

PRIME MINISTER

BRITISH MERCHANT SHIPPING

I have been sent a dossier of papers by the new President of the General Council of British Shipping, Mr. Juan Kelly.

Flag A, which is an extract from the GCBS Annual Report shows that the size of the UK registered fleet has continued to fall in recent years though at a very much slower rate than between 1980 and 1985.

Flag B, which is an extract from a briefing note on 'A Level Playing Field for Merchant Shipping?' highlights the cabotage problem.

Flag C is an extract from a note on British Shipping and the balance of payments.

AT

(Lorry problem)

Decision on road
cabotage in next

ANDREW TURNBULL

23 June 1989

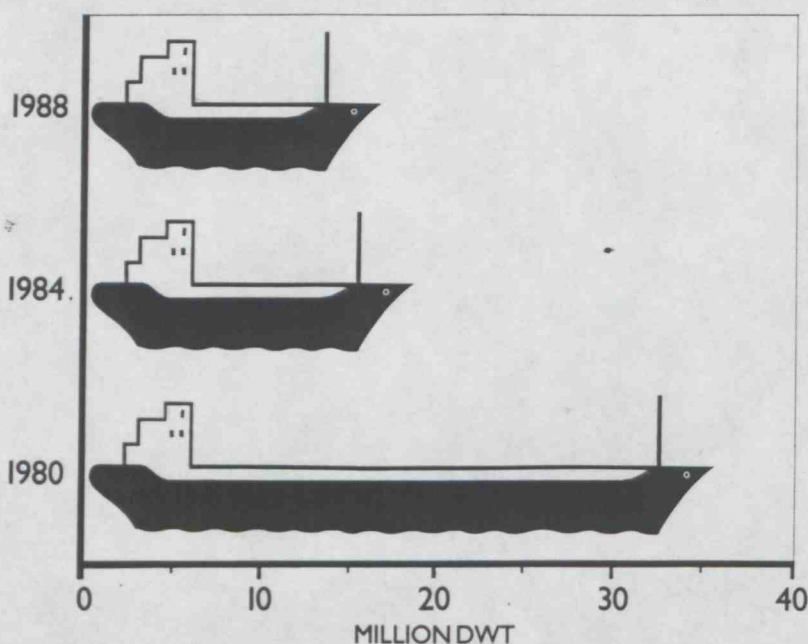
SLH/27

Presidency.

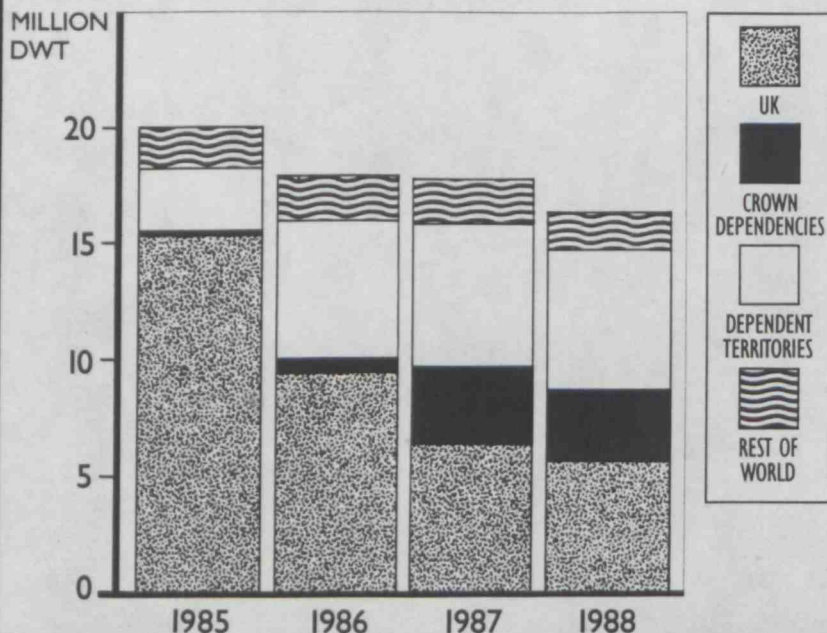
THE CHANGING FLEET

Over the past decade the size, composition and manning of the British owned fleet has been transformed by world economic factors. Since 1980 tonnage has more than

UK OWNED TRADING SHIPS (over 500 grt)



