



# ECSCA

European Community Shipowners' Associations

## **ECSCA position paper on Brexit**

### **Objectives, opportunities & concerns**

#### Summary

Brexit is a process fraught with many uncertainties. EU shipowners stress the importance of clarity regarding the process as well as the aim of the negotiations to allow proper preparation and planning.

In the longer term, EU shipowners maintain that the negotiations should respect the need for a level playing field for EU and UK shipping. Brexit increases the importance of avoiding regional regulatory measures for shipping. As a global business shipping needs global rules and common standards and ECSCA calls on the European Commission, Members States and the UK to cooperate closely in the IMO. The future relationship between the EU and the UK should facilitate close cooperation on global issues, such as trade. Given today's climate of protectionism, the EU and UK should speak with a strong joint voice in favour of open global trade.

In the short term, EU shipowners have three immediate priorities that should be given due attention throughout the process: 1) frictionless traffic by sea between the UK and the EU, 2) free movement of seafarers, onshore staff and passengers and 3) continued market access to the domestic trades and the offshore sector.

Finally, steps must be taken to ensure that the EEA shipowners enjoy the same privileges as EU shipowners at any time. Any discrepancies between the EU and EEA would go against the principles of the single market.

## **I. Overarching objectives**

### **1. Long term competitiveness**

An overall concern of EU shipowners relates to their competitiveness, among others in the fiscal area. With a possible new, attractive shipping centre just across the Channel, there is ever more reason to look at the EU's shipping policy and ensure the EU remains a competitive location for shipping companies to do business.

To stay competitive and develop further growth in EU shipping, the EU should adapt its current policy framework into a comprehensive, globally oriented shipping policy. Successful shipping centres combine investment in an attractive business climate with investment in quality and skills. The maritime state aid guidelines form an essential part of the EU policy framework. As the UK will most likely no longer be bound by the EU maritime state aid guidelines, the EU is called upon to be pro-active in ensuring it remains a competitive and attractive place for companies. It is important that EU shipowners have legal certainty in terms of the continuity of the guidelines and a pragmatic approach in applying them, focusing on opportunities for further growth of the maritime cluster. The issue of the UK flag's compatibility with the maritime state

aid guidelines/tonnage tax in EU countries must be paid due attention to, so that ships currently registered in the UK by EU shipowners are not penalised.

### **2. Champions of international regulation and free trade**

Shipping, being a truly international business, requests common, global standards and many aspects of the industry are fortunately governed by international rules. The UK's membership of OECD, WTO, ILO and IMO reassures EU owners that the impact on the level playing field might be rather limited as far as their sector is concerned.

Nevertheless, this requires close scrutiny and an exercise to identify where the EU has put 'add-ons' to international rules would be welcome. In some cases where stricter EU rules apply, a competitive distortion might be created when the UK would decide to delete this EU 'add-on'.

To the extent possible, EU and the UK should aim for conformity in legislation relating to maritime affairs and ECSA would like to see this recognized as a guiding objective for the negotiations and beyond. A strong EU-UK maritime dialogue should offer the platform to discuss common approaches. If a good EU-UK dialogue exists, their separate, but in-line voices will strengthen the European views at the level of for instance the IMO.

Shipping depends on global trade and open markets. The principles of global liberalised trade are increasingly put under pressure today. Support from the EU and other political actors is needed to fight this rise in protectionism.

In statements made so far the UK has stressed its open attitude towards trade and its support to a free, global trade environment. Together, the EU and UK can be a strong and loud global voice in favour of open trade, against a trend of increased protectionism worldwide.

## **II. Immediate priorities**

The shipping community embodies a fundamental *acquis* of the EU: free movement of goods and persons. ECSA believes that the current interconnection of companies and citizens should be preserved as much as possible. In this respect Brexit gives in the short term rise to three concrete priorities for shipping companies that should be subject to the discussions regarding transition arrangements and the nature of the future relationship between the EU/EEA and UK:

### **1. Frictionless ro-ro traffic with the UK**

Around half of UK exports and imports are to and from the EU. In 2015, EU 27 imports of goods from the UK represented 184 billion EUR. EU 27 exports of goods to the UK were 306 billion EUR. Most of these imports and exports between the EU and UK are done through ships.

