



# Foreword

Throughout the years, shipping has always been crucial to the economic and strategic well-being of our island nation. In turn, seafaring knowledge and expertise has helped to shape the fortunes of Britain, in war and in peace.

However, for the last 25 years of the 20th century, the British shipping industry suffered a dramatic and drastic decline. During this period the number of British-owned and registered ships (500gt and above) dropped from more than 1,600 to fewer than 300 and the number of seafarers serving in the UK shipping industry shrank from more than 90,000 to barely 25,000.

In July 1998 the UK government's White Paper on The Future of Transport announced the intention of developing a new shipping policy based upon a long-term strategic vision of the importance to Britain of its shipping and wider maritime-related industries.

This aim was reaffirmed by the Deputy Prime Minister in his Foreword to the subsequent paper, *British Shipping: Charting a New Course*. The DPM drew attention to the proposed 33 inter-related actions designed to develop the UK's maritime skills by securing British seafaring employment and enhancing the UK's attractiveness as a base for shipping enterprises.

The paper itself places a great deal of emphasis on the importance of maintaining seafaring skills in recognition of the fact that in any reputable maritime nation, ship operational expertise is the *sine qua non* of good practice. Unsurprisingly then, 21 of the 33 action points set out in *Charting a New Course* were aimed at ensuring that the UK maintained a sufficiently large and highly skilled maritime labour force.

Sadly, since *Charting a New Course* was published in December 1998 there has been growing evidence that the measures put in place to develop the industry's workforce have been inadequate — despite some very welcome growth of the UK-flagged fleet and the number of non-UK flagged ships entered into the tonnage tax fleet.

In these emergent circumstances of an unwanted outcome to the government's policy initiative, there is an urgent need to reassess the original measures and to propose methods more certainly geared to securing a long-term future for the UK's shipping industry and the wider maritime infrastructure.

The first section of this paper reviews briefly the historic and current role of the UK in the international shipping industry; the second section summarises the intent and principal heads of *Charting a New Course* proposals; the third examines the recent history of the manning of tonnage tax fleet ships and the continuing crisis in the UK's seafaring labour force. The fourth and final section identifies the measures urgently needed to revitalise officer recruitment and retention programmes.

This paper argues forcefully that only with such programmes in place will it be possible for the UK to continue to sustain its leading role in the rapidly emerging new global order of world shipping.

June 2004

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A NUMAST report on UK Seafarers,  
Maritime Skills & The Tonnage Tax

# Employment Link

## The UK and World Shipping

The shipping industry is *the* leading example of a global industry. If this is most visible in the seaborne volumes of globally-traded goods and commodities — some 95% of manufactured goods, raw materials and processed commodities are carried in ships — the reality of its uniquely advanced global character lies in its network of interactive statutory and voluntary regulatory agencies and organisations and in its labour market structures and institutions which similarly span the world and make possible those multinational crews which are unique to the shipping industry. Within this global network of regulatory agencies and labour market organisations, UK and UK-trained Commonwealth citizens with seafaring experience are prominent in executive and operational roles.

The *global* nature of the industry — as distinct from its centuries-old function as the carrier of international trade — is a relatively recent development. Only in the last 40 years has the industry grown beyond its various national origins. Until the 1970s the shipping industry was nationally based and all nations with sizeable fleets had their own clusters of interacting sets of organisations representative of all interested parties. While these clusters still exist, their role has in most cases diminished in both width and depth. In this new global era there are now just three principal shipping metropolises — the UK, Singapore and Hong Kong. Of these, the UK is the most important, with its extensive specialised linkages drawing together organisations in banking, insurance, shipbroking, maritime law, regulation, classification, technical consultancy, shipowning and managing, industrial relations and seafarers' welfare. This unrivalled plurality of institutions ensures for UK-based organisations a pivotal role

in the shipping industry's global 'political system'. Two recent instances of key global developments illustrate the central part played by UK-based organisations.

The new International Maritime Organisation convention on standards of seafarer training and certification, introduced in 1995 (STCW95) for implementation in 2002, was universally accepted as a necessary measure to ensure acceptable standards of competence in the emergent global labour market. The 'politics' of initiating the STCW convention and seeing it through to adoption and implementation lay largely with the London-based and British-staffed International Shipping Federation and senior British secretariat staff at the London-based IMO — led in both cases by British ex-merchant seamen.

In the second instance, and this time in the arena of industrial relations, 2003 saw the creation of international collective bargaining machinery aimed at stabilising the global labour market. Here again the leading roles were occupied by senior people with previous careers as merchant ships' officers. These examples of British citizens playing key roles in the constituent organisations of the shipping industry's global political system can be repeated many times over.

