



City Business Series 2003
Maritime Services

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IFSL also produces a separate series of reports that highlight UK expertise and are used to support IFSL's international promotional activities. Titles in this series include Public Private Partnerships, Privatisation, Pension Reform, International Private Wealth Management and International Dispute Resolution.

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CITY BUSINESS SERIES

IFSL has published a number of reports in its City Business Series covering UK financial and business services, including reports on Derivatives, Legal Services, Banking, Insurance, Fund Management, Securities Dealing, and Accounting and Management Consultancy. Prior to February 2001, these and other IFSL reports were published under the organisation's previous name BI (British Invisibles).

This report on Maritime Services follows earlier editions that were published in 1996 and 2000.

The financial sector is by far the largest single positive contributor to the balance of payments with net exports of over £15bn in 2002. It is a large contributor to GDP as well as a substantial generator of employment. Yet, information on financial and related business service sector activities is often not easily accessible.

Each publication in the City Business Series brings together statistics on the size and structure of each sector or activity, as well as their contribution to national output, employment, and overseas earnings. International comparisons and shares of world markets are included where possible. The Series therefore meets the widely recognised need to have data on individual financial and business sectors available on a systematic basis, and has the strong support of private sector firms and institutions and public sector bodies.

These reports enable IFSL to highlight areas where there are gaps in information and problems in making international comparisons. Each report will be updated, incorporating improved quality and coverage of statistics.

All IFSL's reports can be downloaded from its website at www.ifsl.org.uk

This report has been compiled by IFSL's Director of Economics, Duncan McKenzie

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Standard notes and abbreviations

m = million

bn or billion = 1,000 million

tn or trillion = 1,000 billion

- estimate

--- = data not available

Data may not sum exactly to totals due to rounding.

Unless otherwise stated, figures are not adjusted for inflation.

Data for selected years only are shown in most of the tables. Where available, figures for other years can be obtained from IFSL.

EXECUTIVE SUMMARY

The UK and London in particular is the leading centre in the provision of services to the international maritime community. A substantial worldwide customer base remains in London where owners of about one fifth of the world fleet's tonnage are represented, mainly on behalf of shipowners based in Greece and other major maritime countries.

Growth in world trade and the world fleet have served to expand most parts of the market for maritime services over the long term, although it has also been influenced by other developments. For example, tightening international regulation has resulted in a surge in shipbuilding since 2000 in order that ships meet new design and safety requirements. This has in turn generated heavy demand for additional finance. Enhanced design, accompanied by a sustained commitment to safety by all involved in the international shipping industry, has also contributed to a steady reduction in ship casualties.

London an international centre for maritime services

Altogether maritime services make an important contribution to the UK economy, employing over 14,000 people, largely in London, and generating £1,092m in overseas earnings, in addition to the contribution of British shipping.

Although the UK has retained its position as the leading centre for maritime services it faces the ongoing challenge of serving a shipping market, in which an increasing proportion of seaborne trade is in the Indian and Pacific oceans. It also remains dependent on a flow of people with skills developed from seafaring experience. While recruitment in UK shipping is now rising following a prolonged period of stagnation, further initiatives may be required to secure a sufficient flow in the long term. The client base in London is also vulnerable to the introduction of tax measures which could undermine London's status as a leading international maritime centre. Maritime London has a pivotal role in promoting and publicising the maritime services provided out of London and the UK generally.

Finance Bank lending remains the principal form of ship finance. Equity issues have been sparse, due to the low rates of return that are typical in the shipping industry and also to the depressed market for mergers and acquisitions. In shipping finance it is estimated that the loan book of some £15-20bn of a dozen London-based commercial banks accounts for 15-20% of the total world shipping book of £100bn. Commercial banks generate earnings from both margin income and from supplying a range of ancillary services. Investment banks also provide financial and advisory services to the shipping industry, but this is limited by the small size of the quoted shipping sector,

with the largest 50 companies accounting for 0.4% of global equity market capitalisation. Access to the capital markets is also restricted by the variable profitability of the international shipping industry. As a result initial public offerings (IPOs) have been sporadic in recent years. There was a spate of high yield bond issues in 1993-94 and again in 1997-98, although many of the latter were of poor quality.

Insurance The London Market is the world's leading market place for internationally traded insurance and reinsurance. As well as Lloyd's, all of the world's top 20 insurance and reinsurance companies are active in the London Market. London had the largest share of marine insurance of 19% in 1999, ahead of Japan, the US and Germany. Gross premiums in the London market halved from a peak of £7bn in 1990 to £3.2bn in 2000, reflecting a generally depressed insurance market.

London is also a leading centre for insurance broking, average adjusters and protection and indemnity insurance. There are about 25 brokers placing marine business, although this is highly concentrated, with three firms handling a half of marine premiums dealt with by Lloyd's brokers. The International Group, based in London, represents 13 P & I Clubs, most of which are managed from the UK and which together insure over 90% of the world's blue water tonnage.

Shipbroking The Baltic Exchange is the only self-regulated shipping market in the world. The 460 shipbroking firms based in London have helped to establish a substantial market share in the chartering business accounting for 50% of the tanker and 30-40% of the dry bulk market. London also ranks as the world's foremost sale and purchase market. Over half of the world's new and second-hand bulk vessels are bought and sold by Baltic members in a market worth \$34bn annually.

A number of the larger broking houses use freight derivatives to allow the user to hedge or take positions in the future movement of freight rates. The notional value of Freight Forward Agreements in the over-the-counter market grew from less than £200m in 1995 to an estimated £3.5bn in 2002

Legal services London is the leading international centre in the provision of legal services. English law is applied to shipping disputes more widely than the law of any other country. There are 40 law firms employing 2,200 people, and they, along with 200 barristers and 100 arbitrators, regularly undertake shipping work generating over £200m fee income overwhelmingly from overseas customers. This reflects the confidence of the international shipowning, chartering and shipping finance communities in the Commercial and Admiralty Courts; in arbitration through the London

Maritime Arbitrators Association and other organisations. The number of disputes handled through the courts and other mechanisms for dispute resolution has fallen over the past decade.

Ship classification Lloyd's Register of Shipping (LR) is the oldest and one of the largest classification societies in the world. Based on marine classification alone, with nearly 20% of the world fleet gross tonnage, LR is the second largest in the world, having been overtaken by the Japanese Society ClassNK, as a result of the rapid growth of the Asian fleet. LR holds the world's largest database of maritime information. Det Norske Veritas (DNV) and the American Bureau of Shipping (ABS) also have a sizeable operation in London.

Accounting and management consultancy Accounting firms in London and the UK offer expertise in accounting and management consultancy services. Moore Stephens is the leading accounting firm supplying services to the shipping industry.

Publishing, research and events The UK is a leading centre in maritime publishing and the leading organiser of maritime events. Informa, Lloyd's Register-Fairplay and Seatrade are the largest firms operating in publishing and events. London is also the leading centre for maritime research.

Higher education A number of universities run courses on the design, engineering, financial, scientific and economic aspects of maritime education. The Cass Business School in the City University London and London Metropolitan University provide direct support to shipping and City maritime services through courses tailored to international shipping business. There are also a number of seafarer training establishments.

Other service providers Other services supplied to the shipping industry include employment services; surveying and technical consultancy; telecommunications; and specialist software.

UK agents of overseas shipowners A large number of foreign shipowning interests from Greece, Scandinavia, Middle East, Eastern Europe, Japan, India and Hong Kong are represented in London by agency companies under their control. With over 120 of these agencies, employing over 1500 people, the London Greeks form the largest group. Their activities include the chartering of ships and cargo, the arrangement of finance and insurance, the resolution of claims and the sale and purchase of ships. The overseas shipping communities represent a very substantial customer base for the UK maritime services sector.

International organisations About 20 international organisations are headquartered in London, the largest being the UN's International Maritime Organisation. A few of these, including the IMO, are public sector although most are private sector organisations.

Professional organisations A number of international professional institutes with significant overseas representation are based in London. They include the Institute of Marine Engineering, Science and Technology, the Royal Institute of Naval Architects and the Nautical Institute. NUMAST is the foremost maritime union in the world.

International market share

Summarising the above points, the UK and London in particular, accounts for the leading share in many maritime services as follows:

Banking: 15-20% of the world shipping loan book.
Insurance: 19% of the international marine market.
Shipbroking: Chartering 50% of the tanker and 30-40% of the dry bulk market
Ship classification: LR classes nearly 20% of the world fleet

Market share is not easily assessed for other activities where London's international presence is also substantial. London remains the leading centre for maritime services, but faces stiff competition within Europe and elsewhere particularly from New York, Singapore, Tokyo, Shanghai and Hong Kong. Asian centres have benefited to some extent from the growth in Asian fleet and trade. However, the interlocking nature of maritime services in London is not easily replicated elsewhere.

Contribution to UK economy

All the above activities contribute to the UK economy. Of the 14,200 people employed in maritime services about 4,200 are in shipbroking and a further 3,150 in insurance-related business. Legal services account for a further 2,500, with each of banking, accounting, publishing and international representative organisations employing about 500 people.

The major contributors to the UK's £1,092m net overseas earnings of maritime services in 2002 were the Baltic Exchange (£322m), insurance brokers (£170m), legal services (£190m), and banks (£150m), with Lloyd's Register of Shipping and publishing also making an important contribution. This is over and above the direct contribution of the UK shipping industry that generated net exports of £1.1bn in 2001. The combined net exports of maritime services and UK shipping therefore totalled £2.2bn.

SECTION 1. INTERNATIONAL SHIPPING INDUSTRY

1.1 Structure of international shipping

Shipping is an industry of major international importance, having expanded to accommodate the rapid growth in world trade over the past half-century. Today it still carries over 95% of world trade by tonnage, in a fleet that totalled 824m dead-weight tonnes (dwt) at end-2002, when a total of 108m dwt was also on order.

The shipping industry covers a number of diverse activities, ship types and organisational structures:

Cargoes The diversity of cargoes and methods of handling require different ship types, for example oil tankers, bulk carriers, container ships and gas carriers (Table 1). Cruise vessels are a completely different market combining the leisure industry with the transport industry.

Companies There has been a gradual trend towards corporatisation in international shipping, whereby smaller one-ship owning entities are brought under a holding company, but large parts of the industry remain under private or state control. As a result, the largest 50 fleet managers control just a quarter of the world fleet. There is a tendency for companies to specialise in different sectors of the industry, partly due to the diversity of ship types but also due to barriers to entry. In areas where barriers are greater, such as

deep-sea container shipping and the chemical and LPG trades, the leading owners and operators have a more substantial market share.

Countries There is also international specialisation in different countries, for example Greek owners in bulk carriers and tankers, and UK in container ships, ro-ro and cruise vessels. National interests may affect shipping in various ways such as cargo reservation, cabotage, subsidies for national lines, favourable tax treatment and regulatory regimes.

1.2 Fleet structure and control

The international shipping industry was historically largely under the control of major maritime and trading nations, particularly the UK. A number of factors have affected the shipping industries of traditional maritime powers such as the UK. These include the following:

- The reduction in protectionism and increase in competition from emerging maritime nations.
- The spread of registration other than under the national flag to the so-called open register nations, allowing ship owners greater flexibility in manning.
- Dramatic growth of Asian economies over the past twenty years, which has shifted the pattern of world trade towards the Pacific and Indian oceans and away from the Atlantic. Since 1980 Asia has overtaken Europe as the major destination for goods landed.

