
First Special Report of Session 2014–15

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The Transport Committee

The Transport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Transport and its Associate Public Bodies.

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First Special Report

On 2 June 2014 we received a response from the Government to the Transport Committee’s Thirteenth Report of 2013–14, Forging ahead?: UK shipping strategy, which we publish with this Special Report.¹

Introduction

The Government welcomes this opportunity to respond to the Transport Select Committee’s recommendations on the UK shipping strategy.

We are pleased to note the Committee’s support for the Shipping Strategic Partnership and the recognition given to the plans and work being delivered in partnership across the maritime sector.

Government Response

The new shipping strategy

Recommendation 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).

We welcome the Committee’s support for the Shipping and Ports Strategic Partnerships. The Government strongly believes that the partnership between Government and industry exemplified in this jointly published document must continue to lie at the heart of further policy development and implementation. The Government is therefore continuing to work with industry and the trade unions to identify the key priorities for action to deliver the greatest early benefit to the UK maritime sector and to maximise the contribution shipping can make to our economy. In line with the published strategy we would expect continuing work to comprise a range of actions by both Government and industry. A number of such actions have already been discussed and agreed with industry

¹ HC 630, published on 26 March 2014.
and the trade unions in round-table discussions including representatives from all key maritime sectors and ministers from across government. These include optimising the use of the additional funding for maritime training announced by the Government in September last year, and piloting the inclusion of ratings training within the Support for Maritime Training Scheme. It is the Government’s clear intent that the Strategic Partnership document should provide a flexible framework allowing policies and actions to develop to reflect changing circumstances and that the steps that have already been taken, and acknowledged by both industry and the trade unions to deliver the more joined-up approach to maritime policy making, including regular Ministerial round tables chaired by the Shipping Minister and including Ministers from across a range of Government departments, should continue.

London International Shipping Week

Recommendation 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)

We agree that the UK as a whole has a strong message to tell about its maritime sector. The London International Shipping Week (LISW) was of course a partnership between the conference organisers, industry (led by Maritime London and Maritime UK) and Government and we are pleased its success has enabled commitment to a similar event in 2015. London is at the heart of the UK maritime sector but maritime is also recognised as a sector which spans the UK. As we prepare for LISW 2015 we will build on the successes of the inaugural 2013 event and develop the 2015 event to reflect the diversity of the sector and geographical spread across the UK.

The UK-flagged fleet

Recommendation 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)

Recommendation 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)

The Government agrees that recent trends, including the increasing challenge from other maritime centres, particularly those in the Far East means that it is necessary to look, in partnership with the shipping industry and the broader maritime sector, at a range of actions that might help to maintain or improve the attractiveness of the UK as a flag of choice and the place in international shipping companies would wish to bring their business. The Government will set out its plans to take this forward in conjunction with industry in the near future.
Red Ensign Group

Recommendation 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)

The Government believes that it both has a responsibility in line with the UK Government’s commitment in the white paper The Overseas Territories: security, success and sustainability (published 2012), together with the Government’s response to Justice Select Committee Report 2010, to support legitimate economic activities in its Overseas Territories (OTs) and Crown Dependencies (CDs) and that the Red Ensign Group (REG) registers both can and do bring advantages to the UK. The growth of the British Shipping Registers operated by the UK, OTs and CDs in recent years has led to the combined UK and REG fleet forming the 7th largest flag in the world. This places the UK in a strong position as a large Red Ensign Group is likely to bring more business for the UK’s maritime business sector and also increase the UK’s level of influence on the development of international maritime regulatory framework within the International Maritime Organization (IMO), the International Labour Organisation (ILO) and the EC, all of which is pivotal to the UK’s shipping strategy.

It should be recognised that under international law, the United Kingdom of Great Britain and Northern Ireland, together with the OTs and CDs form just one Flag State. In terms of international maritime law, that one Flag State – the UK – is the only Flag State for all ships registered in the UK or in any of the OTs and CDs. For any breach of international law, the UK Government will be answerable internationally.

The Government will therefore continue to retain an effective level of oversight and scrutiny of the REG, with control measures where required. We will work collaboratively with colleagues within the OTs and CDs to ensure that fleet growth across the REG continues and that all ships flying the Red Ensign are maintained and operated in accordance with relevant international conventions and UK policy.