At the level of the everyday administration of procedures, rules and regulation the part played by British and British-trained Commonwealth citizens with a background in seafaring has been twice rehearsed in Department of Transport-commissioned studies. Also important, given the highly integrated nature of world shipping operation and regulation, are the roles played in centres such as the Arabian Gulf, Hong Kong and Singapore by UK ex-seafarers and others either trained and educated in British maritime academies and

universities, or in institutions modelled on the British system and paralleling its curricula.

The British-owned and controlled shipping enterprises are no longer dominant in world shipping and it would, of course, be far too much to claim that the rest of the world still follows the British model of maritime law and tripartite administration as it did 100 years ago. On the other hand, that historical background is fundamental to the continuing significant contribution made by British personnel and British practices and approaches to devising and then administering realistic policies in global shipping. This contribution could not continue without people with a foundation in the practice of professional seafaring and in a political culture where the value of negotiated consent is a core value.

## The Premises and Proposals of Charting a New Course

*Charting a New Course* was produced by the Shipping Working Group (SWG) in 1998. Established by the Deputy Prime Minister in 1997, the Group's terms of reference were to identify actions with the aim of:

- ✦ **Enabling economic and environmental benefits from shipping**
- ✦ **Reversing the UK merchant fleet's decline**
- ✦ **Increasing the employment and training of British seafarers**
- ✦ **Encouraging shipowners and the maritime industry generally to increase investment in seafarer training**

These terms of reference were decided upon because the Government had concluded '... that acquiescence in the continued erosion of the UK's core maritime capability is not a tenable policy... The British economy needs environmentally sustainable transport and a continuing maritime skills base to sustain its internationally competitive and high-potential businesses in the shipping and maritime-related sectors... (Maritime) skills are acquired best — and most cost-effectively — through merchant navy training and experience. This requires the sustained recruitment and employment of British seafarers, which in turn depends heavily on the continued participation and viability of British companies in international shipping.' (p15).

In concluding its review of the condition of the British shipping industry, then current EU shipping policies and measures taken in other EU member-states, the SWG asserted the need for a comprehensive strategy incorporating an integrated set of policy proposals (including fiscal changes) to be achieved through a partnership of the interests involved, i.e. shipowners, maritime-related industries, maritime trade unions and government, to ensure full implementation of the necessary policy package. *This 'necessary political package' both in its action points and in the preceding text spoke repeatedly of the fundamental importance of maintaining those maritime skills acquired through high quality training supplemented by seagoing experience in responsible positions.*

From the outset, the Deputy Prime Minister has made clear the Government's intention that the introduction of the tonnage tax was expected to produce a great deal more than a mere increase in the numbers of ships attracted to the British registry. Speaking on 10 December 1999 at the ceremony marking the re-adoption of the British-flag by the Cunard cruise liner, *Caronia*, the DPM said that: 'An important feature of the tonnage tax, unique to the UK, is its establishment of a training commitment by the industry'. This was reaffirmed by the DPM speaking on 12 July 2000, when he repeated that: 'A unique feature of the tax is its linkage to a training commitment by the industry designed to improve the nation's seafaring skills'. In a speech just two weeks later (28 July 2000), on the occasion of the launch of the DETR's website, *Our Ships Your Future*, the DPM said: 'This was the right time for young people to consider a career in the Merchant Navy. The number of ships being flagged to the UK is increasing all the time. The British Merchant Navy is vital for this country. It is an industry of the future and offers great career... opportunities'.

The DPM's emphasis on career opportunities and the 'unique feature' of the training-employment link do, of course, sit together and are of a piece with the Government's general approach of tying training and employment considerations into its industrial policies — as well as underlining the distinctive feature of the British tonnage tax regime.

These objectives were also reinforced by the influential 'Alexander Report' published following Lord Alexander's independent inquiry into a tonnage tax scheme. In recommending the adoption of the tonnage tax scheme, the report emphasised that: 'The DETR, the industry and the trades unions are willing in partnership to attempt to revive the industry and promote skilled employment to benefit seafarers and those who switch from active seafaring to join the valuable shore-based industries'.

The use of the term 'unique feature' and the creation of the website, *Our Ships Your Future*, aimed at recruiting young people, demonstrates how the Government expected that there would be employment benefits for UK-domiciled seafarers from the tonnage tax. It is clear from all the policy documents and associated ministerial statements that the Government did not regard its maritime policies as being primarily concerned with strengthening the UK's maritime infrastructure by satisfying the desire of British and UK-based shipowners for a flag state offering high quality regulation at an internationally competitive price. On the contrary, the policies were designed as a coherent whole with clear objectives to end both the decline of the British shipping industry and to reverse the haemorrhaging of the country's maritime skills base.