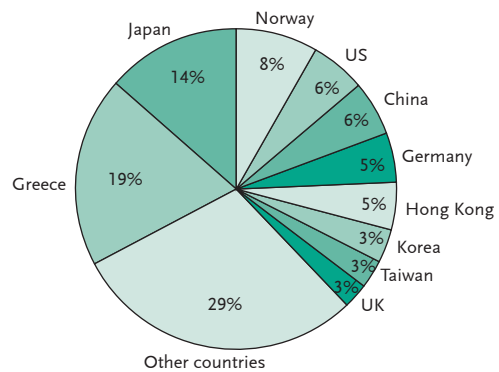
Control According to Lloyd's Register of Shipping the most important shipowning countries at the end of

Table 1 Ship types

Vessel type	Purpose
Oil tanker	Carriage of crude oil or oil products
Chemical tanker	Carriage of vegetable oils, wine and hazardous chemicals
Liquefied gas carrier	Carriage of liquefied petroleum gas (LPG) or liquefied natural gas (LNG)
Bulk carrier	Carriage of mineral ores, coal, grain, etc. in bulk
Bulk/Oil carrier (Combination carrier)	Carriage of either oil or dry bulk cargoes
Container ship	Carriage of manufactured or capital goods in containers
General cargo ship	Carriage of any cargo, whether in break bulk or unitised form
Refrigerated cargo ship (Reefer)	Carriage of refrigerated fruit, meat, fish, etc.
Ro-Ro Cargo ship	Carriage of vehicles loaded by a roll on, roll off ramp
Ro-Pax	Carriage of passengers and their vehicles on a roll on, roll off ramp
Passenger ship	Carriage of passengers (cruise or ferry service)
Vehicle carrier	Carriage of newly manufactured vehicles via a ramp

Chart 1 Control of world fleet

Country of domicile, end-2001
% share based on deadweight tonnes



Total world fleet: 759m dwt

Source: UNCTAD, Lloyd's Register of Shipping

Table 2 World cargo carrying fleet by registration

	Million deadweight tonnes, end-year			% share
	1990	2002	% change	of 2002
Panama	59.7	185.9	211	22.6
Liberia	97.8	76.4	-22	9.3
Greece	37.1	48.1	30	5.8
Bahamas	21.7	47.7	120	5.8
Malta	7.6	43.7	475	5.3
Cyprus	33.1	36.4	10	4.4
Singapore	12.5	32.6	161	4.0
Norway (NIS)	39.4	27.6	-30	3.3
Hong Kong, China	10.7	26.7	150	3.2
Mainland China	19.6	24.5	25	3.0
Marshall Islands	---	23.4	---	2.8
Japan	39.3	16.5	-58	2.0
US	24.6	11.4	-54	1.4
UK	7.6	6.7	-12	0.8
Other countries	218.0	216.4	-1	26.3
World Total	628.7	824.0	31	100.0

Source: Lloyd's Register of Shipping

2001 were Greece, Japan, Norway, the US and China (Chart 1). These five countries accounted for just over a half of the world fleet and the largest ten countries for 70%. Greece has significant influence in international shipping, given its beneficial ownership of nearly one fifth of the world fleet.

Registry The majority of these ships are registered under a foreign flag in open registers. The largest fleets on this basis are registered in Panama, Liberia, the Bahamas and Malta (Table 2). While registry under foreign flags has been a long standing practice, mainly by owners in developed market economies, it is now commonplace in all country groups. Between 1990 and 2002 open registry countries increased their

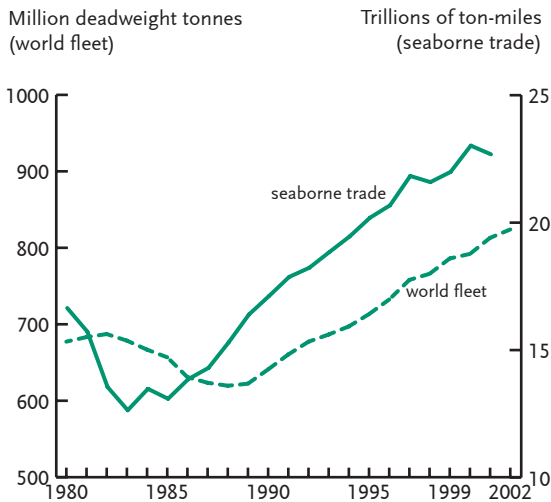
share of the world fleet tonnage from a third to a half. As well as changes in the nationality and flagging of ships, the structure of shipping has changed. Different functions of the shipping operation have been contracted out to different companies/organisations, possibly in other countries. This particularly applies in bulk shipping, and as a result the foreign fleet managed by UK ship management companies increased substantially in the 1990s. This reflects the comparative skill advantage of UK companies in this type of activity. There is an important link between shipping and these service activities in that many of the latter depend on experienced ex-seafarers for relevant skills.

1.3 Developments in international shipping

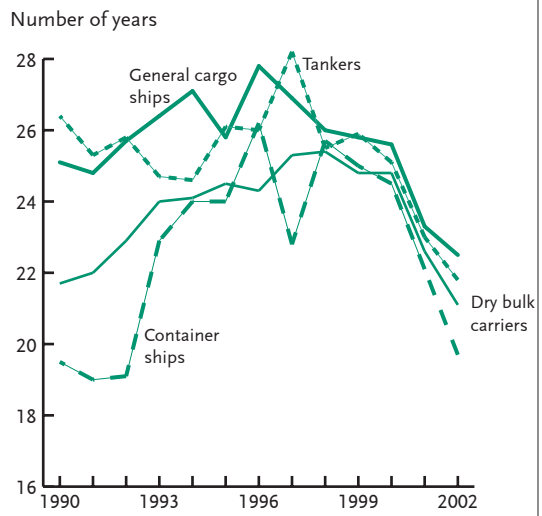
Shipping has been a major growth industry for the past half-century, and the size of the world fleet has expanded in response to the increasing volume of world trade. Since falling in the 1980s, both the world fleet and seaborne trade have expanded, although growth in seaborne trade has faltered in recent years. This was initially a result of the difficulties in emerging markets in 1998 and subsequently the general slowdown in the world economy in 2001 and 2002 (Chart 2).

Increases in the productivity of ships due to application of new technology and improved management methods have meant that the supply of shipping has more than kept up with demand. Indeed over the majority of the last 25 years there has been overcapacity in most shipping sectors.

Improvements in technology and management

Chart 2 World fleet and seaborne trade

Source: Fearnley's, Lloyd's Register of Shipping

Chart 3 Average age of broken up ships

Source: Institute of Shipping Economics and Logistics (Bremen)

contributed to the extension of the working lives of ships for much of the 1990s. While the potential for longer working lives of ships remains, this trend has been overtaken in recent years by the consequences of more stringent safety standards, which have required changes in design, associated for example with the introduction of double hull tankers. This has contributed to a surge in new shipbuilding over the past few years and therefore to a reduction in the average life of broken-up ships since the late 1990s. (Chart 3)

Overcapacity and the resulting stiffer competition have contributed to the low freight rates and low rates of return that are found in many parts of the shipping industry. This is most apparent in bulk shipping, where barriers to entry are very low, but also in liner shipping, despite average growth in global container trade during the past decade of 12% a year. Returns have been higher elsewhere in specialised areas such as industrial chemicals and cruises. A few companies have generated a greater return by investment in logistics and managing the end-to-end shipment of goods from supplier to consumer.

1.4 Trends in cargoes and shipping business

The overall growth in world seaborne trade over the past twenty years is shown in Chart 2, with Table 3 also showing trends in other cargo, including container and passenger travel.

All types of bulk cargo have increased, on average by a third between 1990 and 2002, with coal recording the biggest increase of 39% amongst the four main bulk cargoes. Growth in containers was much faster, more

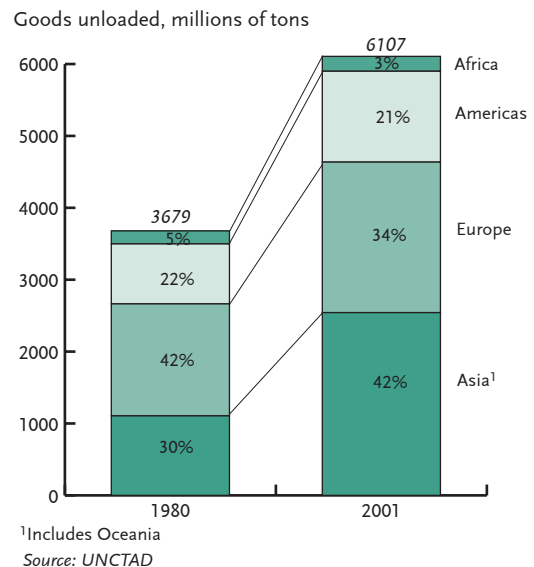
Table 3 World seaborne trade

Type of cargo	1990	2002	% change
Ton-miles (billions)			
Oil & oil products	7821	9950	27
Iron ore	1978	2700	37
Coal	1849	2570	39
Grain	1073	1250	16
Other cargo	4440	6781	53
Total seaborne trade	17161	23251	35
TEUs (millions)			
Container port transfers	94 ¹	225 ²	139
Number of passengers (millions)			
UK ports: int.passengers	30.1	27.8	-8
International passengers on ocean cruises	179 ³	470 ⁴	163

¹ 1992 ² 2000 ³ 1997 ⁴ 2001

Source: Fearnley's, UNCTAD Review of Maritime Transport, Containerisation International, DETR Transport Statistics Report

Chart 4 Regional breakdown of seaborne trade



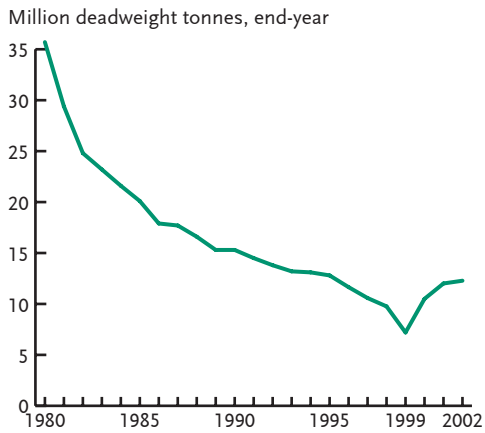
than doubling over the shorter period between 1992 and 2000. Amongst passenger traffic, cruises have recorded a rapid increase in business with the number of international passengers carried on cruises worldwide more than doubling between 1997 and 2001. Ferry traffic has fallen in the UK largely a result of a decline in cross-channel sea traffic since the Channel Tunnel was opened in 1994.

The marked shift in the balance of seaborne trade towards Asia is highlighted in Chart 4, with goods unloaded in Asia rising by 130% to 2,542m tons between 1980 and 2001, while elsewhere in the world goods unloaded only increased by 38% in total. In the process Asia overtook Europe as the most important destination for sea trade, with 42% of goods unloaded in 2001 compared with 34% in Europe.

1.5 The UK fleet

The UK-owned trading fleet has increased by 70% in size from a low point of 7.2m dwt at end-1999 to 12.3m dwt at end-2002, the first significant growth in the UK fleet in thirty years (Chart 5). This UK total for ownership differs from the smaller UK figure in Table 2, which represents the UK registered or flagged fleet.

The UK-owned cargo carrying fleet now accounts for 1.5% of world fleet tonnage and is highly efficient, earning 3% of world seaborne freight revenue and approaching 4% of all seaborne revenue (passenger and freight). This demonstrates the diverse and technically advanced character of the UK fleet, which operates in all sectors of seaborne trade. The wide range of vessels in the UK fleet is shown in Table 4.