UK OWNED TRADING FLEET (over 500 grt) BY REGISTRY

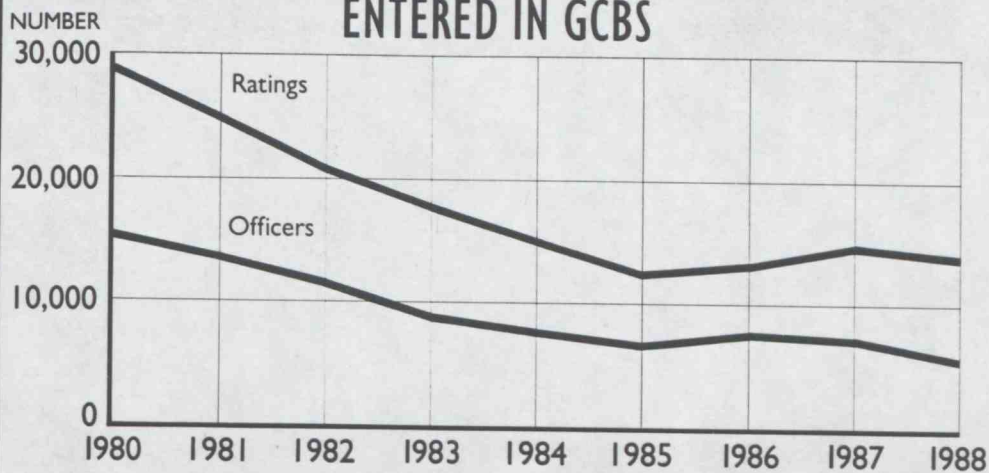


halved. The number of officers employed on member company ships is today 40% of that in 1980: and rating numbers have fallen from nearly 30,000 to under 15,000. Nevertheless, the British trading fleet today provides direct employment for some 25,000 people and maritime related activities such as insurance, broking and marine equipment, employ many tens of thousands more.

More recently, 1985 marked the beginning of a dramatic move from the home register. To reduce running costs and remain competitive companies switched ships from the UK to offshore registers. 45% of all UK controlled ships - and 70% by tonnage - are now registered outside the UK to enable them to compete in world markets. The rapid growth of the Isle of Man register and those of some of the Dependent Territories has been particularly marked. With these changes shipping companies have diversified their operations, broadened their base and invested in new fields. Although the value of British trade has grown substantially in recent years, the proportion carried in UK flag ships has fallen significantly.

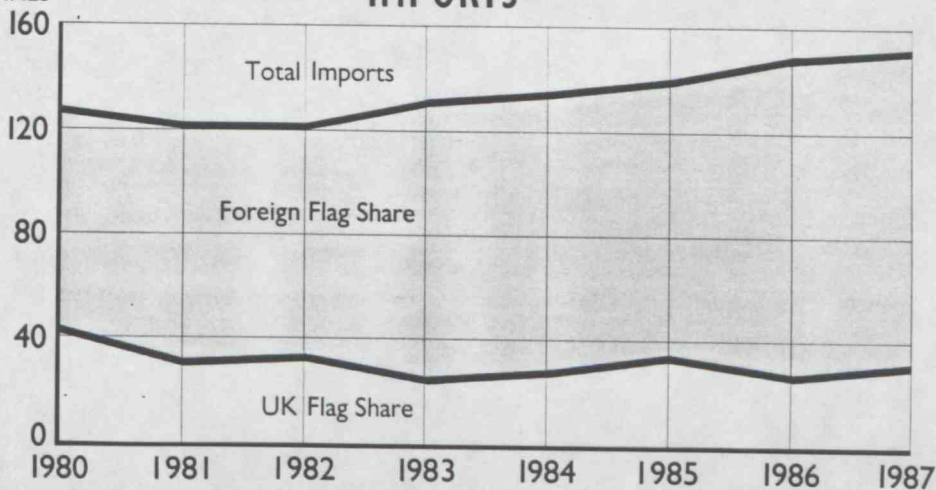
With surplus tonnage and depressed freight rates British companies have had to fight hard to meet the international challenges. Considerable effort and resources have gone into producing the smaller but more efficient fleet of 1989. British ships earn a massive £3.4 billion a year in foreign exchange for the country - a net gain of £1.3 billion to the balance of payments after meeting all overseas expenditure. British shipping is now highly efficient and, given reasonable equality of treatment with other sectors of the UK economy, can face any competition in the world.