## The Tonnage Tax and the British Seafarer

The tonnage tax has been remarkably successful in attracting shipowners to register their vessels within the scheme — but markedly less so in delivering the ‘unique feature’ of increased training and employment.

Between 2001 and 2004 the number of companies enrolled in the scheme increased by close to 40% (from 42 companies to 67) while the number of ships went up by 30% (from 520 to 745 ships). The bulk of the increase was in the period 2002-2003 although, disappointingly, UK-flagged ships have contributed only slightly more than half of the tonnage tax-entered fleet. Many UK-owned ships remain flagged in the Isle of Man, Bermuda and the Bahamas and, indeed, at the start of 2004 just 38% of total UK-owned trading tonnage was under the UK register, compared with 29% at the start of 2001 and 24% at the start of 1999.

The number of years elapsed since the introduction of the tonnage tax scheme began is as yet too few to detect any marked trend in enrolment although it *may* be that the very small increase in 2003-2004 (1% in the number of ships) suggests the possibility that the scheme may already be close to maturity. The flag market is not notably volatile, except at the bottom end where footloose, substandard ship operators and owners of de-classified ships can be attracted to flag states offering negligible regulation. Most owners only consider flag changes when fleet renewal or mergers/takeovers are in progress. Although there are occasional exceptions, as in the recent growth of the UK flag, flag state fleets generally have slow rates of growth/decline. Seafarer recruitment is a much more variable factor and especially in senior officer ranks, where the availability of experienced, competent and reliably certificated persons, rather than price, is commonly the most important element.

The fact that senior officers are made, not born, was well understood by the DPM, his advisors and, not least, by the members of the SWG when the tonnage tax scheme required that enrolment be linked to the recruitment of officer trainees. The precise requirement being that for every 15 posts in the effective officer complement of ships entered in the scheme, the ships’ owner had to provide training on a relevant course for not less than one eligible trainee officer per year.

The need for such a link was starkly indisputable. British officer cadet training catastrophically reduced during the 1980s, leaving a huge ‘generation gap’ in the country’s maritime skills base. A total of 2,315 cadets began training in 1975. This fell to 1,274 in 1980 and to an all-time low of 162 in 1987. The intake recovered slightly since then, running between 400-500 throughout the 1990s and when the tonnage tax was still at the discussion stage in 1999, officer trainee recruitment was in the region of 560 cadets per year.

Despite the training link with tonnage tax, cadet recruitment since the scheme was launched has been disappointing. The intake rose to 622 in 2002-3 and a provisional estimate of 620 in 2003-4. This number is

barely half of the figure of 1,200, reported in 1996 in a University of Wales study (commissioned by the Department of Transport, the UK Chamber of Shipping and the Marine Society) determined necessary just to stand still. A 2003 update reiterated the earlier findings, but revised downward the earlier estimate of the numbers needed because, the authors argued, they had previously overestimated the attrition rate of cadets in training. The 2003 study proposes a 6% annual loss, compared with their 1996 estimate of 10% per annum.

However, NUMAST believes this highlights the fact that there is insufficient substantial evidence of attrition rates. Emerging evidence from an ongoing SIRC cohort study of UK cadets employed by the three companies with the largest cadet intakes, suggests that attrition rates actually vary considerably from one employer to the other and that the safest assumption of the overall rate of loss is between 40 and 50% over the three-year period, i.e. an averaged annual rate of between 14 and 17%. On the basis of these figures, and using the University of Wales 1996 study’s formula for calculating the required output, annual cadet recruitment should be 1,680 using the lower figure of 14% per annum loss, or 2,040 using the higher figure of 17%. Current recruitment (as in 2003) at 600 cadets pa falls woefully short of the 1996 estimate of 1,200 and is some 20% short of the 2003 revised downward estimate.

What is clear is that the ‘unique feature’ of the tonnage tax has not materialised — despite the substantial increase in the number of ships entered into the scheme. The failure of the tonnage tax training-employment linkage is also revealed in the steadily declining numbers of UK officers employed aboard tonnage tax ships. DfT data shows that in 2001-02, 69% of officers were UK-domiciled. By 2002-3 the proportion had fallen to 58% and in 2003-4 had fallen still further, this time to 49%. In just three years the proportion of UK officers had fallen from more than two-thirds to less than half. Whichever way these figures are examined the tonnage tax’s ‘unique feature’ is just an unfulfilled promise.

