

HT2744 Review of State Aid Guidelines for Maritime Transport

I am pleased to respond on behalf of the International Chamber of Shipping (ICS) to the Consultation on State Aid Guidelines for Maritime Transport, having been advised that the deadline for comments has been extended until **11 June**.

ICS is the principal international trade association for shipowners, representing all sectors and trades and 80% of world merchant tonnage. The membership of ICS comprises national shipowners' associations from 36 countries, including national shipowners' associations in the Americas and Asia, as well as members of the European Community Shipowners' Associations (ECSA).

The first general point is that we fully support the detailed response to the consultation submitted by ECSA in support of the maintenance of the status quo with respect to the Guidelines (subject to the minor clarifications which ECSA mention) which we strongly believe should be continued in their current form. This is primarily because the Guidelines provide the framework that permits the operation of EU Member States' tonnage tax regimes, which in turn has provided a successful model that has been emulated by many other countries throughout the world, including India, Korea, Japan and the United States. Such tonnage tax regimes are also similar to the regimes based on tonnage fees (accompanied by low rates of corporation tax) which have been implemented for many years by the maritime open registers in third countries (such as Bahamas, Liberia, Hong Kong and Singapore) under which about half of the world fleet is currently operated, and which provide direct competition to EU ship registers.

Without wanting to repeat all of the arguments made by ECSA, the global shipping industry is characterised by very volatile and highly cyclical markets, as well as the ability to be very flexible with respect to the jurisdictions that are used for ship registration and/or tax purposes; by definition ships are movable assets, and the flag with which a ship is registered can be changed within a 24 hour period. While taxation regimes are not the only factor that influence the jurisdiction, or the flag, under which companies choose to operate their ships (the flag's safety record and levels of service are also important considerations) it is undoubtedly a very significant one. This was why tonnage tax regimes were first implemented in Europe in the first place, large numbers of ships having previously flagged-out from EU Member States' flags to open registers in the 1980s.

It should be stressed that such volatile and highly cyclical global markets were what initially precipitated the expansion of open registers in the 1980s (when much of the industry, like now, was suffering from serious over supply). In the 1980s, the proportion of world tonnage using EU flags declined dramatically until the fortunes of EU shipping were restored by the introduction of state aid measures such as tonnage tax regimes 10-15 years ago. In the absence of the certainty and stability provided by the current State Aid Guidelines, the majority of shipping companies would have little option but to relocate to jurisdictions that provide comparable stability, which in practice will often mean the open registers that are located in third countries.

To reiterate, ICS would observe that if measures, including tonnage tax regimes, in accordance with the current State Aid Guidelines were not permitted to be maintained in their current form by EU Member States, then European shipping companies would be placed at a serious commercial disadvantage to their competitors in the rest of the world, while the number of ships registered with EU flags, and the number of shipping companies with headquarters located in EU Member States, could be expected to decline.

While the role of ICS is to represent the interests of shipowners globally, rather than that of other sectors or particular regions, we would observe that any substantial changes to the current Guidelines could also have a wider impact on the 'maritime cluster' in Europe and the availability of maritime expertise and the employment of Europeans in the maritime sector.

We hope that these brief comments are helpful.

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