

11th Cadwallader Debate

“Politicians, the European Commission, Regulators and Shipping: What is the missing link and the way forward?”

Lee Scott MP, 24th November 2010

It falls to me to conclude the panellists' contributions to this debate and I am very pleased to do this both as a politician in the Parliament of the United Kingdom and on behalf of Her Majesty's Government.

I find myself positioned on the side of the responders, but in reality I feel I have a foot in both camps. Is there a missing link? Or is it the case that the link exists but collectively we do not put enough effort into making that link work?

As a politician I sometimes share the clear frustration of the proposers about the regulatory process, particularly the sheer volume that seems to emanate from the regulators and the sometimes dubious justification for a proposal. I am also aware of the need for some regulation, provided it is clear and properly targeted. As a parliamentarian I find myself in willing agreement with Michael Grey as regards the six questions all regulators should ask themselves before embarking on new regulation.

I am a member of a political party that believes in smaller government. As Parliamentary Private Secretary to the Secretary of State for Transport I can quite clearly state that this coalition government is committed to reviewing and reducing the regulatory burden and removing what is unnecessary. My instincts tell me that business should be left as far as possible to get on with what it does best without government interference, ideally through self regulation.

But, and there is always a but, I acknowledge that there are occasions when regulation is necessary. I am by no means an expert on the maritime sector but it has been made clear to me that given the global nature of the industry and its mobility – in terms of where it conducts its business, under whose jurisdiction, and the location of its major assets - its ships, some regulation is indeed essential. There is an irrefutable logic that where maritime regulation is needed, it should be global, creating a level playing field and promoting quality. It also needs to be focussed and this cannot be achieved without the close involvement and contribution of the industry.

The key criticism levelled here is a lack of constructive interaction between the key players. Let me start by saying that I agree with the key principle that has been raised here – that there needs to be more and better communication all round between the regulators and the industry, whether the regulator is the EU or the sovereign national government of an EU Member State. As this is a debate about finding a way forward I think that the aspects on which I should focus are the ways which I would consider most

practical and, in today's complicated and multi faceted policy environment, most achievable to ensure that industry's thoughts and concerns are both heard and taken into consideration by politicians and regulators.

Other speakers have set out with vigour their view that the EU, in particular, is not adequately tapped in to the maritime industry. Given these views, I have to acknowledge that there is an issue to be addressed, but I would also contend that the shipping industry is at the moment not optimally tapped into the EU either, and would benefit from re-examining its own approach to engagement in the policy and regulatory process.

I do not want to appear over critical, but simply reflect what appears to be the current state of play. Engaging with the EU is not simple by any stretch of the imagination. The EU is a complex beast to navigate. The nature of an organisation comprising 27 very different sovereign states means that it will always be so, but it is worth the struggle if industry wants to make sure regulation is made with a solid understanding of underlying issues and consequences. I should probably add here that on the flipside we would of course continue to encourage governments and EU institutions to engage as much as possible and more deeply with the maritime industry!

However, policy development has evolved greatly in recent time and one trend is very clear: in all areas of policy making industry has become more pro-active and pre-emptive in its role. This is beneficial for industry, the public and policy makers alike. Whilst

objectivity is still judged and maintained by governments, the policy that results should be more efficient and more workable as a result of those with the necessary expertise being involved with and even instigating new policies that are beneficial to all.

It may be worth noting at this point that it is not all gloom. There have been some notable successes in collaborative working between the regulators and industry. However, we need to work to make the cooperation more sustained and less patchy.

Another key issue to consider is that much regulation that affects the shipping industry has a far broader remit than maritime alone. While I agree wholeheartedly with my fellow speakers that the industry has the necessary expertise to help put together good policy and that the regulators should tap this, unfortunately when a policy area has a broad impact it is likely that policy makers will not be so focused on the effects of their policies on specific sector interests. In these instances, often banging the drum is the only way of getting regulators to sit up and take notice. What I would say is that the earlier in the process the drum is banged - preferably while the rest of the orchestra is still tuning up - the more satisfying the process will be!