The effective monitoring of the REG members has identified occasions where the required standards have not been fully complied with and has allowed early corrective actions to be undertaken. However, the positive response to those control measures by OT governments affected indicates the success of this strategy and the willingness to comply. This oversight ensures that the Red Ensign continues to be recognised internationally as a high quality flag.
Although a uniform approach to maritime policy is sought throughout the REG, it must be recognised that in some instances this is not possible. Predominantly the CDs and OTs follow the same international conventions and treaties as the UK. However certain additional obligations may be required to comply with specific EU and EC treaties and directives which are restricted to the UK and EU based REG members. Due to the global nature of the shipping industry, companies have a wide choice of where they register their vessels and take their business; they may choose for competitive reasons to operate their vessels under the framework of international rules and regulations, rather than under more restrictive national or regional regulatory frameworks. While the UK would prefer that the European regulatory framework does not put member states at a competitive disadvantage in attracting international business, where it does occur, the Government believes that it remains to the advantage of the UK as well as shippers, passengers and employees that the businesses can flag their ships to a quality REG flag rather than potentially poorer quality ones that are not under the oversight of a high quality maritime administration such as the Maritime and Coastguard Agency (MCA). In providing the oversight of the REG, the MCA continues to ensure that the REG continues to meet all aspects of the international regulatory framework for shipping including the higher standards of protection set for seafarers under the Maritime Labour Convention.

Recommendation 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)

The MCA has an excellent reputation in the maritime world and has, over many years, shared its knowledge and expertise with both individuals and other countries to help them develop or enhance their standards.

Training and skills

Recommendation 7. We recommend that the Government make an explicit commitment to address fully the predicted shortfall in trained seafarers by 2021. (Paragraph 29)

The Government has made clear its commitment to ensuring that the UK has the maritime skills base it will need to sustain our position as the world’s leading maritime centre and to sustain our maritime and offshore activities by increasing the amount of funding available in support of maritime training by 25% until the end of the current spending review period as well as piloting of the training of ratings as part of tonnage tax core training commitment.

The Department will continue to undertake analysis of the needs of the maritime industry, in relation to the projected number of seafarers, with a view to informing future policy. Future policy also needs to take into account such factors as availability of berths on vessels and capacity at relevant nautical colleges. We are working with industry colleagues, including the unions to ensure good promotion of maritime training and career opportunities. We will keep the Committee informed of our progress.

Recommendation 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)

At the March 2014 Ministerial maritime round table with industry, the Government agreed to pilot a change to the tonnage tax regime that will allow the training of 3 ratings in place of 1 cadet as part of the tonnage tax core training commitment. In order for this pilot to succeed in the long term, the unions and Maritime UK need to be able to demonstrate that there are long term job opportunities in the sector for the ratings once trained.

Recommendation 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)

In considering our contributions to the post election spending review, we will commission updated analysis of the SMarT funding programme in order to establish what value this scheme delivers to the UK economy

Recommendation 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 workforce. We recommend that the Government work with the shipping industry to promote takeup of apprenticeships in order to build the industry’s confidence that apprenticeships are now here to stay. (Paragraph 28)

The Government has shown its commitment to apprenticeships and is on track to deliver two million apprenticeship starts in this Parliament. Government’s planned investment in apprenticeships in the 2013-14 financial year totals £1.566 billion.

But apprenticeships are demand-led - they can only be delivered where employers come forward with vacancies. We hope that the current reform of apprenticeships will make them more relevant and attractive to employers.

As part of BIS’s review of apprenticeships, a maritime trailblazer for ratings was announced in March 2014. This highlighted the new standard focusing more on meeting industry needs. In addition to this, at the recent maritime training and employment Ministerial round table, it was agreed to do more to raise the awareness of what is available in terms of maritime training. The maritime sector is actively taking advantage of the apprenticeship reforms and the new flexibilities they allow to develop a new maritime apprenticeship standard for Deck, Engine Room and Catering Ratings as part of the apprenticeship trailblazer programme. A number of employers will lead the development of the standard including DFDS, Princess Cruises, Carnival UK, P&O Ferries, Royal Navy and James Fisher (Shipping Services) Ltd.
Recommendation 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)

The MCA conducted a survey in 2009 to investigate the employment rates of seafarers whose training had been largely sponsored by the UK Government in order to draw conclusions regarding its effectiveness and value for money. These results showed that 96% of those officers who responded had found employment at sea.