OFFICERS AND RATINGS EMPLOYED ON BOARD VESSELS ENTERED IN GCBS



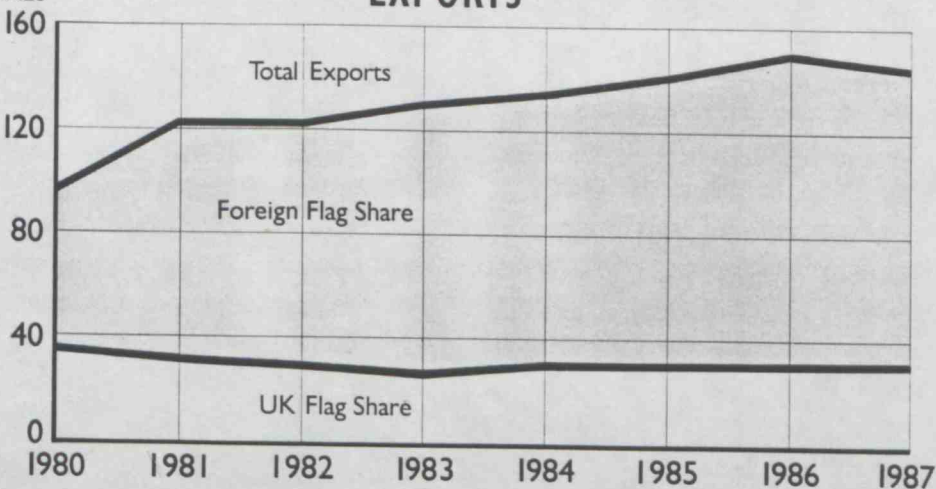
MILLION
TONNES

IMPORTS



MILLION
TONNES

EXPORTS



(iii) Cabotage

21. The USA, Canada, Australia and most countries in Asia, the Far East and South America reserve their coastal trade to their national-flag ships.

22. Similar restrictive practices are also operated within the EEC by France, Germany (though not applicable to UK ships), Greece, Italy, Portugal and Spain. The restrictions prevent UK operators from trading freely throughout the Community, deny UK carriers access to substantial trading markets, particularly in Italy and Spain (for cargo) and Greece (for cruise passengers); and reduce the opportunity - especially in the short sea bulk sector - to pick up cargoes on connecting routes. There are no restrictions on access to the UK's cabotage trade.

23. The five EEC governments concerned are contesting moves within the EEC to remove these restrictions, which lead HMG to include powers to establish a licensing scheme for ships engaged in UK coastal trading in the Merchant Shipping Act, 1988. GCBS welcomes the endeavours of the Government to eliminate cabotage within the EEC and accepts that these counter-measures may have to be implemented if EEC partners fail to respond positively in negotiations.

TABLE 1

THE SEA TRANSPORT BALANCE OF PAYMENTS

	£ million				
<u>Credits</u>	<u>1977</u>	<u>1980</u>	<u>1985</u>	<u>1986</u>	<u>1987</u>
Revenue from abroad received by UK shipping	6477	4792	2641	2623	2635
Disbursements in UK by foreign shipping	1104	1024	882	740	706
Total	7581	5816	3523	3364	3341
 <u>Debits</u>					
Disbursements abroad by UK shipping	5011	3225	2126	2064	2135
Revenue in UK trade of foreign shipping	-2376	2376	2650	2410	2330
Total	7387	5601	4776	4474	4465
 <u>Balances</u>					
UK Shipping	1466	1567	515	559	500
Foreign Shipping	-1272	-1352	-1768	-1669	-1624
Overall Shipping Balance of Payments	194	215	-1254	-1110	-1124

Notes

Figures are 1987 prices.

UK shipping = ships owned or chartered by UK residents and resident companies.

Foreign shipping = ships operated by overseas residents.

Source: CSO Pink Book and the GCBS

The Contribution of British Shipping

5. The contribution of British shipping companies as a group to the balance of payments is calculated regularly by the GCBS and agreed with the Department of Transport. This calculation differs conceptually from the UK component of the "Sea Transport Account" because it brings into the reckoning the sterling earnings of British companies in order to reflect the fact that if goods or passengers were not carried by British companies, they would be carried by foreign ones, i.e. the fact that the