



MARITIME
UK

PRIORITIES
FOR NATIONAL
SHIPBUILDING
STRATEGY
REFRESH



Introduction

The UK has embarked on a refresh of its National Shipbuilding Strategy to take a broader and more holistic approach to the maritime enterprise and supply chain.

Designed to reinvigorate the shipbuilding and maritime sector across the UK regions as part of the government's 'levelling up' agenda, the updated strategy is expected to be released in the third quarter of 2021. It will be accompanied by the publication of a 30-year procurement plan for all government-owned vessels.

The Royal Navy's (RN's) current shipbuilding plan includes eight Type 26 frigates, five Type 31 frigates, and a projected follow-on Type 32 general-purpose frigate. Three new solid support ships are also planned.

Addressing the Society of Maritime Industries (SMI) annual conference on 16 March, Secretary of State for Defence and 'Shipbuilding Tzar' Ben Wallace said his vision was for **"a supercharged, successful and sustainable UK shipbuilding enterprise."**

"By 2030, I want our industry to be at the forefront of the technological and environmental revolutions driving our sector."

According to Wallace, while the original National Shipbuilding Strategy published by the Ministry of Defence (MoD) in 2017 was focused on naval shipbuilding alone, the refresh would be much more wide-ranging. **"It will no longer be primarily about hulls but about looking right across the shipbuilding enterprise, from naval and commercial shipbuilding to systems and subsystems,"** he said, adding, **"We're going to be sending you a much clearer demand signal about what we're trying to achieve with our procurement programmes – for the first time releasing a 30-year pipeline of all government vessel procurements over 150 tons."**



About Maritime UK



Maritime UK is the umbrella body for the maritime sector, bringing together the shipping, ports, services, engineering and leisure marine industries. Our purpose is to champion and enable a thriving maritime sector.

Its members are:

- Belfast Maritime Consortium**
- British Marine**
- British Ports Association**
- CLIA UK & Ireland**
- Institute of Chartered Shipbrokers**
- Maritime London**
- Maritime UK South West**
- Mersey Maritime**
- Nautilus International**
- Shipping Innovation**
- Society of Maritime Industries**
- Solent LEP**
- The Baltic Exchange**
- The Seafarers' Charity**
- The Workboat Association**
- Trinity House**
- UK Chamber of Shipping**
- UK Major Ports Group**

Supporting over 1 million jobs and adding £46.1bn to our economy, maritime is responsible for facilitating 95% of UK global trade, worth over £500bn per year. The UK maritime workforce is 42% more productive than the average UK worker.

Maritime makes a greater contribution to the UK economy than both rail and air combined.

The sector is the fundamental enabler of British global trade and exports its own innovative products and services. With cutting-edge technology, high-quality design & manufacturing, unparalleled expertise in services and major investment opportunities, the UK is the natural home for global maritime business.



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Maritime UK's Priorities



Competitiveness

Rationale - The UK shipbuilding enterprise's vision is to be a globally successful, innovative and sustainable shipbuilding enterprise. It aims to achieve this by becoming globally competitive in the design, build and integration of warships and complex/niche commercial vessels. This also requires a globally competitive and innovative supply chain. Whilst the warships sector is relatively strong, the UK needs to improve its competitiveness in the commercial sector. The best way to become good at building ships is to build ships. The UK shipbuilding enterprise requires a strong orderbook to be able to invest for the long term and improve its competitiveness. The best way to achieve this is for the Government to take a more strategic approach to procurement and to maximise UK content:

- **UK Government funded vessels to be built in UK through a competitive process**
 - This should be the default policy, only going overseas if there is insufficient UK capacity/capability – proven through early market engagement.
 - Collaboration to also be considered as an alternative way to driving value for money complex/niche vessels (including naval).
 - UK content/supply chain should also be maximised, requiring prime contractors to take a similar approach.
 - Incentivise domestic vessel content in future offshore wind developments
 - Increase competition by opening up tenders to smaller companies by removing current high balance sheet requirements (e.g. £200m for Trinity House tender for vessels valued at £35m).
 - Streamline tender process and rationalise onerous terms and conditions to reduce cost for participants and HMG and further increase competition.

- Maximisation of UK content in domestic vessel procurement through appropriate evaluation criteria which fully recognise social value, UK prosperity and the supports the long-term future of the sector.

A comprehensive cross Government pipeline with an early indication of procurement strategy for civil and naval vessels, would create a base demand, get immediate volume into the sector, encourage investment and develop reference vessels for export.