The Department is shortly to meet Maritime UK and the Maritime Skills Alliance to discuss what data is available on seafarer destination statistics and develop a picture on long term commitment in employment at sea.

**MCA and MAIB resources**

Recommendation 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)

In making this recommendation, the Government believes that the Committee was particularly concerned with the MCA’s resources to apply and enforce new maritime labour, and sulphur emission standards. As set out in the Department’s evidence to the Committee, preparation for these new responsibilities has been a one-off exercise, and the necessary inspection and certification activities will form part of normal business for the MCA. Responsibility for implementing and enforcing the regulatory standard will be absorbed by existing survey and inspection personnel as part of routine inspection work, as is the case with all other regulatory changes affecting ship and maritime labour standards. More generally, the Government routinely reviews its resource levels to prioritise and balance the delivery of its statutory and non-statutory responsibilities as part of its corporate planning processes. This will also be done in advance of the next Spending Review.

While the Committee noted that staffing levels do not currently undermine enforcement of existing measures, we recognise that longer-term resourcing does need to be addressed. The Government is pleased to report that a review of the MCA’s survey and inspection capability is already underway which will address surveyor recruitment and retention, institute modern, industry-standard working practices, and provide staff with more
efficient ways of working. By adopting best practice in the assurance of maritime safety through the application of risk assessment and measurement, the Government will in future target surveyor attention more closely on the areas which achieve the greatest impact on maritime safety. When these changes are taken together they will ensure that the MCA is able to deploy the resources that are available to it, in ways that achieve the fullest effect.

In view of work that is ongoing and planned to review survey and inspection capability and delivery, the Government believes that an independent review of MCA’s resources at this time would be an unnecessary step.

**Recommendation 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)

The MAIB is not immune from the budgetary pressures. It will continue to deliver high quality reports including more “short” reports to meet EU requirements within the resources available.

**Wind farm passenger transfer vessels**

**Recommendation 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)

**Recommendation 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)

The Government understands the need for the publication of the Brown Code Edition 2 in the summer and is working to present a final draft to industry prior to the Seawork Exhibition in June 2014. The final draft had wide consultation and will reflect extensive input and contributions made by the industry through the MCA’s Small Workboat and Pilot Boat Code Technical Working Group.

The new edition of the Brown Code reflects the requirements of wind farm operations. It should be noted that the MAIB Report into the Windcat 9 & Island Panther incidents made recommendations to industry rather than to the Government.

Wind farm passenger transfer operations are similar to the passenger transfer operations routinely carried out by many other workboats around the coast, or by pilot vessels.
Indeed, there are other ship-to-ship transfers, usually carried out with both vessels making way, that are arguably more demanding than those experienced with windfarms. The MCA’s Marine Guidance note MGN 432 sets out safe procedures for ship to ship passenger transfers.

The existing requirement for workboat crew training and qualifications proportionately addresses the risks associated with operating these types of vessels. By working on smaller vessels, seafarers gain knowledge and skills. This increases employment opportunities for those with good practical experience of boat handling and coastal operations, but who do not possess full Standards of Training, Certification and Watchkeeping (STCW) qualifications. The alternative would increase the demand for STCW qualified seafarers from the deep sea sectors.

There is a need to upgrade the skills of workboat masters, and the Government is already closely involved in the approval of additional training programmes. For example, the 200 GT STCW Master Code Vessel Certificate of Competency is available to Workboat Masters and is currently achieved after further examination by the MCA. The MCA will consider the suitability of this certificate for use in the windfarm industry.

It would be counter-productive to introduce wholesale prescriptive changes without proper consultation and full consideration of the likely consequences.

The correct approach – as recommended by the MAIB - is to improve the awareness and training of masters and crew to address safety risks experienced by, and within the industry. Industry codes of practice are being set up for this relatively young industry to apply to those types of operations, and to the training and qualifications of their vessel crews and to other employees.