Even more disturbing is the fact that the annual UK seafarers analysis produced by the Centre for International Transport Management at London Metropolitan University indicates a 14% *decrease* in the number of UK officers between 1997 and 2002. Not only that, but the number of officers aged less than 40 had also fallen by 15% in this period, which raises particular concern about the long-term health of the labour supply trends. The analysis pointed out that the detailed breakdown of the ages of the officers examined in the research suggested that the increase in certification between 2001 and 2003 ‘is more to do with the transfer to STCW 95 than as a consequence of the tonnage tax provisions’.

This potentially problematic combination of an inadequate and low level of recruitment and training with the high age profile of the existing officer workforce presents devastating consequences for Britain’s future as a maritime nation — consequences that should be unthinkable for a country that remains so

reliant upon shipping for its economic and strategic well-being.

The scale of Britain's maritime sector and its continued national importance cannot be over-emphasised. The UK continues to benefit from the largest maritime sector in Europe, with a turnover of £37bn — twice the size of aerospace or agriculture — and employing more than a quarter of a million people.

Traditionally, a very significant proportion of the employment in the maritime sector and related service industries have been filled by former seafarers. The most recent report from the University of Wales on the supply of experienced ex-officers for these positions predicts how the growing shortfall in the supply of such personnel could threaten the UK's long-term dominance of the global maritime services market and may also help to further accelerate the loss of British junior officers.

Updating earlier research carried out in 1996 and published in March 2004, the report assesses current and forecast UK shore-based demand for skilled seafarers to fill posts in such key areas as classification societies, port services, marine insurance and law, and maritime training. The report concluded that there are some 132,000 jobs in the shore-based maritime sector, of which around 12% are posts that employers would prefer to fill with former seafarers and more than 6.5% are jobs for which companies consider seafaring experience to be essential.

Researchers discovered that since 1996 companies have cut the proportion of positions in the 'essential' category by as much as 23%. 'This suggests that in the intervening years there has been some reassessment by employers of the jobs as to which jobs they need to fill with ex-seafarers and this has led to some jobs being downgraded from the essential to the advantage category,' the report explains. It warns that this could lead to deterioration in the quality and competence of staff working in maritime-related posts ashore. 'It is clear, in some circumstances, that a suitably qualified and trained non-seafarer would be an inappropriate substitute for a trained seafarer,' the report adds. And it also warns that re-classifying jobs in this way will not be sufficient to offset the increasing shortfall of skilled seafarers caused by inadequate training over the past 20 years.

If present trends continue, the researchers suggest that 'UK officers currently employed at sea will be encouraged to move to onshore employment sooner in their career than they otherwise would have done. Without government intervention, the report says, market forces will drive up shore-based salaries to attract serving seafarers — creating increased wastage from shipping companies. 'If a shorter career at sea is expected to become the norm, companies currently employing UK junior officers will have less incentive to train them and less incentive to recruit UK officer cadets and be more likely to employ foreign officers,' the study argues. 'Ultimately, they may even cease to employ UK junior officers after completing their cadetship because of the probable loss of whole age cohorts of experienced ships' officers.'

The report says these developments will have seri-

ous consequences for training programmes and could result in 'footloose' firms switching their business to offshore centres where they can employ foreign seafarers locally. As this report has argued, shipping is the most 'globalised' of all industries and the intense competition that characterises its operations at every level means the process of 'offshoring' is well established. Britain's lead in many key maritime service sectors has arisen from a combination of historic fleet size, maritime expertise, and qualitative advantages such as high levels of safety and efficiency. However, continued long-term failure to ensure an adequate supply of maritime expertise will almost certainly result in additional pressure for shore-based shipping-related businesses and services to relocate and this will have a significant impact on crucial sectors in which the UK presently has an international lead, such as classification, shipbroking, marine law, protection and indemnity, maritime training and education, and ship and crew management. This will, in turn, have a major impact on the UK economy. Maritime services generate more than £1,090m a year in overseas earnings (Maritime Services report, City Business Series 2003), but the UK's lead is under considerable threat as a result of the development of new maritime centres in the Asia-Pacific region in particular.

Similarly, the potential scarcity of skilled seafarers also presents alarming consequences for the UK's maritime safety infrastructure. Maritime experience is essential in many safety-critical posts, such as marine pilots, vessel traffic services, ship inspection and surveying, salvage, coastguards, casualty investigation and harbour masters. Unless current trends are reversed, there could be serious problems in finding candidates for many of these posts — especially if market forces drive up wage rates as the shortage intensifies. This scenario is all the more disturbing given the UK's increasing reliance upon foreign and flag of convenience shipping, which places even greater significance upon the need for high quality marine safety provision.

As the Cardiff University Study into the UK's requirements for people with experience of working at sea pointed out, the available evidence suggests that 'Merchant Navy service is still the most cost-effective training ground for many of the short-based jobs' and NUMAST believes the government should consider its case for an employment link in this wider context of national needs.

