A large white ferry ship with a blue and red Union Jack design on its hull is docked in a harbor. In the background, there are colorful houses and a sign that says 'WELCOME TO PORT OF STAVANGER'.

EUROPEAN SHIPPING INDUSTRY NEEDS SUBSIDIES, BUT CURRENT SYSTEM IS FAILING EUROPEAN TAXPAYERS AND WORKERS

Trade unions have welcomed the findings of a new study by the OECD and the International Transport Forum (ITF) which has recommended that redesigning subsidies available to the European shipping industry would increase value for money and the efficiency of subsidies in protecting domestic jobs, decarbonising the industry, and reducing congestion and pollution.

The OECD-ITF report *Maritime Subsidies: do they provide value for money?* provides a long-needed evaluation of the subsidy regimes which developed countries offer the maritime transport industry. Government support subsidies for many noble reasons including fostering competitive maritime industries, supporting their national flags and promoting employment and the creation of quality jobs.

However, the report will be a wake-up call to policymakers who design these subsidy schemes, as the OECD-ITF analysis confirms what workers and their unions have long suspected: maritime subsidies are failing to achieve their desired objectives.

The report reviews a comprehensive range of recent impact studies and analyses the effect of direct and indirect maritime subsidies on the shipping industry, with a specific focus on EU countries where state aid schemes are regulated and monitored by the European Commission.

The overall picture gives little evidence that maritime subsidies are value-for-money in achieving their stated aims, despite governments are spending more and more money on them.

“MARITIME SUBSIDIES ARE VITAL, BUT THE EU MUST CHANGE THE RULES TO ENSURE THAT GOVERNMENTS ONLY SPEND EU TAXPAYER MONEY SUPPORTING COMPANIES WHICH CREATE QUALITY JOBS FOR DOMESTIC SEAFARERS.”

**LIVIA SPERA,
ETF ACTING GENERAL SECRETARY**

WHAT IS THE IMPACT OF SHIPPING SUBSIDIES IN EUROPE?

KEY FINDINGS FROM THE OECD-ITF REPORT

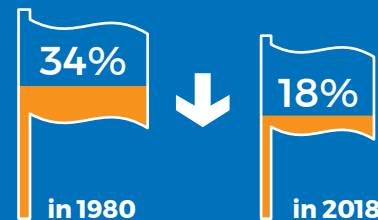
MORE SHIPS FLYING EU FLAGS?

NO

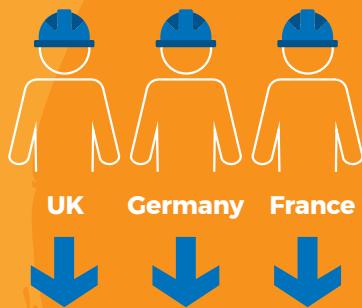
Flagging and re-flagging is one of the objectives of maritime subsidies and forms an important part of the motivation of the EU state aid guidelines.

EU shipping companies still own 36% of the global shipping fleet, yet only 18% of the global fleet are registered on European flags. This figure has almost halved since 1980.

Percentage of global fleet flying an EU state flag:



Falling numbers of EU-domiciled seafarers



JOBS FOR EU SEAFARERS?

NO

The case for a tonnage tax subsidy in the UK was made on the basis of boosting employment of local seafarers. The ITF-OECD report finds not enough evidence.

The UK tonnage tax, for example, has increased the total tonnage but jobs created have mainly benefited non-EU nationals.

The study also finds no clear evidence that wage subsidies (tax and social security breaks) and support for training have made EU seafarers more employable.

“Subsidies targeting re-flagging often suppose that a larger domestically flagged fleet has a positive impact on maritime employment” – OECD-ITF report

ON-SHORE MARITIME CLUSTERS AND JOBS?

NO

Researchers did not find a link between maritime subsidies and the creation and protection of shore-based maritime jobs and industries. In fact, maritime subsidies often encourage shipowners to build new, larger ships built outside the EU. This is compounded by port automation which destroys cargo handling jobs in European ports.

Percentage of ships for EU shipowners made in EU shipyards:



EU target for transport emissions reduction



DRIVING DECARBONISATION?

NO

The EU aims to reduce transport emissions by 60% before 2050. Short-distance shipping could help take freight off the roads. However, subsidies for short-sea links, such as the EU's Motorways of the Sea programme, are not effective. The modal shift to sea has never materialised.

Maritime subsidies also fail to support greener shipping. Few have environmental conditions attached and some even have the opposite effect with exemptions from fuel taxes an incentive for the industry not to decarbonise.



WHY DOES EUROPE NEED MARITIME SUBSIDIES?

Schemes like the tonnage tax¹ are necessary because the global shipping industry is a hotbed of unfair competition.

The Flags of Convenience² (FoC) system has opened the door to minimal regulation, cheap registration fees, tax avoidance and the freedom to employ cheap labour from anywhere in the world. This race to the bottom had made it increasingly difficult for shipping companies under European registries to compete and has destroyed job opportunities for EU/EEA seafarers in global trade.

If Europe wants a viable shipping industry, there is no doubt that it needs maritime subsidies.

“UNLESS THIS SYSTEM IS TOTALLY REFORMED, EUROPEAN SHIPPING WILL NEED FINANCIAL SUPPORT. THE QUESTION FOR MARITIME SUBSIDIES IN EU SHIPPING IS NOT AN IF BUT A HOW. EUROPE MUST SUPPORT THE SECTOR BUT IN A DIFFERENT AND MORE EFFICIENT WAY TO ACTIVELY SUPPORT JOB CREATION AND TRAINING FOR EUROPEAN DOMICILED SEAFARERS.”

STEPHEN COTTON, ITF GENERAL SECRETARY

HOW CAN EUROPE FIX ITS SHIPPING SUBSIDY PROBLEM?

The OECD-ITF report recommends that financial support to the maritime transport sector should be continued but made more conditional. It is not enough to increase the number of vessels registered under European flags. Any favourable fiscal treatment should above all actively support job creation and training for European-domiciled seafarers.

The European Commission needs to change its approach to maritime subsidies, and must fix and apply tougher criteria on employment, training and environmental standards. This will require the Commission to finally agreeing to review and revise the community guidelines on state aid to maritime transport. Any member state that provides maritime subsidies should be made accountable and the process should be transparent. Europe also needs to rethink taxation policy and subsidies to support the use of alternative fuels and renewable energies in shipping.

Existing subsidies have not achieved their initial objectives. The ETF/ITF and our affiliate unions urge the EU reform the state aid guidelines for maritime transport and close the current loopholes that exist. In particular, we support the report's recommendation to establish a stricter link between the provision of subsidies and the requirement to fly an EU/EEA flag and employ EU/EEA seafarers, especially when vessels are operating mainly in European waters.

1. A more favourable tax regime based on the tonnage of a ship which replaces regular corporate income tax in shipping.

2. A ship flying a Flag of Convenience is registered in a country purely to take advantage of low taxes, cheap wages, and weak labour and safety standards.