Chart 5 UK-owned trading fleet

Source: Maritime Statistics, DfT, based on data provided by Lloyd's Register - Fairplay

1.6 Challenges for shipping industry in UK and internationally

UK competitive environment for shipping The UK shipping industry has benefited from the establishment in 2000 of a more competitive fiscal climate in the UK for shipping and the introduction of measures to promote the employment of UK seafarers. As noted above the UK fleet has grown since end-1999 reversing the long term contraction. Officer cadet recruitment increased significantly in 2002/03 to well over 600 cadets, having averaged less than 500 annually in the previous four years.

The most important of the measures was the introduction of the tonnage tax, which has meant that shipping companies have the opportunity to opt for a form of taxation, based not on their profit but on the tonnage of their fleet. Those companies opting for the tonnage tax have been required to accept a specific commitment to the training of UK seafarers. The growth in recruitment will in the long term benefit City-based maritime services, which are dependent on a sufficient flow of officers with seafaring experience.

The system is providing greater certainty, flexibility and clarity for companies and their investors, as well as ensuring greater compatibility and competitiveness with other country's regimes and offshore registers. The UK scheme is similar to one that has operated in the Netherlands since the beginning of 1996 and also other European countries (including Germany, Greece and Norway).

Recruitment of seafarers An appropriate level of recruitment is necessary if the British shipping industry is to be supplied with sufficient numbers of qualified engineers and officers to sustain the UK fleet. Estimates made in recent years have focused on the number of cadets that are required to stabilise the number of active seafaring officers at the current level of around 15,000. Estimates by the former London Guildhall University (now part of the London Metropolitan University) indicate that on this basis an annual intake of at least 1,000 a year is required, due to the demographic profile of officers.

The future level of cadet recruitment will depend on the requirements of shipowners who wish to employ UK officers. Given the competitiveness of shipping and the existence of an international labour market for seafarers, the demand for UK cadets cannot be predicted with any certainty.

A separate long term consideration is meeting the long term demand of UK maritime service industries for people with seafaring experience, an issue that is explored in Section 2.12.

Table 4 UK fleet structure

UK-owned vessels
Million deadweight tonnes, end-2002

Type of ship	Number of ships	Thousand gross tonnes	Thousand deadweight tonnes
Trading fleet			
Oil tanker	120	2437	4429
Chemical tanker	7	89	143
Liquefied gas carrier	10	101	129
Other tanker	3	1	1
Total liquid	140	2628	4702
Bulk/oil carrier	0	0	0
Bulk carrier	35	1772	3377
Total dry bulk	35	1772	3377
Specialised carrier	14	101	46
Container	72	2509	2785
Ro-Pax	118	1077	232
Ro-Ro cargo	22	354	226
Reefer	2	7	7
Other general cargo	147	573	812
Total other dry cargo	375	4621	4108
Cruise	20	725	87
Other passenger	20	4	1
Total passenger	40	729	88
Total trading fleet	590	9750	12275
Total non trading fleet	1197	2019	2335
Total fleet	1787	11769	14610

Source: Maritime Statistics, DfT, based on data provided by Lloyd's Register - Fairplay

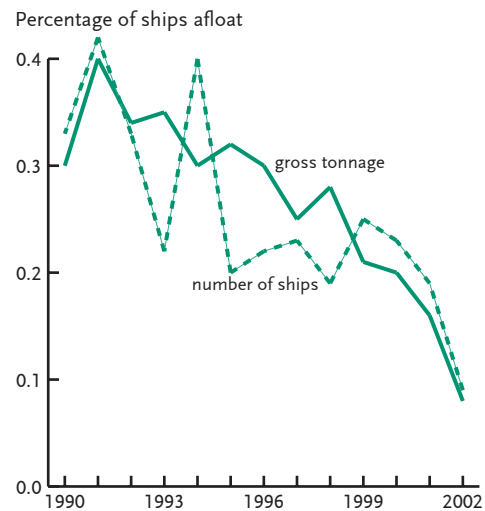
International regulation Shipping has always, through international convention, had regulations in respect of safety, navigation and liabilities. However, the occurrence of high profile casualties in shipping has contributed to a tightening of international regulation over the past decade.

A key requirement of all maritime related legislation is that it is implemented in a similar manner by all Flag States, so that there is a level playing field in which all countries are able to compete equally. The UN's International Maritime Organisation based in London, as well as the EU and national governments are all sensitive to safety and environmental issues. It is therefore important that consensus is achieved and that no single organisation or government takes unilateral action as a knee jerk reaction to specific casualties.

The overall tightening of regulation has no doubt contributed to the fall in ship losses shown in Chart 6. One current example of the impact of tighter regulation is that withdrawal dates for single hull tankers were revised following the loss of the Erika and Prestige, resulting in an acceleration in purchase programmes. The quantity of oils carried in double hull tankers has risen significantly and will increase further as the tonnage on order comes into service.

An example of moves to tighten security is the International Ship and Port Facility (ISPS) Code that is to be implemented by 1 July 2004. The Code aims to establish an international framework for cooperation between every level of government in contracting countries and the shipping and port industries in order to detect security threats and take preventative measures against security incidents affecting ships or port facilities. This is to be achieved by the designation of appropriate personnel on each ship, port facility and ship owning or ship managing company to develop security plans that will be subject to approval.

Chart 6 Total loss of ships



Source: Lloyd's Register of Shipping

*includes losses of all sea-going ships of not less than 100 gross tonnes

Sea Vision UK

Sea Vision is a campaign to promote awareness of the UK's wider maritime sector, managed by the Chamber of Shipping and involving over 100 partners in total. As part of its remit, an assessment and definition of the UK maritime sector has been made with the cooperation of the principal organisations, including IFSL, that are involved in researching the broad range of industries that make up the sector.

As a result of this exercise, key indicators showed that in 2001 the UK maritime sector generated:

- Turnover of £37bn.
- Exports of £8bn.
- Value added of £12bn, equivalent to 1.2% of GDP.
- Employment of 250,000: 0.9% of the UK workforce.

A detailed breakdown of turnover, value added and employment appears in Table 12 in Appendix 3.

SECTION 2. MARITIME SERVICES IN LONDON AND THE UK

London remains the leading centre in the supply of a wide range of financial and professional services to international shipping including banking, insurance, shipbroking, legal services, classification, accountancy and publishing. Maritime London was formed in 2000 in order to promote and publicise the wide range of maritime services provided out of London and the UK generally. Further information about the role of Maritime London appears in the inset on page 18.

The nature and scale of maritime services is systematically analysed in this section, with data on their contribution to the UK economy, measured in terms of employment and overseas earnings, set out in Section 3. Several of these services represent one part of a sector or industry that is fully covered in other IFSL reports: such as those in the City Business Series on Banking, Insurance and Legal Services.

2.1 Finance

The main providers of finance for the shipping industry include international commercial banks, investment banks and smaller boutiques, which act as arrangers or introducers of capital.

Commercial banks About a dozen commercial banks operate out of London, of which three are UK-owned with the majority being foreign banks originating in the US, Germany, the Netherlands, Scandinavia and Australasia. Mergers and acquisitions have contributed to consolidation internationally amongst banks providing shipping finance.

Lending The total lending book of these commercial banks at the end of 2002 was estimated to be £15-20bn, which is equivalent to 15-20% of the world book of £100bn. The lending book worldwide is estimated to have doubled in size over the past three

years as a result of the surge in shipbuilding. Over three-quarters of loans are extended to customers outside of the UK. Banks in the UK are mainly competing for the business of shipping companies controlled from Europe. Finance provided to shipping companies based in North America and the Far East tends to be provided by financial centres based in those regions or by the state for those fleets that are under public control. Most shipping finance has traditionally been extended in the form of mortgage finance, but leasing, balance sheet financing and bond issues are also important.

Commercial banks that are committed to providing shipping finance over the long term are able to generate a flow of fee income, through an efficient margin, typically just over 1%, over the lifetime of the loan. The Basle II proposals due to be implemented by end-2006 will require banks to change the way they allocate capital to their loan portfolios. They will have to review their whole loan book, including existing facilities and reassess how the capital they hold equates to the credit risk rating of the shipowner. A likely result of this new rating system is that the cost of loan finance will rise. Moreover, in order for the banks to establish suitable ratings, greater transparency and disclosure will be required of some private shipowners.

The repercussions of financial scandals in the US, such as Enron, as well as anti-terrorism measures, will also require greater transparency in both company structures and in any transactions between connected entities. According to Moore Stephens, the traditional opaque structures of shipping groups, that use offshore companies, owned agents and single ship asset ownership vehicles will in future attract more scrutiny.

Table 5 Largest shipping companies

Market capitalisation, August 2003

	Country	\$bn
AP Moller - Maersk A/S	Denmark	28.5
Carnival Corp.	US	22.6
Hapag-Lloyd AG	Germany	8.8
Royal Caribbean Cruises	US	5.8
Nippon Yusen Kabushiki Kaisha	Japan	4.5
MISC	Malaysia	4.2
Mitsui O.S.K Lines	Japan	3.9
P&O	UK	2.7
Bollore	France	2.0
Kawasaki Kisen Kaisha Ltd.	Japan	1.9
CP Ships	UK	1.9
Teekay Shipping Corp.	The Bahamas	1.8
Yang Ming Marine Transport	Taiwan	1.6
Evergreen Marine Corp.	Taiwan	1.5
Star Cruises Ltd	Hong Kong	1.4

Source: Lloyd's List LL-Bloomberg Top 50 shipping

Table 6 IPOs and high-yield bond issues by shipping companies

Number of issues	Number of issues	
	IPOs	High yield Bonds
1987	2	---
1988	4	---
1989	5	---
1990	2	---
1991	1	---
1992	0	1
1993	6	4
1994	7	0
1995	2	1
1996	---	2
1997	---	9
1998	---	16
1999	---	1
2000	---	0
2001	2	1
2002	1	2

Source: Trade Winds, Grammenos & Marcoulis

Many banks also offer ancillary services which include freight collection, foreign exchange dealings, remittances, sale and purchase completions and consultancy and advisory services. Some banks also generate income through derivatives trading.

Ship lending is underpinned by the high quality of shipping assets. Any provision that is taken during a downturn in the business cycle may often be written back when trading conditions improve. Other banks that, for example, have come into the market at the top of the cycle and withdrawn when conditions deteriorated are more likely to have incurred losses.

Investment banks also provide financial and advisory services to the shipping industry, although this is limited, particularly for the larger investment banks, by the small size of the quoted shipping sector, and the variable returns generated.

Market value The market value of the largest 50 companies in the shipping sector worldwide amounted to \$78bn at end-2002, accounting for 0.4% of global equity market capitalisation totalling \$22,200bn. The largest fifteen shipping companies are listed in Table 5. The main areas in which investment banks might be involved include mergers and acquisitions, equity and bond issues and other structured financing opportunities:

Equity issues Investment banks in London have been used as global coordinators of international equity offerings on behalf of shipping companies listed on other exchanges. However, whereas there were about 30 initial public offerings (IPOs) by shipping companies between 1986-95, there were only three in

2000 and 2001 (Table 6). Two IPOs in 2001 by Stelmar Shipping and General Maritime were the first in the US since 1995. The only IPO in 2002 was undertaken by Tsakos Energy (TEN).

Mergers and acquisitions too have been sparse since the beginning of 2002 reflecting the depressed equity markets worldwide. M&A deals totalled just \$380m in 2002, having declined from a peak of \$11.8bn in 1999 (Chart 7). London-based investment banks had a significant advisory role in many of these deals.