It is also important to consider the wider context of international supply and demand for seafarers. A series of studies produced by BIMCO/International Shipping Federation and the University of Warwick since the early 1990s have repeatedly warned of the increasing international deficit of skilled and experienced officers. Shortages were somewhat mitigated in the mid-1990s as a result of the unforeseen availability of a new source of low-cost labour from eastern Europe. However, as the most recent interim BIMCO update admitted, the shortfall of officers has remained and last year was estimated at 16,000, or 4% of the total workforce. The shortages are also underlined by the ISF's 2003 interim manpower survey,

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which showed 83% of its members reporting serious or moderate shortages in the current officer supply/demand situation.

On a global basis it is clear that the international shipping industry is falling far short of the agreed target of one cadet per ship in the world fleet — for much of the 1990s it failed even to meet 25% of this target — and again the most recent BIMCO update found evidence that there had been some falling off in recruitment in the late 1990s. The ISF interim manpower survey last year reported that 26% of its members reported a decrease in cadet recruitment levels since 2000, 37% said there had been no change and 37% said the figures had increased. The ISF has also highlighted how techniques such as curtailed training, reduced back-up and shorter leave periods have been used to mitigate the existing shortage of officers.

However, the OECD and UNCTAD have both pointed to the ongoing sustained increases in the volumes of world seaborne trade, which are presently helping to fuel record levels of investment in new tonnage. The high number of ship orders also reflects the significant earnings to be made in many sectors of the industry — with the Clarksea index, which measures earnings in all the main sectors such as tankers, bulk carriers, containerhips and LPG vessels, hit US\$24,970 per day

in December 2003, against a trough of less than \$10,000 in 2001. Rates in many sectors have been at record levels over the past year, and laid-up tanker and dry cargo tonnage dropped to the lowest level for more than 30 years.

It is therefore clear that demand for seafarers will continue to increase and greater pressure for safer and more environmentally sensitive operations will place a greater premium of high quality officers. The growing awareness of the importance of the human element in safe shipping (with 80% of accidents related to human factors) is likely to act as a brake on the trend towards ever-cheaper seafarer labour supply sources — particularly when coupled with new regulatory pressures, such as the ISM and ISPS Codes and the STCW 95 requirements. New, technologically sophisticated tonnage also requires highly skilled officers with a broad range of technical expertise. Demand for seafarers is also likely to increase as a result of the moves at the IMO to overhaul the principles for the assessment of safe manning levels and by the more effective enforcement of regulations on seafarer work hours and rest periods. That demand, as an OECD report on the availability and training of seafarers stated last year, is likely to continue at a broadly consistent level for the next 10 years and to focus particularly strongly for officers from OECD member states to fill

