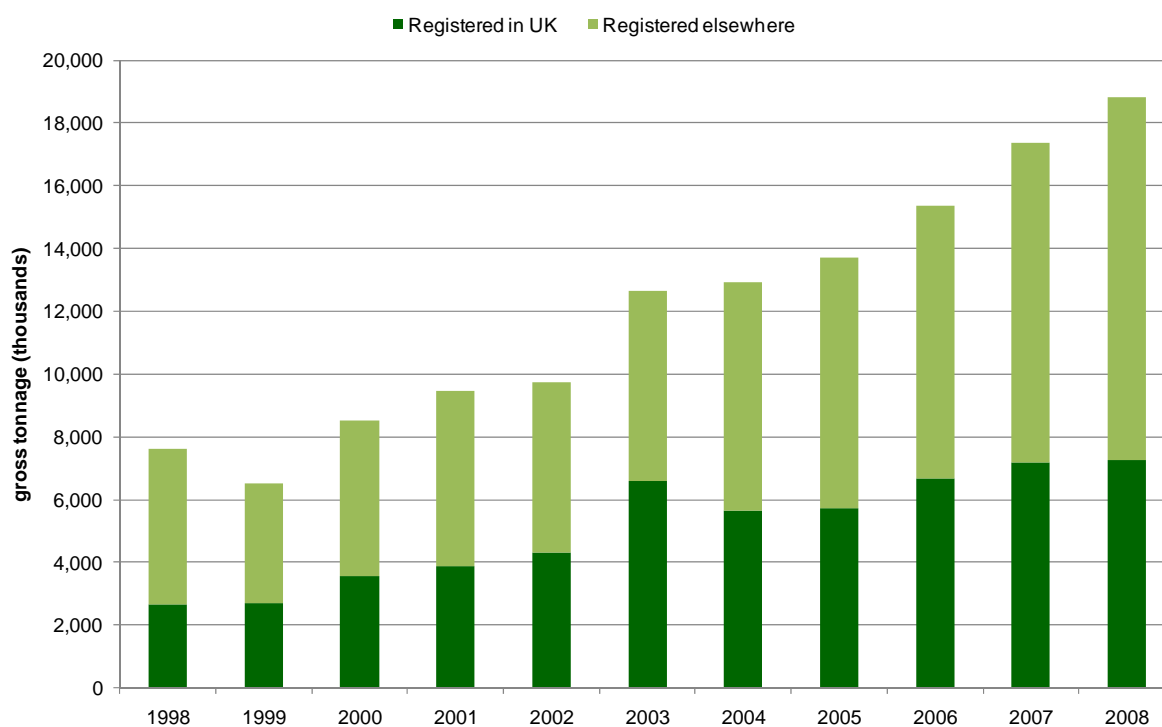
However, looking at the figures in the recent short term, the size of the fleet has increased since its nadir in the early 1990s. The following chart shows the increase since 1998 of the gross tonnage of UK merchant vessels of 100gt or over:

⁷² [HC Deb 28 October 2009, c284](#)

⁷³ [HC Deb 12 November 2009, cc638-39W](#)

⁷⁴ between the sixteenth and the twentieth centuries, British shipping, in steam equivalent gross tons, rose from between 17,000 and 30,000 in 1558 to over 19 million in 1921 (*op cit.*, *A New History of British Shipping*, p296)

Gross tonnage of UK owned trading vessels, 1998 - 2008



The figures are broken down in more detail in the following table:

United Kingdom owned trading vessels (100 gt and over), 1998-2008

number of vessels/tonnage in thousands

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Registered in UK											
<i>number of vessels</i>	348	352	368	366	380	416	395	382	402	409	400
<i>gross tonnage</i>	2,673	2,718	3,575	3,895	4,320	6,599	5,643	5,739	6,657	7,179	7,264
<i>dead weight</i>	2,358	2,420	3,007	3,365	3,722	5,733	5,107	5,325	6,251	6,627	6,625
Registered elsewhere											
<i>number of vessels</i>	268	265	256	228	210	233	276	306	307	329	354
<i>gross tonnage</i>	4,937	3,812	4,961	5,585	5,431	6,055	7,291	7,980	8,718	10,180	11,560
<i>dead weight</i>	7,403	4,776	7,367	8,648	8,551	9,240	11,198	11,755	11,613	12,952	14,659
Total UK owned											
<i>number of vessels</i>	616	617	624	594	590	649	671	688	709	738	754
<i>gross tonnage</i>	7,610	6,530	8,536	9,480	9,752	12,654	12,934	13,719	15,376	17,360	18,825
<i>dead weight</i>	9,761	7,196	10,374	12,013	12,273	14,972	16,305	17,080	17,864	19,579	21,284

Notes:

Gross tonnage = $0.2 + 0.02 \log_{10} V$ where V is the volume of all enclosed spaces in the ship expressed in cubic metres

Dead weight (tonnes) is the weight of cargo, stores, fuel, passengers and crew when loaded to a ship's maximum summer loadline

These data are not National Statistics

Source: Department for Transport Maritime Statistics 2008 (2009)

The number of individuals employed in sea and coastal water transport has fluctuated in recent years,⁷⁵ not necessarily following the upward trend seen in the fleet over the same period.

Number of employees in sea and coastal water transport

	<i>number</i>
1998	16,200
1999	14,500
2000	13,600
2001	14,000
2002	14,800
2003	13,700
2004	16,000
2005	16,300
2006	14,500
2007	15,200
2008	14,600

Data for 1991-97: Annual Employment Survey

Data for 1998-2005: Annual Business Inquiry

Source: Office for National Statistics

⁷⁵ from much greater highs in previous centuries: according to Ronald Hope the number of merchant seamen serving on British ships at the beginning of Elizabeth I's reign in 1558 was 25,000; a few years before the Battle of Trafalgar in 1805 the figure was 200,000; by the eve of the First World War in 1914 it was 250,000; and just before the Falklands War in 1982 it was 79,000 (op cit., *A New History of British Shipping*, p216)