Bond issues too have been sporadic with the only issues in 2002 being those from CP Ships and Stena AB (Table 6). Teekay's \$250m high yield offering in 2001 was the first for two years. This gap followed a surge of 25 issues totalling \$2bn in 1997 and 1998 for companies of generally inferior quality, many of which subsequently defaulted. The market for shipping high-yield bonds had first emerged in 1992 and 1993 with a number of issues for good quality companies. The lack of bond issues since 1998 is partly attributable to the volatility of the market value of ships. Investors have in the past suffered heavy losses following a deterioration in market conditions.

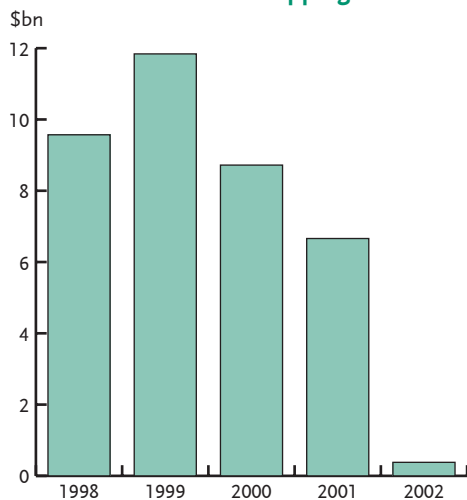
Structured financing There have also been a number of structured financings in the capital markets for major charterers, providing the user of the vessels with a low effective cost of off-balance sheet finance, while giving income funds an attractive return backed by charter receivables from investment grade companies. Recent examples include a securitisation deal by NIB Capital for a third of its \$2bn loan book.

2.2 Insurance

The London Market is the world's leading market for internationally traded insurance and reinsurance. Marine insurance is a key part of the London Market and is typical of the high risk business handled there that cannot easily be placed in local markets. The concentration of the market in a small geographical area enables brokers readily to negotiate face-to-face with underwriters. Lloyd's, international insurance and reinsurance companies and P & I Clubs offer a variety of cover and a range of expertise. The main types of marine insurance are listed in the side panel on page 10.

The London insurance market has over the past few years undergone substantial restructuring from which it has emerged leaner and financially healthier. It is international in both the sources of its business and the ownership of its participants. Gross premiums in the marine market more than halved from a peak of £7bn in 1992 to £3.2bn in 2000, reflecting a worldwide trend (Chart 8). This is mainly attributable to the depressed insurance market characterised by

Chart 7 Mergers and acquisitions in international shipping



Source: Ship Finance

overcapacity and soft rates, but also in part from the fall in casualty figures among ships around the world, indicated in Chart 6. The share of gross premiums accounted for by direct and facultative insurance has increased from 60-65% in the early 1990s to 75% between 1996 and 2000, with a concomitant drop in the share of reinsurance premiums.

As well as the decline in the value of premium income London has also lost market share, but remains the leading centre for marine insurance, with 19% of the world market in 1999, in the face of fierce competition from Japan, US and Germany (Chart 9).

Key participants in the market are working to ensure that London becomes even more efficient and streamlined, and that the opportunities offered by electronic commerce are embraced.

Lloyd's of London Lloyd's has been a major player in the marine insurance market, since the emergence of Britain as a maritime power. Today it has developed into a unique international insurance market transacting a wide range of insurance and reinsurance.

Capital to support the underwriting of insurance has traditionally been provided by individual investors known as 'Names' who conduct their business through syndicates run by managing agents. Since 1994, when companies were first able to underwrite business in Lloyd's, the proportion of capacity supported by corporate capital has grown steadily, reaching 84% in 2001 (Chart 10). The number of companies had reached 1,061 in 2001, but over the same period individual names had declined from 17,600 in 1994 to 2,833 in 2001. Corporate capital underpinned a 14% increase in Lloyd's total gross

capacity from £9.9bn in 1999 to a record £11.3bn in 2001.

The number of syndicates that mainly handle marine insurance fell from 36 in 1998 to 13 in 2001. Since 1998 an increasing amount of business is handled by composite syndicates, which numbered 24 in 2001. Most of these composites were formerly amongst the larger marine syndicates and accounted for about a half of capacity in the marine market in 2001.

Company market All of the world's top 20 insurance and reinsurance companies are active in the company market, a key segment of the London Market, and many of these are active in marine insurance. Like Lloyd's the company market has experienced a drop in marine insurance premiums, although other factors may be understating the actual level of business. For example, some companies may have changed their legal status from subsidiary to branch, in which case business still originating from the London office is written against parent company's capital and not recorded as London Market business.

Virtually all companies participating in this part of the London Market are members of the International Underwriting Association of London. The IUA is a representative body, keeping track of maritime issues that impact on the marine insurance industry. It produces annual shipping casualty statistics and promotes such initiatives as Alternative Dispute Resolution. Together with the Lloyd's Underwriting Association, it encourages cross-market cooperation and support on technical issues through a range of joint underwriting committees.

P & I Clubs London is the biggest world centre for

Types of insurance

Hull & machinery Insurance taken out by shipowners against damage to their vessels or total loss

Cargo Insurance taken out by cargo owners against damage to their cargoes in transit or their total loss.

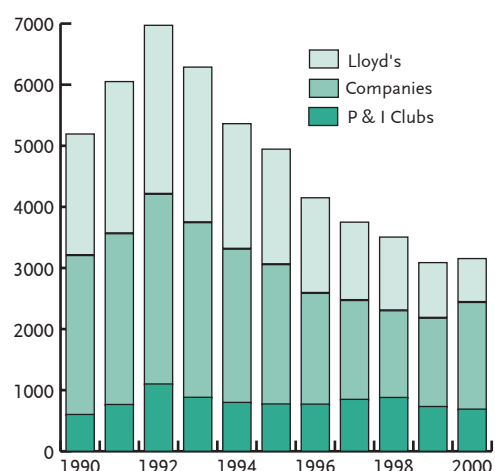
Protection & indemnity Insurance taken out by shipowners against liability claims from third parties as well as other risks not covered by Lloyd's and marine companies policies. This type of insurance is mainly effected through shipowners' mutual clubs managed on their behalf.

Energy & oil related Insurance taken out to cover oil spills and damage to equipment used for the search and extraction of oil and gas at sea.

Miscellaneous Insurance for contingency and liability risks related to maritime operations.

Chart 8 Marine premiums in London market

£m, gross basis



Source: Statistics Relating to Lloyd's, ABI

protection and indemnity insurance. P & I Clubs are a form of mutual indemnity association, created to serve the marine industry and insure their shipowning members mainly against risks not covered by Lloyd's and insurance companies' policies. This includes collision damage and liabilities for loss or damage to cargo, pollution, loss of life or personal injury on ships, and collision liability, including damage to port installations.

The International Group based in London represents 13 of the largest P & I Clubs, most of which are managed from the UK and which together insure over 90% of the world's blue-water tonnage. Gross premiums of UK-managed P & I Clubs in The London insurance market were estimated at £700m in 2001, having been in the range of £750m to £900m between 1993 and 2000.

The Pool, organised for members of the International Group, provides a mechanism for sharing all claims in excess of \$5m up to a ceiling of \$4.25bn. For a layer of claims from \$30m to \$2.03bn, the Group purchases reinsurance from the commercial market. Oil pollution liability cover is limited to \$1bn. Members typically meet about 80% of the expected costs of claims through advance calls, and subsequently make supplementary calls. In recent years, the International Group has tended to increase the amount of risk it retains with the Group, while spreading this risk through pooling arrangements. Losses which exceed the pool's limits are met through reinsurance arrangements. As well as arranging insurance and reinsurance for its member P & I Clubs, the International Group also exists to represent the views of shipowners and charterers who belong to those

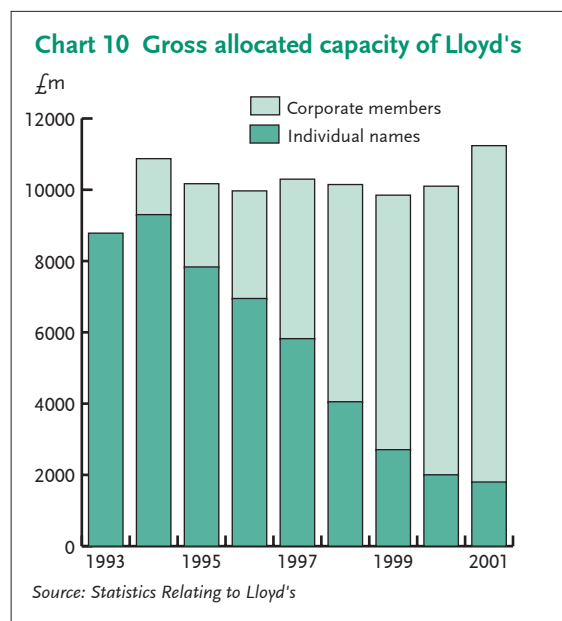
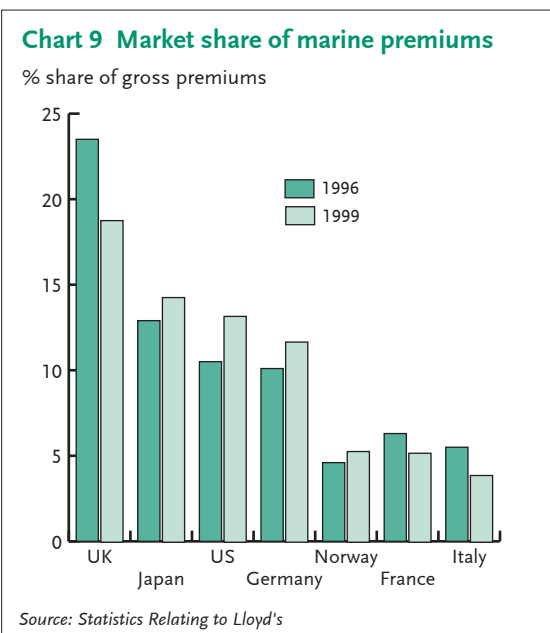
clubs on matters of concern to the shipping industry and to provide a forum for the exchange of information.

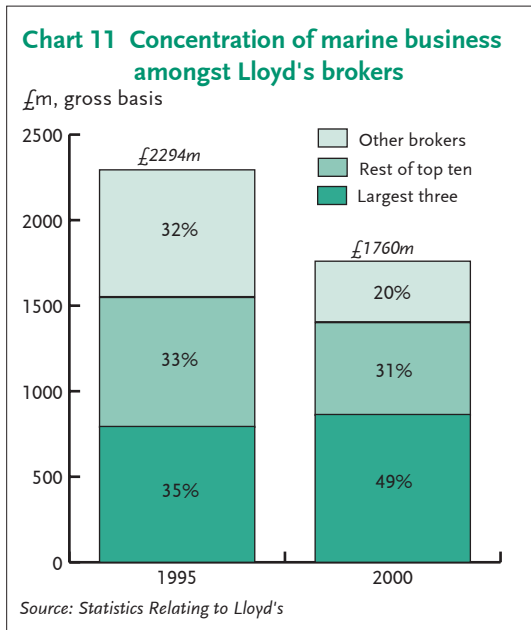
Most P & I Clubs are managed on behalf of their members by independent management organisations although some directly employ their own managers and staff.

Insurance brokers The vast majority of marine insurance in the London Market is written using an insurance broker as an intermediary between owners and underwriters. From their networks of offices around the world, brokers bring to the London Market the vast majority of insurance and reinsurance risks placed with both Lloyd's syndicates and companies.