- **Facilitate access to finance** by introducing an aggressively competitive Home Shipbuilding Loan Guarantee Scheme (lead by BEIS – The Department for Business) to allow UK ship and boat builders to compete for orders from UK customers. Currently UK vessel owners/operators receive favourable finance from overseas builders who can take advantage of their country's vessel building export scheme. This puts UK yards at a disadvantage. This scheme should offer a similar suite of services to that offered by UK Export Finance (UKEF) e.g. working capital and buyers side finance. BEIS need to move quickly to implement the scheme, be less risk adverse, and ensure the scheme is competitive by understanding the legal room for manoeuvre that exists within WTO/State Aid rules – as our main competitors are doing. UKEF needs to bench mark its offer against competitors export credit for vessel building. Successful vessel building nations have a tailored package for overseas vessel owner/operators - often including charter and lease back facilities. No one builds vessel without Refund Guarantees. Therefore, HMG should support the sector by underwriting refund guarantees for the next 15 years. The UK banking sector withdrew from vessel finance during the financial crisis and there remains little

appetite to engage with the sector. Therefore, HMG needs to provide support to builders where required and work to incentivise the banks sector. Successful shipbuilding nations are a partnership between government and industry.

- **A more coordinated and dynamic HMG approach to trade promotion** including offset, UK ODA projects (making sure UK goods and services are used if ODA funding given) and more effective in-market support. More support for missions and trade exhibitions matching our international competition, more knowledgeable DIT experts in post.
- **Loan guarantees for investment in infrastructure**, systems, technologies and advanced production techniques to enable efficient production, increased quality, flexibility and productivity.



Innovation

- Support an R&D strategy which focusses on commercial outcomes and aligns programmes behind the technologies that will drive global shipbuilding. Ensure timely and appropriate scale investments to enable the effective commercialisation of these technologies for the long-term benefit of the UK. This can be best achieved by supporting UK owned IP, not just UK based IP. International collaboration should be welcomed where beneficial.
- Support for the UK's new cross-sector, collaborative research and innovation vehicle, Maritime Research & Innovation UK (MarRI-UK) through further funding calls.
- Support for MarRI-UK's proposed flagship project, which would provide a catalyst for green and smart shipping innovation, as well as providing a proof of concept for a coastal highway for freight.



Environment

- Replicate the success of the UK's automotive industry in driving its decarbonisation journey through a maritime sector version of the Office for Low Emission Vehicles, with a government investment in the high hundreds of millions to kick-start the UK's maritime decarbonisation programme. This investment, unlocking further private investment, will:
 - Create jobs in all four nations of the United Kingdom, particularly in coastal communities with a tradition of maritime economic activity, including shipbuilding.
 - Set the UK on a course to meet its legal net-zero maritime obligations.
 - Position the UK as the world-leader in maritime decarbonisation and help transform the UK into a scientific superpower, by taking advantage of the fast-growing market for clean maritime technologies and fuels.
 - Fund a programme of plug-in grants for vessels and support the roll-out of electric charging in ports.
 - Fund a demonstrator programme to prove the commercial case for low and zero-emission technologies like hydrogen.
 - Elements of this funding should be combined with the proposed MarRI-UK flagship project to provide a catalyst for green and smart shipping innovation, as well a providing a proof of concept for a coastal highway for freight.
 - Result in carbon savings of up to 82 MtCO_{2e} by 2050 as well as significant associated reductions in air pollutant emissions, generating benefits valued at billions of pounds.
 - Focus on developing UK owned IP not just UK based IP. This eventually leaks back to overseas parent companies denying UK long term economic benefit.

Directly create 15,200 jobs and a further 58,400 jobs throughout the supply chain (73,600 total), according to the Centre for Economics and Business Research.



People

- Establishment of a National Skills Academy for Maritime (Shipbuilding), piloted on the skills required now and in the future to support ship and boat building cross the UK.
- An expansion of the National Skills Academy for Maritime in due course to encompass the wider maritime supply chain and subsequently the wider maritime sector.
- Flexible immigration policy to allow overseas workers to enter and leave the UK in the short to medium term until UK workforce can be scaled up. UK will not be competitive in the short term if it has to rely on domestic only workforce e.g. Cruise refit requiring large numbers of trades (200-400) per project. Current visa arrangements are a major barrier.



Regional Growth

- Enhance the competitiveness of coastal business environments to encourage investment in shipbuilding and related activities. Measures include enhanced capital allowances, faster planning processes and R&D tax credits.



Governance

- New Governance arrangements will be required to take ownership of this enterprise-wide strategy and drive the changes necessary to realise the collective vision. These Governance arrangements should be industry-led.





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