**Table 1: Estimated Numbers of Officers of Various Nationalities Employed Aboard UK-flagged Vessels, 2002**

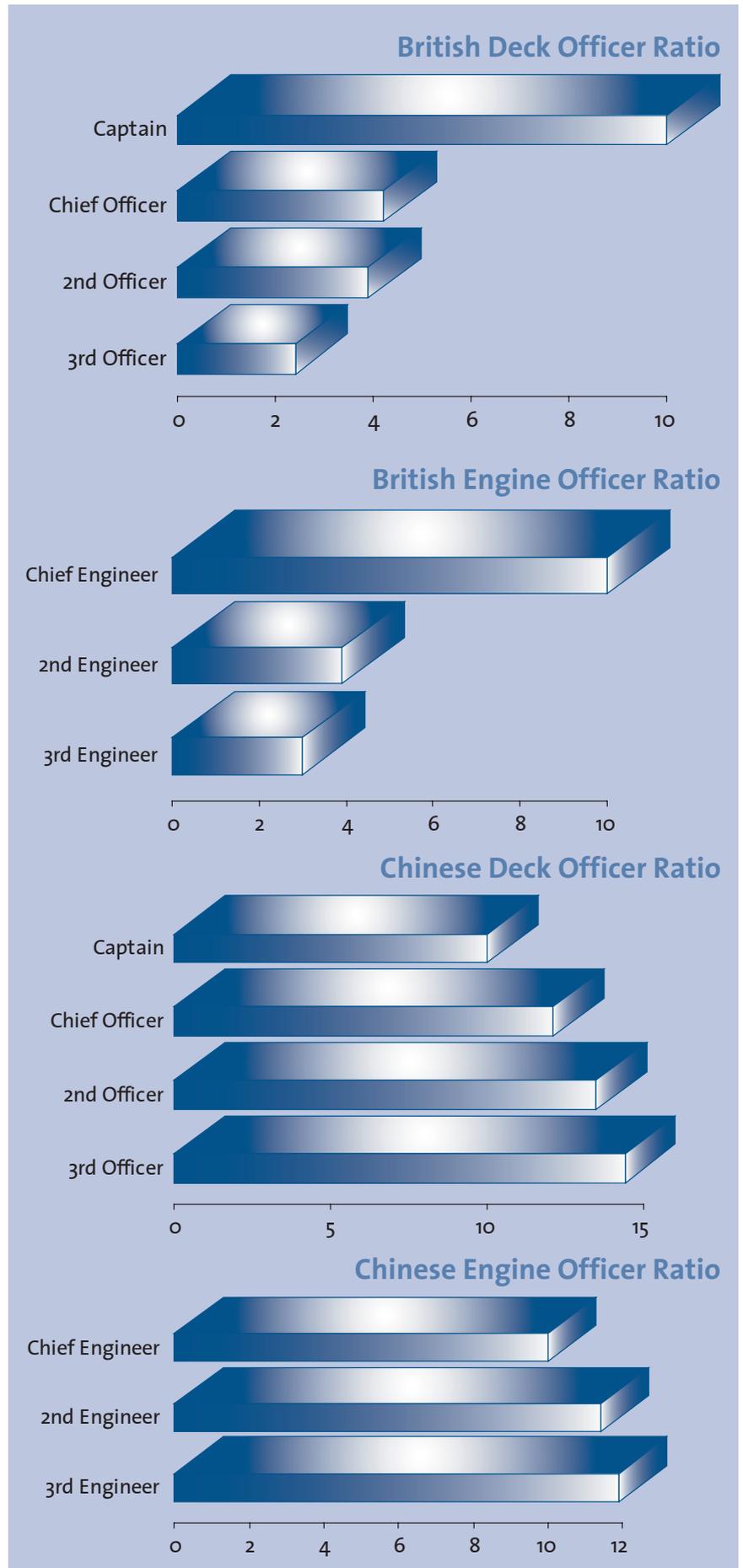
Nationality	Frequency	Percent %
United Kingdom	1356	47.9
Poland	264	9.3
Philippines	213	7.5
Canada	111	3.9
Ukraine	90	3.2
Russia	85	3.0
Croatia	85	3.0
Latvia	80	2.8
India	74	2.6
Norway	66	2.3
Denmark	65	2.3
Sweden	56	2.0
Indonesia	53	1.9
Germany	49	1.7
Romania	38	1.3
Barbados	35	1.2
<b>Totals</b>	<b>2761</b>	<b>97</b>

senior ranks. The report estimated that there should be one cadet for every seven officers or 1.5 trainees per ship to meet these needs — while BIMCO estimates the current ratio is around one trainee for every 10 officers. Similarly, the last BIMCO update suggested that on current global recruitment trends the shortage of officers is likely to grow to 46,000, or around 12% of the total workforce, by 2010.

Against such a background, it is therefore important to examine the supply and demand for officers in the UK and on tonnage tax ships. This is particularly important given the significant proportion of vessels in the scheme that do not operate under the red ensign, but instead remain under flags including Barbados, Bahamas, Germany, Antigua & Barbuda, Liberia, Panama, Hong Kong, Norway, Ireland, Netherlands Antilles, Singapore, Japan, Denmark, St Vincent, Marshall Islands, Netherlands and Luxembourg. The DfT analyses of the crews of tonnage tax ships offer only high-level aggregations. They do not differentiate between UK-registered and other flag ships and make no analyses by nationality and rank. The only available data on the nationalities of the officer corps of *UK-flagged* ships is shown in Table 1 (page 6). This data, drawn from the 2002 global survey of crew composition by Cardiff University's Seafarers International Research Centre, estimates that some 48% of officers aboard UK-flag ships are of British nationality and a further 21% are citizens of other EEA countries — Poland and Latvia of the EU-accession countries together providing 11%.

The magnitude of the problem of training, employment and rebuilding the maritime skills is vividly made in the charts displayed on the right, which are produced by Cardiff University's Seafarers International Research Centre (SIRC). Based upon an annual global sample census of the crews of more than 2,000 ships trading internationally, the 2002 census produced junior-senior officer ratios for all countries with significant numbers of officers. Reproduced on the right are charts showing the comparative situations for British and PRC deck and engineer officers.