The broker acts on behalf of the client to identify and quantify the wide range of operational and financial risks facing the owner. Brokers minimise the risk by helping businesses prevent or control losses by developing safety programmes to reduce accidents, by designing and innovating new products, by assisting in the loss settlement process and by managing the financial aspects of risk by transferring it to insurers or by utilising alternative risk transfer mechanisms. By securing the best possible terms for his client, brokers make the insurance sector more responsive and efficient.

As London is a subscription-based market, most placings are coordinated by the brokers with several underwriters, each accepting a percentage of the overall risk. In total about 30 firms of insurance brokers place the bulk of marine business, with business becoming increasingly concentrated in the





larger brokers as marine premiums have declined. According to Lloyd's, three brokers dealt with half the £1,760m premium income handled by Lloyd's brokers in 2000, compared with just over a third in 1995 (Chart 11).

Insurance brokers generate some £270m in net retained commission, of which over a half is accounted for by overseas customers. Aon, Heath Lambert, JLT Risk Solutions, Marsh and Willis are amongst the largest marine insurance brokers.

Average adjusters advise on and adjust marine claims. London is the leading international centre for this profession, which has a small number of practitioners but handles a huge volume of claims to the satisfaction of insurers and their customers. The Association of Average Adjusters based in London has international membership and support. As well as the adjusters, qualified by examination, numbering 50, there are some 300 people engaged in the profession, with 600 individual subscribers and 40 representative organisations in membership, all of which are customers or have an interest in marine insurance. Of the 600 subscribers 250 are based in the UK and 350 are based overseas. The Association sees itself as the claims bridge between the London insurance market and their overseas customers and markets.

Surveying Surveying firms based in the UK provide support to clients in P & I Clubs, underwriters, shipowners, law firms and average adjusters in claims handling and loss prevention. The Salvage Association is an international surveying organisation closely connected with the London Market, whose function is

The Baltic Exchange

The Baltic Exchange, founded in London in 1744, is the world's only self-regulated shipping market maintaining professional standards, resolving disputes and providing market information.

Its members, predominantly shipbrokers, shipowners and charterers, are concerned with the matching of bulk ships and bulk cargoes and the sale and purchase of vessels. The Baltic's market share is substantial with its members handling around 30 per cent of the world's dry cargo fixtures and 50 per cent of the world's crude oil fixtures. Over half of the world's new and secondhand bulk vessels are bought and sold by Baltic members.

In a largely unregulated industry one of the Baltic's primary roles is to provide a self-regulated environment for shipbrokers. Another central function is the collation and production of a wide range of independent freight market information on dry and wet cargoes to its international membership. Its three dry indices covering Capesize, Handysize and Panamax make up the Baltic Dry Index and it also publishes two wet indices for Tankers. This information is accessed through its electronic platform *balticexchange.com*, launched in 2001, which also allows users to offer ships and cargoes and trade Forward Freight Agreements.

As well as its provision of market information the Exchange maintains a central role in providing:

- A self-regulated market and assisting in dispute resolution.
- A voice for the industry on matters relevant to international shipping markets.
- Various member services, such as education and training, communications and networking opportunities through club facilities.

to take instructions from interested parties around the world. The purpose of such instructions is to investigate casualties and make recommendations for the preservation and protection of property: also to determine the extent and cause of loss when required. With the ability to call on over 50 surveyors in 26 offices around the world the Salvage Association is the world's premier marine casualty surveying organisation, dealing with instructions on thousands of surveys each year.

2.3 Shipbroking and the Baltic Exchange

Shipbrokers are intermediaries operating in the shipping industry that have two principal functions. Firstly, they assist shipowners and charterers in concluding charter contracts for vessels and secondly, they help buyers and sellers of vessels, including shipbuilders, in concluding sale-and-purchase and new building contracts. In both functions the shipbroker, using his extensive market knowledge, negotiates on behalf of his client to secure the best possible deal. Shipbrokers maintain a wide contact base within the shipping industry and convey information on the shipping markets to their clients. As well as responding to client requests, they also initiate transactions that they consider feasible and in their clients' best interests.

The largest shipbrokers based in London include Braemar Seascope, H.Clarkson & Co Ltd, Galbraiths Ltd, EA Gibson Ltd, Howe Robinson & Co Ltd, and Simpson, Spence & Young Shipbrokers Ltd.

The 460 shipbroking firms operating in London employ around 1,900 brokers and 4,200 staff altogether. Over the past decade, freight commissions have increased by 45% to reach \$500m. Shipbrokers have helped to establish a substantial market share in the chartering business amounting to 50% of the global tanker and 30% of the global dry bulk chartering business. London also ranks as the world's foremost sale and purchase market. Over half of the world's new and second-hand bulk vessels are bought and sold by Baltic members in a market worth \$34bn annually.

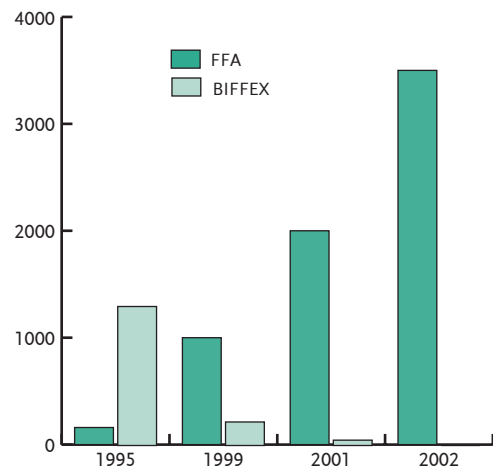
2.4 Freight derivatives

A number of the larger broking houses offer freight derivatives to allow the shipowner or charterer to hedge or take a position on the future movement of freight rates. The most commonly used are over-the-counter (OTC) derivatives, known as Forward Freight Agreements (FFA), which are contracts for difference between two parties. As is typical with OTC contracts they can be tailored to meet individual needs and are completely flexible as to route, size, and time period. FFAs therefore enable shipping companies, if required, to hedge a single cargo and to arrange that hedge very quickly in minutes rather than days. Increasingly, other related players such as financial institutions are trading these instruments. In a high value physical market, paper trading has potential to grow significantly over the next few years.

FFAs were first established in 1992 and have been used increasingly in recent years. FFAs have grown rapidly with the notional value of contracts traded rising from £160m in 1995 to £3.5bn in 2002 (Chart 12).

Chart 12 Freight derivatives

£m, notional freight value of contracts traded



Source: Industry estimates

By contrast the exchange traded futures contract, BIFFEX, which dominated freight derivatives trading up to the mid-1990s, has subsequently been withdrawn by Euronext.liffe. The number of contracts traded had dropped from 75,000 in 1995 to 3,000 in 2001.

FFAs may be based on any of the component routes of the Baltic indices. FFA trading in the dry freight derivatives market is greater than on the tanker derivatives market. This is mainly because of the greater uncertainty and risk surrounding freight costs in the dry bulk market, which may be as high as 30% of the cost of a shipload of grain. By contrast in the wet market the cost of freight has not exceeded 10% of the shipment of oil even when the oil price has been depressed. However, there is growing interest in the tanker market spurred, in part, by recent volatility in the physical market.

2.5 Legal services

London is the world's leading centre in the provision of legal services to the international maritime community. English law is applied to shipping disputes far more widely than the law of any other country. This is a reflection of the widespread confidence of the international shipowning, chartering, ship finance and marine insurance communities in the fairness, expertise and efficacy of English lawyers, courts, arbitrators and other private dispute resolution processes.

The very size of these commercial communities in the UK is another reason why the demand for maritime legal services is so high in this country. Other

Table 7 Leading shipping law firms

Andrew M Jackson ¹	Ince & Co
Barlow Lyde & Gilbert	Jackson Parton
Bentleys Stokes & Lowless	Lawrence Graham
Berrymans Lace Mawyer	Middleton Potts
Clifford Chance	More Fisher Brown
Clyde & Co.	Norton Rose
Constant & Constant	Rayfield Mills ¹
Curtis Davis Garrard	Richards Butler
DLA	Shaw & Croft
Elborne Mitchell & Co	Sinclair Roche & Temperley
Eversheds ¹	Stephenson Harwood
Hill Dickinson	Thomas Cooper & Stibbard
Hill Taylor Dickinson	Waltons & Morse
Holman Fenwick & Willan	Watson Farley & Williams
Holmes Hardingham	

¹Not London based

contributory factors include the presence in London of international organisations concerned with shipping (described in section 2.10).

Legal services in the maritime sector are routinely required for contentious and non-contentious work relating to a wide range of matters including charterparties, shipbuilding, finance, commodities, energy, insurance, cargo, collision, salvage, general average and pollution. Many disputes are settled in the specialised Admiralty and Commercial Courts, or through various private forms of dispute resolution, such as the London Maritime Arbitrators Association. More detail on the mechanisms for resolving disputes appears in Section 2.6.

London has a particularly high concentration of barristers and solicitors specialising in the maritime sector. Shipping law is typically divided into three categories:

- *Dry* includes charterparty, bills of lading disputes as well as marine insurance, shipbuilding, ship repair and sale and purchase disputes.
- *Wet* refers to traditional admiralty work relating to casualties at sea (salvage, towage and collision) as well as to total loss and pollution.
- *Finance* covers all work relating to the financing of vessels and shipowning companies.

Law firms The main shipping law firms, listed in Table 7, supply a service covering both the wet and dry market, with most of the larger firms also supplying finance. The leaders in wet and dry work,

as per Chambers Directory and the Legal 500, are generally regarded as Ince & Co, Holman, Fenwick & Willan, Clyde & Co., Richards Butler and Hill Taylor Dickinson.

Most of the firms in Table 7 tend to specialise in shipping law with only a few of the very largest London-based international law firms having a significant presence in wet and dry work. The leaders in ship finance are generally regarded as being Norton Rose, Watson, Farley & Williams, Allen & Overy and Stephenson Harwood.

While most of the law firms are London-based, a few are established elsewhere in England in Newcastle, Hull, Liverpool and Plymouth as well in Scotland. There are also a number of foreign shipping law firms with an office in London. According to IFSL's survey, law firms generated around £200m of fee income in their latest accounting year, of which around £170m was undertaken on behalf of overseas clients. Fee income has been relatively stable over the past three years.

Barristers There are six barristers' chambers which regularly undertake shipping work. About 200 barristers work to help resolve maritime disputes, acting in different roles as advocates, advisers or arbitrators.

A widespread series of reforms (known as the Woolf reforms), affecting the entire civil justice system, were introduced in 1999. There is now a new procedural code with the clearly stated overriding objective of enabling the court to deal with cases justly. This will involve dealing with each case in ways that are proportionate to the amount of money involved and the importance of the case. The reforms also require

Table 8 Dispute resolution in London

	The Admiralty Court		Commercial Court		London Maritime Arbitrators Association		Lloyd's Open Form of Salvage Agreement	
	Claims	Cases tried	Claims	Cases tried	Appoints. received	Awards made	New cases	Awards made
1990	714	3	1874	125	3373	381	178	31
1991	599	8	2034	95	3461	370	173	21
1992	637	6	2056	81	3503	478	169	22
1993	579	14	1554	79	3126	425	156	16
1994	623	11	2200	98	3558	377	142	18
1995	562	11	2250	85	2996	375	121	25
1996	529	15	2750	104	3384	429	121	15
1997	403	16	2950	179	3191	546	104	16
1998	380	17	1600	80	3144	620	100	10
1999	381	14	1800	50	2671	501	123	11
2000	390	8	1200	65	2622	480	133	13
2001	300	9	1149	81	2686	472	108	17
2002	120	9	1213	69	2030	432	104	15

Source: Commercial and Admiralty Court, London Maritime Arbitrators Association, Lord Chancellor's Office, Lloyd's Agency

that account should be taken of the complexity of the issues and the financial position of each party, as well as ensuring that the case is dealt with expeditiously and fairly.