A large part of this travels on ro-ro ferries. In fact, ferry transport between the UK and the EU mainland carry daily thousands of heavy good vehicles. The same goes for the traffic between the UK and Ireland. Since the removal of customs and health controls at the start of 1993 at UK and EU ports, traffic volumes across, both over and under, the Dover Strait rose from 1 million lorries in 1992 to 4 million in 2015 (a 300% increase). Traffic volumes between Ireland and the UK and through Dublin/Holyhead rose from 54 000 to 392 000 lorries over the same period (a 630% increase).

Ferry companies taking care of this traffic are both UK and EU based or owned.

The fact that lorries pass through ferry terminals freely, without having to stop and await clearance, is vital both to the capacity of UK and EU ports to handle their current volumes of trade. It is also vital to the ability of manufacturers, retailers and other businesses across the UK and the EU to rely upon just-in-time logistics.

Imposing extensive border procedures would cause heavy congestion in these ports, that have simply no free space for lorries or trailers to be held pending clearance. Any re-imposition of checks and controls will also have a negative effect across all sectors and on the wider economy of both the UK and EU. Just-in-time supply chains will no longer be able to operate, impacting among others daily exports of perishable goods such as fresh Spanish vegetables or Dutch flowers.

Returning to the situation previous to the Customs Union would mean that hauliers or ferry companies would be imposed to do cargo declarations. This would seriously hamper the trade. Hauliers or ferry companies do not possess today the information to do a cargo declaration. Their business models are entirely build upon the status of "authorised regular shipping services" which is granted to all ferry routes between the EU and UK.

## **2. Free movement of seafarers, onshore staff and passengers**

A key priority for EU shipowners is the free movement of their seafarers and their company staff. Seafarers of third countries employed on EU or UK vessels should be granted easy access to the UK. EU or UK citizens that wish to travel by sea should be allowed to continue to do so in a smooth way, without adding any heavy procedures such as visa applications.

A complement to the free movement are smooth procedures with regard to transfer of social rights. Respect of social security rights of seafarers must be guaranteed.

Based on the free movement of workers principle, the EU adopted legislation allowing for mutual recognition of education certificates issued by Member States. Each Member State should permit seafarers that have acquired their certification in another Member State to take up the maritime profession for which they are qualified. Members States cannot put any additional prerequisites other than those imposed on its nationals. This mutual recognition of certificates must continue to be guaranteed.

### 3. No market access restrictions to domestic trades and the offshore sector

The UK abolished all flag restrictions in 1849 and, as an OECD member, is obliged to have its international trades open to free competition. The UK's domestic market is open to ships under any flag. According to Regulation 3577/92, likewise, EU markets are fully open. This reciprocal market access should be preserved.

However, a particular vigilance seems required for the offshore supply sector and regular domestic trades. EU companies are very active on the UK's continental shelf and carry out intra-UK port calls. EU shipowners are worried by calls from UK interests to reserve or favour activities on domestic trades and in the offshore segment to UK nationals and/or UK flagged vessels.

The EU is asked to ensure these markets remain open for EU companies in the same, straightforward way as they are today. Adding any additional requirements, be it in terms of ownership, crew, documentations or else, would be unacceptable.

In the framework of the future EU-UK deliberations on Brexit, particular attention should be paid to the second UK overseas registries (Cayman Islands, Isle of Mann, etc.), as well as to the UK registry of Gibraltar in order to clarify the status of these registries in relation to access to maritime cabotage.

Finally, steps must be taken to ensure that the EEA shipowners enjoy the same privileges as EU shipowners at any time. Any discrepancies between the EU and EEA would go against the principles of the single market.

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ECSA represents national shipowners' associations from the EU and Norway.

European shipowners are strong global players today. In November 2016, EU 28 and Norway owned 36.5 percent of the gross world tonnage, whereas 46.2 percent were operated from the same countries. European shipping stands for quality shipping and are relied upon to take care of large parts of global trade. Around 27 percent of intra-EU transport is done by shipping. EU shipping companies are top-notch players in the offshore services market. EU shipowners are today frequently calling UK ports, as part of an intra-UK call, an intra-EU call or an international call, the UK being also an important import and export hub. EU shipping companies are heavily involved in offshore activities on the UK's continental shelf.

(source: *EU Shipping Competitiveness Study - International benchmark analysis*, Monitor Deloitte, February 2017).

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