The ratios for UK deck and engineer officers show an untenable position for the future of the UK maritime skills base without immediate remedial action. For comparative purposes only, the Chinese (PRC) junior/senior ratios show the pattern needed to produce a balanced flow from junior to senior officer. This does not mean that China can be relied upon as a future source of seafaring labour for other nations' ships. Some 80% of Chinese deepsea seafarers are employed aboard Chinese-owned ships and the ratios shown here apply to *all* Chinese officers. This suggests that at least for the moment there are enough officers in the system to satisfy Chinese needs — but not anyone else's. In the slightly longer term there is the possibility that China's own large and still expanding fleet may have difficulty in meeting its own requirements. A clear indication that China is already experiencing the universally recurrent problem of seafarer labour turnover is the fact that the prestigious Shanghai Maritime University has recently begun recruiting women officer trainees.



The position is even more stark than these statistics would suggest. The 'generation gap' caused by the massive decline in UK cadet training during the 1980s has created the situation in which the current officer corps has an extremely unhealthy demographic. In 1980 the average age of UK officers was 27. Today the figure is over 47. More than 80% of the entire British seafarer workforce is aged over 35, compared with just 41% in 1971 and more than 73% of UK officers are aged over 40, compared with 53% of the overall UK male workforce.

LMU's annual UK seafarers analysis shows how these trends present disturbing medium to long-term implications for British shipping and the country's maritime infrastructure. Quite simply, even with the small but welcome recent increase in cadet training, the numbers of trainee officers are inadequate to bridge the 'generation gap' and unless current trends are reversed the number of UK officers is on course to decline by as much as 24% in the next five years and as much as an additional 33% over a further 10-year interval.

The SIRC figures also demonstrate the scale of these alarming potential problems, as well as the increased 'globalisation' of the UK-flag maritime labour force. SIRC's research showed that while some 70% of masters on British-registered ships are UK nationals, the figure falls to 54% for chief engineer officers, 37% for chief officers and barely 33% of second officers.

The increasing use of foreign nationals as junior officers on ships that used to have 100% UK officer manning is underlined by statistics showing the numbers of Certificates of Equivalent Competency issued by the Maritime & Coastguard Agency. These rose from 37 in 1997 to more than 2,000 in 2002 and total 6,097 over that period.

Not only does the increasing use of foreign officers erode the UK maritime skills base, it also presents a wide range of challenges to British shipping's safety record and international reputation as a 'quality' flag. In considering European Commission proposals for the recognition of foreign seafarer certification last year, the European economic and social committee pointed to the 'adverse effects of permitting third country nationals to sail in unlimited numbers' on EU shipping, including the erosion of the Community's maritime skills base and the problems of providing adequate protective social provisions for foreign seafarers. At a time of marked international concern about the variations in training standards around the world, NUMAST is concerned that the existing procedures for issuing CECs are inadequate and fail to provide a sufficient check on competence, language and cultural differences. NUMAST is also concerned that the government has failed to provide sufficient social safeguards to protect the increased employment of foreign officers from allegations of exploitation. For example, the government has adopted the position that it does not regard pay as a factor in determining whether 'decent living and working conditions' exist for seafarers on UK ships. NUMAST has repeatedly expressed its concern that there have been

breaches of national and international law in respect of social conditions onboard UK ships and we believe there are inadequate provisions and resources for policing and enforcing these issues. Similarly, NUMAST is concerned at the lack of effective mechanisms to check the application of minimum wage provisions and to verify that there are no qualified or experienced resident workers available when work permits are issued to foreign seafarers.

## Facing the Future

The issues to be addressed are obvious enough: Britain, if it is to remain a major global maritime influence, is in desperate need of measures that will ensure an enhanced flow of skilled and experienced maritime personnel.

Since 2000, the government's maritime policies have had a welcome impact in reversing the serious long-term decline of the British merchant fleet. However, the policies have not resulted in a matching increase in the recruitment, training and employment of British Merchant Navy officers. Indeed, over the past year in particular their numbers have declined and between October 2001 and March 2004 NUMAST has had to deal with the potential impact of more than 1,100 declared UK officer redundancies (a figure that resulted in some 719 confirmed job losses following negotiations between the Union and employers).

NUMAST believes the government must now act urgently to implement measures that will 'finish the job' begun by the introduction of the tonnage tax scheme and to fulfil the critical policy objectives of increased UK officer employment and training.

The creation of the training link to tonnage tax has had a welcome, though limited, impact on cadet numbers. It is clear that significantly more must be done to provide a more assured pathway for training and promotion to the senior positions in which UK nationals are in demand — not just domestically, but throughout the world. Indeed, for the past 20 years around 50% of NUMAST members have served under foreign flags and with foreign employers — although largely in the senior ranks.

NUMAST recognises that, in an international market place, the cost differentials between UK officers and those from developing nations often override the natural preference for British owners to recruit and train British junior officers. The government must facilitate the provision of employment opportunities for cadets recruited through the tonnage tax scheme by building on the tonnage tax requirement with a further commitment to an employment link for junior officers that will ensure they can progress to at least a minimum of Class 2 certification.