I suggest a criticism that could be levelled against the shipping industry is that sometimes it has taken a reactive approach to policy when it is not happy with it. I further suggest this approach does not provide the effective policy influence and meaningful engagement that Industry is looking for – indeed, the fact that we are all here discussing this topic is an indicator that the method of

engagement is due for a rethink. It may initially seem a resource heavy approach, but the EU and national regulators need to be engaged on a constant basis. I truly believe that more investment here would be worthwhile. There is already a strong platform in the EU through the European Community Shipowners' Association, but perhaps this needs to be re-visited. Is ECSC meeting your needs? Is its coverage wide enough? Is your national presence in Brussels strong enough? Have you made the network of contacts necessary to advance your views? I am aware that in the UK the industry has seen fit to coordinate its efforts across the broad spectrum of maritime related industries, by forming Maritime UK as a means of better getting across its views and messages to Government. This initiative has been broadly welcomed by industry and government as a significant forward step and perhaps should be considered as a model for inter-action with the EU institutions.

The shipping industry can often be heard priding itself on its long standing competitive international nature – and rightly so, for it is a truly global marketplace. As such, the industry finds itself at the forefront when global issues, like climate change, are discussed. I am sure it recognises that there is an international appetite, largely as a result of greater public awareness and social expectations, towards ever more regulation in other maritime areas also – seafarer issues, pollution prevention and safety, to name a few more. This is where the shipping industry can be ahead of the game – looking at wider trends in the world, thinking about where industry needs to go in light of those trends and proactively putting

that message across to national politicians and regulators and the EU institutions, so as to better influence the direction they take.

The consideration of seemingly relentless new regulation requires expertise, not only in maritime issues, but also in broader policy making in order to ensure that regulation is administered in an effective way. Ideally this should be done without unduly hampering industry, while also meeting the needs and expectations of citizens and wider society. These areas of interest are not mutually exclusive and good quality policy making will seek a compromise that benefits all as much as possible. Good quality policy making will also simplify and reduce regulation wherever it can, something which is also advantageous to all. In the UK we are increasingly focused on better regulation and reducing regulation through vigorous analysis of need and impact.

There is a consistent and ongoing global trend towards broadly based regulation which can often be relevant to shipping. The fact that the EU has a well practiced process for developing and harmonising regulations between member states could be and should be advantageous to the shipping industry. Also in the EU, more emphasis, quite correctly, has been placed on analysing the impact of new regulation. Under co-decision, the European Parliament has greater influence, and indeed should be a prime target for industry influence.

Industry needs to harness all of this and turn it to its own benefit. Look forward, anticipate, and seek to influence rather than find yourself on a defensive footing and risk being seen as entrenched

and negative towards regulatory proposals – proposals which are sometimes formulated as the result of a major incident and raised public concern and political awareness to issues that are not in fact new.

The focus on what is regarded as better quality regulation extends beyond the shipping industry directly, tackling issues of broader global impact in social, economic, environmental, cultural and safety respects; and the EU is one vehicle for pursuing those qualitative aims across the board. So the shipping industry needs to engage with that wider agenda and with EU processes if it is to avoid being trampled in the process and, instead, ensure that its own needs and interests are given full weight in the overall balance.

However it has to be said – and I am sure that Industry recognises this, that full considered discussion is the goal here. I have talked about the difficulties involved in maritime often making up a piece of a larger picture and wide-ranging decisions being made that may not suit the shipping industry. What we must ensure is that even if such decisions are still made, they have been made with a full and proper understanding of the effects of a policy on the maritime industry and that any chances to minimise negative effects, apply regulation more effectively, and avoid regulation that has no benefit have been taken.

Of course it is preferable to avoid regulation being imposed on maritime when there is no need. In order to reduce the risk of bad regulation, industry must be truly pro-active. In the absence of this,

EU and domestic regulators will be left to set an agenda to which the shipping industry can only react. If the shipping industry is able to put forward good proposals, no matter how pre-emptive, I am sure these will be seriously considered and acted upon where appropriate. But also, industry should always be ready to present a clear and cogent case against what it considers to be unnecessary and bad regulation.

The UK and EU industry should thrive as responsible high quality operators. It is the responsibility of national regulators as well as those of regional bodies like the EU to make sure that efficient, quality operators are still able to thrive in the face of legitimate regulation. But in order to do so they need the proactive assistance of those responsible operators to show the way.

In conclusion, I suggest maybe there is not so much between us in this debate. I believe we all want the same things for our shipping and broader maritime industries:

- a thriving industry able to compete globally and work to its many strengths;
- a high quality industry;
- a responsible and aware industry meeting the needs and expectations of customers and citizens; and,
- engaged and responsive politicians and regulators who work in the knowledge and understanding of the industry's requirements.

We have the means at our disposal to work together effectively. The challenge for us all is to ensure the dialogue and cooperation is comprehensive and productive.