2.6 Resolution of maritime disputes

The number of claims going to the courts and to arbitration has fallen in recent years, particularly in 2002, although this has had less impact on the number of claims going to trial or the number of awards made by the arbitrators (Table 8, Chart 13). Alternative Dispute Resolution (ADR), particularly mediation, represents a small but growing form of maritime dispute resolution.

The reasons for the decline in claims include:

- The wish of P & I Clubs to avoid the expense of legal costs associated with smaller claims.
- The operation of more shipowners in pools within which disputes are resolved internally.
- Advances in shipping design and technology, tightening of safety standards and improvements in crewing, resulting in fewer collisions and losses.

The Commercial Court. Since 1895, the High Court has incorporated a separate Commercial Court where the procedures are geared to reflect the special requirements of the international commercial community. About half of the 1,000 to 2,000 cases each year are maritime related commercial disputes, although typically less than 100 of these usually come to trial. Mostly these will involve charterparty disputes,

claims for damage to or short delivery of cargo, and disputes under marine insurance policies.

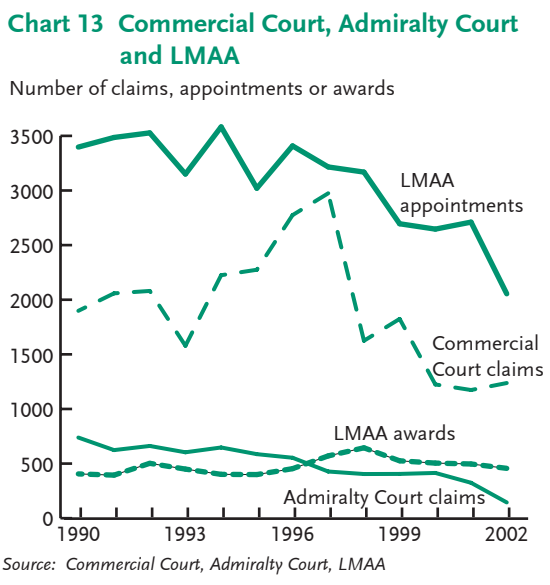
Claims have a strong international character with about two thirds of both claimants and defendants of Commercial Court cases being based outside the UK. This means that in 80% of cases one or both parties is not UK-based.

The Admiralty Court. The origins of the Admiralty Court date from the fourteenth century. Maritime cases coming before this court are normally in relation to loss of, or damage to, a ship, its cargo or an installation. In recent years a wide range of claims have arisen from the impact on owners of a difficult freight market and the political changes in Eastern Europe and Russia. Traditionally, several hundred actions a year are commenced, although this fell to just 120 in 2002.

Only a few claims come to trial each year. The efficiency of the Admiralty Court is greatly enhanced by the sieving out of smaller claims by the Admiralty Registrar and also by the Admiralty Marshal's role in quickly facilitating the arrest, release and, if necessary, sale of vessels. The majority of claims are therefore settled amicably before trial.

The London Maritime Arbitrators Association deals with many cases where parties agree to arbitrate rather than initiate court proceedings. The number of appointments received by full members of the Association has fallen from over 3,000 a year for much of the 1990s to around 2,600 between 1999 and 2001 and to 2,030 in 2002. These figures relate only to the Association's 40 full members. In addition, there are appointments received and awards made by 800 supporting members worldwide (a majority being barristers and solicitors), as well as non-members.

Lloyd's Open Form of Salvage Agreement Arbitration Awards are also made under this, the oldest and most widely used standard salvage contract, with 104 such contracts being advised to Lloyd's in 2002. The number of contracts referred to arbitration has fallen from over 150 a year in the early 1990s to between 100 and 130 a year since 1995.



2.7 Ship classification

Ship classification - the survey of vessels to establish their compliance with rules relating to structural and mechanical soundness - shares its origins with the development of the marine insurance business, but the two activities have long been conducted and administered separately. The insurance community continues to rely heavily on the major international classification societies, however, for the assurance that vessels meet certain fundamental structural and mechanical standards.

The oldest of the major international classification societies and one of the largest is Lloyd's Register of Shipping (LR), based in London. At the end of 2002, almost 110m gross tonnage (gt) was in LR class - nearly 20% of the world's sea-going merchant fleet of 590mgt. LR is very prominent in all the shiptype sectors, but particularly in the cruise ship, LNG tanker, oil tanker, chemical tanker, bulk carrier, ro-ro cargo ship and container ship sectors.

LR's total operating income for its financial year 2002 was £391m, of which £174m (44%) was accounted for by its Marine Division and related services. Other non-shipping services are provided to offshore and land-based customers. These services include safety and environmental inspection and certification. LR had, at the end of 2002, 5,000 staff based in 240 offices worldwide. Of these offices, 22 are based in the UK, employing over 1300 staff, 600 of which are in London.

LR is the second largest ship classification society in the world after ClassNK, which has grown in tandem with the expansion of the Asian fleet. Other major classification societies to have a large presence in London include the American Bureau of Shipping (ABS) and Det Norske Veritas (DNV).

2.8 Other services

Accounting and management consultancy The UK provides significant expertise in the professional accountancy and management consultancy services that is required by the shipping industry worldwide. A range of accounting firms provide services to shipping. With the exception of KPMG it is not an activity in which the Big Four have a significant involvement, although there are many specialist, marine, economic and management consultancy firms and partnerships that provide services. Moore Stephens based in London is the leading accounting firm supplying services to the shipping industry - through its network of independent accounting and consulting firms in over 84 countries, it employs over 13,000 people and accounts for over 2,000 ships under corporate, private or state control.

The ability to offer accounting services internationally is facilitated by international accounting standards being commonly applied around the world, especially as public companies will have to adopt such standards from 1 January 2005. It is also facilitated by the small size or complete absence of a local pool of shipping expertise in many countries. The services provided by accounting firms include not only traditional services, such as audit, accounting assistance and taxation, but also business development services, including management consultancy, IT, market intelligence and project advice.

Publishing and maritime events The UK is a leading centre for the publishing of books, journals and directories for the maritime sector. UK-based shipping media companies are also world leaders in organising maritime events ranging from full scale maritime exhibitions and conferences to small scale focused seminars and management training courses. The largest firms in publishing and maritime events are Informa, Lloyd's Register - Fairplay and Seatrade.

Research London is the leading centre in maritime research. A number of specialist firms and most of the shipbroking houses offer a statistical data service, customised reports and market information to global clients.

Higher education Many universities including the Cass Business School City University London, London Metropolitan, Cardiff, Newcastle-upon-Tyne, Plymouth, Southampton, Glasgow and Strathclyde run courses on the design, engineering, economic, financial, legal and scientific aspects of marine education. There are also a number of nautical colleges based at Warsash, South Shields, Fleetwood and Southampton.

The Cass Business School and London Metropolitan universities provide direct support both to shipping and the City maritime services through courses tailored to educating students in international business as it relates to the shipping industry. Over 1,200 students from over 75 countries have graduated from the MSc courses in shipping, trade and finance at the Cass Business School, with over a half of these subsequently going on to work in shipping management or banking.

Technical and engineering consultancy A wide range of specialist firms provide technical and engineering services to the international maritime industry, extending from traditional hull and machinery survey work into the highly specialised areas arising in certain maritime casualties such as metallurgy, fire, explosion and chemical cargo handling. A number of individuals from these firms provide expert witness services to the courts and law firms. In all these areas London and UK firms dominate the global scene.

The maritime industry also draws on the services of the British Meteorological Office for sea state and weather reports around the world and the British Admiralty Hydrographic Office for charts and navigational publications.

Other service providers Other services supplied to the shipping industry include employment services for recruitment and crewing of ships; telecommunications; and specialist software for shipbrokers and the shipping industry.

2.9 UK agents of overseas shipowners based in UK

A further very important element of maritime services in London is the large number of foreign shipowning interests that are represented in London by agency companies. The most substantial such group comprises the London Greeks who have been represented in London through their exclusive agents since the 1920s. London agents also represent the interests of shipowners of large fleets based in Norway and other Scandinavian countries, the Middle East, Hong Kong, Japan, India and Eastern Europe.

With at least 120 such agents employing over 1,500 people from Greece alone, they represent a very substantial customer base for the UK maritime services sector. The main activities of the agents cover the chartering of ships and cargo, the arrangement of finance and insurance, the resolution of claims and the sale and purchase of ships. Other activities include the purchase of ships' stores, provisions, marine equipment, radio and navigational aids for use on board ships and arrangements for worldwide repairs.

According to a 2002 study commissioned by the Baltic Exchange, the foreign shipowning community in London represented more than 1100 ships totalling 100m dwt, 15% of the world fleet, and a gross value of about \$20bn. About 70% of this total, equivalent to about 850 ships totalling 70m dwt, was in the hands of the Greeks.

The continuing long-term presence of a substantial overseas community of agents and owners, particularly the London Greeks, is widely regarded as having contributed significantly to the continued prominence of London as a leading international maritime service centre over a long period when the UK-owned fleet was contracting.

2.10 International organisations

Several official and representative organisations, other than those already mentioned, are based in London. The International Maritime Organisation (IMO) is the only United Nations agency to have its headquarters in the UK. IMO's primary objectives are the improvement of maritime safety and the prevention of maritime pollution. In order to achieve its objectives, IMO has promoted the adoption of some 40 conventions and protocols and adopted over 800 codes and recommendations concerning maritime safety, prevention of pollution and related matters. Some 300 international civil servants are based in the London head office with responsibility for managing a budget of nearly £40m in 2002/03. In total over 160 governments are members of the IMO.

The UK is also the headquarters of the International

Oil Pollution Compensation Funds (IOPC Funds). These are inter-governmental bodies which together have over 80 member states and provide compensation for oil pollution from ships. They share a common secretariat with a staff of nearly 30 and routinely employ external experts in the UK in consultation with the ship's insurers. Although pollution claims are subject to the jurisdiction of courts in the country where the incident occurs, in practice most have been resolved out of court as a result of assessments made in London.

Other international organisations with headquarters in London include:

- Greek Shipping Co-operation Committee (GSCC)
- Inmarsat
- International Association of Classification Societies (IACS)
- International Bunker Industry Association (IBIA)
- International Chamber of Shipping (ICS)
- International Maritime Bureau (IMB)
- International Maritime Industries Forum (IMIF)
- International Salvage Union (ISU)
- International Ship Managers Association (ISMA)
- International Shipping Federation (ISF)
- International Tanker Owners' Pollution Federation (ITOPF)
- Oil Companies International Marine Forum (OCIMF)
- The International Association of Dry Cargo Shipowners (INTERCARGO)

In addition, there are international organisations based elsewhere, which have an office in London, such as:

- The International Association of Independent Tanker Owners (INTERTANKO)
- Japanese Shipowners Association (JSA)

2.11 International professional organisations

A number of international professional organisations, representing professionals in the maritime industry, are based in London. These organisations, including those institutions listed below and in Table 9, have an international membership. They seek to define standards of professional conduct and to promote and encourage professional development. Members of these institutions provide services to all sectors of shipping, including the legal sector, where they are in demand as expert witnesses and as arbitrators. There are five key professional institutions:

- The Institute of Marine Engineering, Science and Technology provides a forum for discussion on engineering matters and seeks to enhance the status of the profession.