NUMAST also recognises that some shipowners may seek to argue that the pay differentials between British and foreign officers will mean that any such requirement will 'frighten off' companies from the tonnage tax scheme. However, there are already examples of 'best practice' operators — such as Maersk, CP Ships, Hatsu Marine and P&O Nedlloyd — who are making a commitment to defined long-term

training and employment pathways for British officers. In addition, with the implementation of outstanding recommendations for stimulating British seafarer employment — such as improvements in SMarT training assistance, increases in the scope of the crew relief costs scheme, and the introduction of an employment grant in the shortsea sector — will help to narrow the employment cost differentials. NUMAST recognises that there are good, reputable companies who are committed to the training and employment of UK officers. Their interests are not served — indeed they are undermined — by the current situation and the focus of this submission is for a training obligation aimed at those tonnage tax companies that do not employ any UK officers at all. The government, in its *Charting a New Course* daughter document noted that ‘there is clear evidence of market failure in seafarer training’ and that ‘there is a far greater “free-rider” effect than in [other] industries’. Again, the employment link would help to address such issues.

The inherent ‘value added’ element of such measures can also be enhanced by further measures to ensure that young people of the right quality are recruited as trainee officers and put through a rigorous programme offering clear and attractive routes of advancement. NUMAST believes that offering such defined pathways will help to significantly reduce cadet attrition rates.

These proposed measures will only be successful if new entrants have genuine career prospects. The industry generally and not just in the UK has become accustomed to crewing from a global labour market and taking the lazy view that ‘the market will provide’. This has not always been the view in the UK industry — least of all in the liner and tanker trades. But, apart from a small number of companies, it is hard to find anyone with strategic plans for human resources. It is easier to go ‘shopping’ for the latest fashion in officer supply, thus obviating the need to engage in the organisational disciplines and investment of the long view.

In these circumstances it seems unavoidable that there must be some mechanisms put in place to ensure that the required employment linkage attached to tonnage tax membership is capable of delivering a sustainable stream of professional seafarers. Regulation can accomplish this by the simple application of a rule requiring recruitment within flexible parameters and a subsequent period of employment as a junior officer. Incentives can be built in by integrating training and education within the mainstream state sector (which is normal practice in most other EU states). A number of employers have already committed themselves to partnership agreements with NUMAST where they undertake to train UK cadets and offer them employment subsequent to training. DfT policy with regard to the tonnage tax should therefore give shipowners the option having formal agreements with relevant trade unions or being obliged to enter into contractual commitments with the DfT where they agree to both train and offer post-training employment as junior officers.

In order to address the imminent crisis of persons sufficiently experienced in senior positions and needed for employment in the industry’s infrastructure prompt action could ensure that within a five/six year period the UK would be in a position to replenish its stock of senior officers. This could be accomplished by identifying potential high-flyers coming through existing cadet programmes and then providing a phased programme of additional training in short courses to prepare them for early command and chief engineer positions. There is a very long but largely overlooked history of persons in their mid/late 20s being appointed master and chief engineer and proving to be extremely successful both aboard ship and subsequently ashore in highly responsible shipping industry positions. Considerable work has already been undertaken through the Merchant Navy Training Board towards creating a modern, flexible and productive stream of training avenues for officers and the concepts outlined above will help to ensure that the introduction of an employment link for junior officers will form part of a coherent package to deliver the well-trained, competent and efficient senior officers that remain in consistent demand at home and throughout the world.

# Employment Link

## Recommendations

- ★ 1: *The government must build on the limited success of the training link to tonnage tax by introducing an employment link*
- ★ 2: *The employment link needs to be simple and flexible, but capable of ensuring that qualifying cadets are able to gain subsequent periods of employment and training as junior officers, progressing to Class 2 certification as a minimum*
- ★ 3: *To increase 'value added' and to help to narrow employment cost differentials, the government must implement outstanding recommendations for stimulating British seafarer employment, including :*
  - ★ *improvements in SMarT training assistance*
  - ★ *increases in the scope of the crew relief costs scheme*
  - ★ *the introduction of an employment grant in the shortsea sector*
  - ★ *widening the tonnage tax provisions to include aggregate dredgers and specialist offshore vessels, both areas of considerable employment and training for UK officers*
- ★ 4: *The government must also develop a more coherent policy towards the regulation of the social conditions of foreign seafarers on British ships, either through the development of effective collective bargaining agreements involving the social partners or through more rigorous controls over the issue of Certificates of Equivalent Competency, the issue of one-port work permits and the enforcement of minimum wage requirements*