- The Royal Institute of Naval Architects is the professional body for those involved in the design, construction and repair of ships, boats and marine structures.
- The Nautical Institute promotes and co-ordinates nautical studies worldwide, by promoting high standards of qualification, competence and knowledge among those on or concerned with the sea.
- The Institute of Chartered Shipbrokers is the professional body for those engaged in all aspects of shipping business and provides examination services across the globe.
- The Society for Underwater Technology is a multi-disciplinary learned society which brings together members, individual and corporate, who have a common interest in underwater technology, ocean service and offshore engineering.

In addition to these institutions, NUMAST is the UK-based trade union and professional organisation that represents over 19,000 skilled and professional maritime staff who are employed at sea and onshore in the UK and international shipping industries. NUMAST is regarded as the foremost maritime union in the world and is heavily involved in many issues of a technical nature that involve the safety of shipping.

2.12 Challenges for London as an international maritime centre

Taxation of non-domiciled UK residents The UK maritime services industry remains concerned about the possible outcome of a review by the UK Government of the tax status of individuals who are long term UK residents, but who are not domiciled in the UK for tax purposes. In total there are estimated to be at least 65,000 people in the UK that fall into this category, although the foreign shipowning community probably accounts for less than 1% of this number.

A 2002 report commissioned by the Baltic Exchange noted with concern that a change to the current tax regime could lead to the foreign shipowning community leaving the UK. Substantially increasing this community's tax liability on income not remitted to the UK, or increasing the fiscal burden on agencies in respect of the profits of the operating business of their shipowning principals, could trigger an exodus. The Baltic report notes three reasons for this:

- Shipowners who pay other than minimal taxes are not competitive in the tanker and dry cargo trades and in the long run would be forced out of business.
- Shipowners have the option of easily moving to countries where their shipping operations would not be subject to tax; an option that is not open to most other businessmen.
- Full disclosure of families' financial arrangements would be onerous. Although greater disclosure of business accounts will, as noted in Section 2.1, be required under the Basle II agreement the disclosure for personal tax would be more onerous.

The Baltic report estimated that the implications of a complete withdrawal of foreign shipowning interests would be the loss of more than one third of business and employment, equating to a £375m reduction of overseas earnings and the loss of 4,500 jobs. It would also result in a £125m net reduction of tax. Moreover, the reverberations of even a lesser exodus could result in the loss of critical mass that sets London apart from other European maritime centres. Under these

Maritime London

London's maritime industry has traditionally enjoyed a dominant position in the world. In an increasingly competitive environment, Maritime London was set up in 2000 to promote the common interests of all the activities that make up maritime service industries in London and the UK. Many of these activities are detailed in this report and are represented in Maritime London.

All member firms and organisations of Maritime London are concerned that the world's shipping and maritime community continues to do business in London. Its key objectives therefore are:

- To maintain and enhance London's position as the world's premier maritime centre.
- To promote the maritime services' sector.
- To attract new maritime related business to London and the UK.

Table 9 Professional institutions

Membership in 2003	Members	of which based overseas	Branches outside UK	Countries represented
Institute of Marine Engineering, Science and Technology	16000	5000	30	101
Royal Institute of Naval Architects	6100	2500	13	80
Nautical Institute	7000	3600	37	70
Institute of Chartered Shipbrokers	3500	1700	14	60
Society for Underwater Technology	1500	150	1	27

Source: *The institutions*

circumstances, much larger sections of business could choose to relocate to another centre, if, for example the decision was made that the additional costs of a London location could no longer be justified.

In April 2003, the Treasury issued a consultation document which contained a list of key principles for judging appropriate tax treatment. These include some that may ameliorate the concerns expressed in the Baltic paper, such as the principle that tax policy should support the competitiveness of the UK economy.

Skills The reputation of London as a maritime centre is based on the depth and range of maritime related skills. A 1996 University of Wales study commissioned by the Department of Transport, the Chamber of Shipping and Marine Society, identified some 7,000 jobs in City-related services in which seafaring experience was either essential or at least an advantage, the vast majority of such jobs being filled by former captains or chief engineers. While City-based maritime activities are serving an international client base, they have remained heavily dependent on the flow of skilled personnel, particularly from the higher ranks of officers and engineers serving in the UK merchant fleet.

The 1996 study also highlighted activities other than maritime services that required maritime skills and experience. These represent competition which maritime services would have to address through, for example, offering superior pay and conditions to potential recruits.

An adequate supply of skills remains a major long-term issue for London's maritime services and one that the training commitment central to the tonnage tax is intended to address. Even though the number of officer cadets has risen from less than 500 a year to over 600 in 2002, the number of UK-trained seafarers to supply the shore-based sector is still likely to decline over the long term.

Some commentators have suggested that in order to help resolve this situation a fast track programme for graduate entrants to seafaring and specialist training programmes for non-seafarers to fill some of the on-shore jobs should be set up. Further initiatives by the on-shore industries requiring skilled maritime labour in organising and supporting the training of the staff may be required. Any new initiatives could build on the experience of the Maritime London Officer Cadet Scholarship.

Far East The growth in production and trade in the Far East has resulted in a rapid expansion, ownership and management of the fleet in the region. High growth rates have returned following the economic difficulties in some Asian countries in the late 1990s. The issue

International maritime centres

In the maritime service sector, the other principal centres after London for each of the major activities are:-

Finance Oslo, Piraeus and New York are important centres, although some business there is conducted by branches of UK banks and booked in London. Hong Kong, Singapore, Tokyo (mainly domestic business) Hamburg and Rotterdam/Amsterdam are also significant.

Shipbroking Other major centres include Piraeus, Oslo, Copenhagen, New York, Hong Kong, Singapore and Tokyo.

Insurance Major market for marine insurance exists in the US, Europe and the Far East, as well as in offshore centres such as Bermuda.

Legal Services Apart from London, the major concentration of maritime lawyers is to be found in New York, New Orleans, Scandinavia, Greece and, increasingly, the Far East. International maritime law firms based in London are prominently represented in most of the important centres worldwide.

Classification The major international classification societies other than Lloyd's Register are those based in Japan (ClassNK), the US, (American Bureau of Shipping), and Norway (Det Norske Veritas). Other major classification societies are based in France (Bureau Veritas), Germany (Germanischer Lloyd), Italy (Rina) and Korea (KR), as well as Russia, Poland and China. ABS and DNV have a major office in London, with most other classification societies having smaller offices there. The International Association of Classification Societies is also based in London.

for London is to what extent several of the maritime sectors in London are able to meet the requirements of the growing fleet in that region, or whether there will be greater localisation of services in the major shipping centres of the region. The interlocking nature of the maritime services provided out of London will not be easily replicated elsewhere, especially given the importance of English law and law firms in maritime matters.

SECTION 3. CONTRIBUTION TO THE UK ECONOMY

There is only limited data available on the key indicators - output, profits, employment and overseas earnings - that provide a guide to the contribution of maritime services to the UK economy. In order to fill some of the gaps IFSL, as for its previous report in 2000, has undertaken a number of surveys of commercial banks, law firms, insurance brokers and P&I Clubs with a view to providing informed estimates of employment and overseas earnings. These surveys have gone some way towards addressing the deficiencies.

3.1 Employment

The measurement of employment in maritime services is important from two perspectives. Firstly, because the number of people in employment shows the size of the activities that make up maritime services in London; and secondly, because parts of maritime London are dependent on a supply of skilled people with seafaring experience to provide the requisite specialist service.

The maritime services industry remains a significant source of employment, but one for which there is little published data. Before IFSL's 2000 report, it had been ten years since the previous formal survey of City-based marine employment had been carried out.

Using IFSL's surveys and other informed estimates derived with the help of practitioners, IFSL estimates that there were about 14,200 people employed in maritime services in 2003, the majority in shipbroking,

insurance, (especially insurance broking) and legal services (Table 10, Chart 14). However, an assessment of the many other supporting activities demonstrated their contribution with, for example, 550 employed in accountancy and 800 in publishing.

In broad terms employment has been stable between 2000 and 2003, although the total of 14,200 in 2003 is slightly lower than the 14,500 estimate in the 2000 report. The 2000 figure was much higher than the 1990 total as it was more comprehensive in coverage. For example, the 1990 study did not take account of the support staff at shipbrokers and also appeared to underestimate other activities, such as publishing, accountancy and the international organisations and institutions in London.

3.2 Profitability

The low returns generated in many parts of international shipping were indicated in Section 1. Data on profitability in maritime services is limited. Profits of commercial banks tend to move with the shipping cycle, so that those banks in the business for the long term can often write back in favourable conditions, provisions that have been made in the more difficult trading periods. The fee based revenue of law firms, insurance brokers, accountants and surveyors means that their revenue stream and profits are likely to be more stable.

In underwriting, the losses at Lloyd's in the early 1990s (Chart 15) gave way to a period of profitability during the mid-1990s. Companies' underwriting results have displayed a similar pattern to Lloyd's during the 1990s with an improvement in profitability up until 1993 and 1994, followed by a deterioration in subsequent years.

Table 10 UK employment in maritime services¹

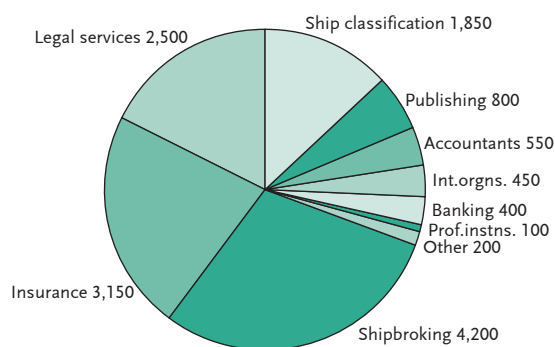
	1990	2000	2003
Shipbrokers	1954	1,700	1,900
- support staff	---	2,300	2,300
Banking	982	400	400
Underwriters	827	500	200
Insurance brokers	2,608	1,800	1,600
P & I Clubs	661	1,100	1,050
Average adjusters	448	300	300
Law firms	621	2,300	2,200
Barristers	---	200	200
Maritime arbitrators	164	100	100
Ship classification ²	1300	1,800	1,850
Publishing	396	800	800
Accountants	---	500	550
IMO & int.orgns.& institns.	---	400	450
Prof. institutions	---	100	100
Others	357	200	200
Total	10,318	14,500	14,200

¹ This does not include shipping company support staff which currently number over 8,000

Sources: 2000 & 2003 data: IFSL surveys, industry estimates, Baltic Exchange, Lloyd's Register
1990 data: 'The UK Shipping Industry Critical Levels Study', British Maritime Charitable Foundation, 1990

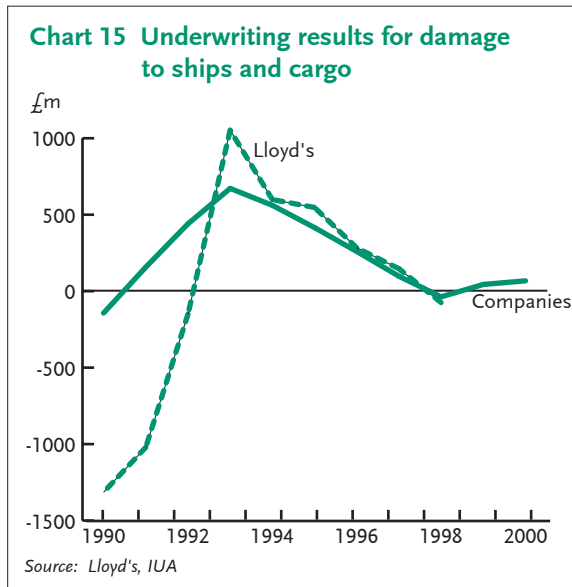
Chart 14 UK employment in maritime services

Number employed in 2003



Total UK employment 14,200

Source: Industry estimates and IFSL surveys



Between 1998 and 2000, underwriting results were close to breakeven for Lloyd's and insurance companies.

3.3 Overseas earnings

The activities that form maritime services make a significant contribution to the UK's balance of payments, with net overseas earnings amounting to £1,092m in 2002, a 16% increase on the £938m in 1999 estimated in the previous report. The major components of this total continue to be shipbrokers through the Baltic Exchange, insurance brokers, commercial banks, providers of legal services and ship classification (Table 11).

The net overseas earnings of shipbrokers at the Baltic Exchange have been in the range of £250-350m over the past decade, and were £322m in 2002. Overseas earnings of Lloyd's Register of Shipping were around £50m in the 1990s but rose to £100m in 2002. The other overseas earnings listed in Table 11 were based

Table 11 Net overseas earnings of UK maritime services

£m	1999	2002
Shipbrokers	297	322
Insurance brokers	160	170
Law firms	170	170
Banking	100	150
Lloyd's Register	51	100
P & I Clubs	80	80
Barristers	20	20
Publishing	30	50
Others	30	30
Total	938	1,092

Source: IFSL surveys and industry estimates

on industry estimates or surveys undertaken by IFSL for this report. Law firms were estimated to have generated about £170m from maritime services, accounting for 13% of the £1.3bn overseas earnings generated by law firms in total. The barristers undertaking maritime work earned a further £20m, about one quarter of the total £80m overseas earnings of members of the Commercial Bar Association.

In commercial banking, with margins around 1% and foreign customers accounting for about 80% of the loan book of £15-20bn, net overseas earnings can be estimated at £150m. This represents a rise of 50% as the loan book was less than £10bn in 2000. Insurance brokers' overseas earnings are estimated to have risen slightly from £160m to £170m. For underwriters, it is estimated that about 90% of business is transacted for overseas customers. Based on the trend in Lloyd's and companies' earnings evident in Chart 15, underwriters' net overseas earnings were estimated to be in balance in 2002.

The UK shipping industry generated net overseas earnings of £1,120m in 2001. It is also estimated that its indirect benefit in terms of import savings was £1.4bn in 2001. This represents the additional payment that would have been made to foreign shipowners, in the absence of the UK ships that carry passengers and cargo to and from the UK.

The combined net overseas earnings of maritime services and the UK shipping industry totalled £2.2bn, an increase of about £200m on the £2.0bn contribution in 1999 noted in the previous edition of the Maritime Services report.

APPENDIX 1: OTHER SOURCES OF INFORMATION

The following sources give further details of issues and statistics that relate to maritime services:

Association of British Insurers

Insurance Statistics Yearbook 2002
www.abi.org.uk

Chambers and Partners

Chambers Guide to the Legal Profession 2002
www.ChambersandPartners.com

Department of Applied Economics, University of Cambridge

The Contribution of the Foreign Shipping Community to the UK Economy and the Economic Effects of a Change to the Taxation of the Foreign Shipping Community - A Report for the Baltic Exchange, by Cliff Pratten, 2002
www.balticexchange.com

Department for Transport

Transport Statistics Report - Maritime Statistics
www.shipping.dft.gov.uk

Department of Environment, Transport and the Regions

British Shipping: Charting a New Course 1999
www.shipping.dft.gov.uk

Bruce Farthing and Mark Brownrigg

Farthing on International Shipping, LLP 3rd edition 1997

HM Treasury

Reviewing the Residence and Domicile Rules as they affect the Taxation of Individuals: A Background Paper (2003)
www.hm-treasury.gov.uk

Lloyd's of London

Statistics Relating to Lloyd's 2001
www.lloyds.com

Lloyd's List

LL-BloombergTop 50 shipping index
www.lloydslist.com

Moore Stephens

'The Bottom Line' newsletter
www.moorestephens.com

Office for National Statistics

Insurance companies' pension funds' and trusts' investment (MQ5, quarterly)
www.nationalstatistics.gov.uk

Spinnaker

'Changing Course' newsletter
www.shippingjobs.com

UNCTAD

Review of Maritime Transport 2002
www.unctad.org

University of Wales

The UK's Requirements for People with Experience of Working at Sea (1996)

APPENDIX 2: DATA COVERAGE AND QUALITY

While data on the UK and international shipping industry is comprehensively measured in relation to ships, their cargos and staffing, the data available on maritime services is comparatively sparse. The Baltic Exchange and Lloyd's Register each publish data on turnover, overseas earnings and employment. Lloyd's, the International Underwriting Association and the Association of British Insurers also publish data on marine insurance. Elsewhere, estimates of overseas earnings and employment have been derived from informed estimates of practitioners and surveys undertaken by IFSL of commercial banks, law firms, insurance brokers and P & I Clubs for this report.

The response rate to these surveys was variable but sufficient to give an indication of the overall trends and aggregate totals. As a result IFSL has been able to set out estimates of overseas earnings and employment for all the main maritime activities.

APPENDIX 3: SEA VISION UK

As noted in the inset at the end of Section 1, Sea Vision UK is a campaign to promote awareness of the UK's wider maritime sector, managed by the Chamber of Shipping and involving over 100 partners in total. As part of its remit, an assessment and definition of the maritime sector has been made with the cooperation of the principal organisations involved in researching the broad range of industries that make up the sector.

As a result of this exercise, key indicators for the maritime sector in 2001 were generated as shown in Table 12.

Table 12 UK maritime sector

Key indicators in 2001	Turnover £bn	Value added £bn	Employment
Oil & gas	9.20	---	25,000
Shipping	5.12	2.4	31,500
Manufacturing	5.20	2.53	40,600
- Shipbuilding	2.54	1.27	24,000
- Marine equipment	2.66	1.26	16,600
Maritime Services	4.54	1.08	13,800
Ports	1.69	1.18	25,000
Defence/Naval	6.66	2.53	61,500
Leisure marine	1.61	0.94	26,378
Other	2.82	1.17	30,460
- Telecommunications	0.50	0.19	---
- Research & development	0.61	0.29	8,040
- New technologies	0.23	---	---
- Education & training	0.14	0.07	1,100
- Ocean survey	0.10	---	---
- Safety & salvage	0.32	0.12	4,200
- Minerals & aggregates	---	---	2,000
- Fisheries	0.92	0.50	15,120
Total	36.84	11.83	254,238

Sources: "A New Analysis of Marine-Related Activities in the UK Economy" Pugh & Skinner, UK Marine Industries World Export Potential" Douglas Westwood Associates, IFSL "Maritime Services 2000", Various industry and other representative bodies involved in Sea Vision UK

APPENDIX 4: SPONSORS' CONTACT DETAILS

International Underwriting Association of London

The International Underwriting Association (IUA) is the world's largest representational organisation for international commercial insurers and reinsurers. A key part of its role is supporting the marine insurance industry, in co-operation with the maritime industry as a whole.

Our Marine Executive Committee co-ordinates the work of international company marine insurers in London, co-operating with Lloyd's to make best use of the London market. IUA contributes to the International Union of Marine Insurers annual conference and attended Posidonia as part of the Maritime London pavilion both this year and in 2000.

The IUA was formed at the end of 1998, following the merger of the Institute of London Underwriters, which dates back to 1884, with its non-marine counterpart, the London International Insurance and Reinsurance Market Association. More than 40 of our members write marine business through London.

The International Underwriting Association of London
London Underwriting Centre
3 Minster Court
Mincing Lane
London EC3R 7DD

Tel: +44 (0)207 617 4444
Fax: +44 (0)207 617 4440
Email: info@iua.co.uk
Website: www.iua.co.uk

Contact:
Marie-Louise Rossi, Chief Executive
David Taylor, Special Advisor

Lloyd's of London

The London market for insurance is the world's leading centre for international insurance and reinsurance, and Lloyd's of London accounts for 52%¹ of its gross premiums. In 2003, the Lloyd's market has grown to record size in terms of its ability to accept insurance premiums, which has reached £14.4bn (\$23.18bn)².

The Lloyd's market is home to some of the most skilled and experienced specialist underwriters in the world, leading the industry in creating new areas of insurance, such as kidnap and ransom, space and aviation and cyber liability, in addition to covering more standard areas of insurance. Today, 96%³ of the FTSE 100 and 93%⁴ of the Dow Jones IA companies have policies with Lloyd's. The market also underwrites 29%⁵ of world aviation, 12%⁶ of world marine business, and is the world's sixth largest reinsurance group⁷.

Lloyd's
One Lime Street
London
EC3M 7HA

Tel : +44 (0)20 7327 1000
Fax: +44 (0)20 7327 2389
Web: www.lloyds.com

Contact:
Alastair Evans, Head of International Relations
Robert Smith, Manager of Market Information

¹ International Financial Markets in the UK. IFSL, May 2003 (p9).

² Lloyd's Members Services Unit, February 2003.

^{3,4,5 & 6} FTSE 100 and Dow Jones IA / Xchanging Ins-sure Services, Dec. 2002.

⁷ Standard & Poor's Global Reinsurance highlights, 2002 Edition.

Maritime London

Founded in 2000, Maritime London was formed by a number of industry representatives seeking to maintain and enhance London's position as the world's premier maritime centre. Today it is supported by a growing number of organisations representing the entire spectrum of the maritime industry. These include shipbrokers, shipowners, lawyers, insurers, bankers and class societies.

Together, they work to promote all the maritime bodies in London, liaising with other organisations to encourage the inward location of overseas maritime interests. Membership of Maritime London is open to any maritime company.

Maritime London
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London EC3A 8BH

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Email: tfunnell@maritimelondon.com
Website: www.maritimelondon.com

The Baltic Exchange

The Baltic Exchange is the world's premier international shipping market comprising over 500 corporate members including shipowners, shipbrokers and charterers together with other maritime service providers such as lawyers, insurers, and financiers. Providing a self-regulated market and assisting in the resolution of commercial disputes lie at the heart of the Exchange's activities.

Additionally, a team of shipping experts report on the dry and wet bulk markets each day resulting in the most comprehensive package of quality, independent freight data available in the market. Baltic data is used across the globe for benchmarking and to settle both physical and paper contracts. In addition to providing a range of other value added services, the Exchange brings together an otherwise fragmented industry to provides its members with a common voice which is heard by decision makers around the world.

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Email: enquiries@balticexchange.com
Website: www.balticexchange.com

Admiralty Solicitors Group

The Admiralty Solicitors Group was formed in 1972 to promote and preserve standards in the practice of London Maritime Law. The ASG member firms all have established reputations in maritime law and are committed to the continued development of London as a maritime legal centre. The means of ensuring London's pre-eminence includes regular meetings, and the development of commonly used documentation, including a code of conduct. The ASG standard security and other wordings are extensively used in the market and save clients' time and money. The ASG offers a panel of experienced practitioners to act as arbitrators in small collision and salvage cases.

Our aim is to handle cases quickly, commercially and economically, and to resolve rather than prolong disputes. There is an increasing awareness and, in appropriate cases, use of Alternative Dispute Resolution (ADR) procedures to achieve that end. More information can be found on the website.

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