



**OVERVIEW**

**Global market for shipping and maritime services** This IFSL report summarises key trends in the international shipping industry, which provide the context for developments in maritime services in London and the UK. The shipping and maritime services industries are facing a major challenge from the steep downturn in the global economy since the third quarter of 2008. The collapse of freight rates in the final months of 2008 reflected the fall off in trade with seaborne trade expected to drop by 10% in 2009. The global order book for ships reached a peak of 587m dwt at end-2008 but is expected to decline sharply in 2009 with a combination of cancellations and a slump in new orders.

This adjustment follows a prolonged period since around 2002 when strong growth in trade and global economy, underpinned by the emergence of China, had lifted freight rates and demand for ships. The physical growth in shipping was reflected in the expansion of financial markets, with shipping loans, bonds, IPOs, mergers and acquisitions and freight derivatives all growing rapidly from 2003 through to 2007 or 2008.

**London as a global maritime centre** Maritime services contribute to the UK economy through overseas earnings estimated at £2.1bn in 2008 and over 15,000 jobs (Chart 1). London is the leading centre worldwide in the supply of a range of business services to the international maritime community (Table 1):

- London's 400 shipbroking firms generated net exports of £948m in 2008, 23% up on £769m in 2007. The Baltic Exchange Dry Index (BEDI) has reflected the drop in seaborne trade, with a peak-to-trough decline from 11,793 to 663 during 2008, and averaging 2,362 in the first nine months of 2009. Shipbrokers in London perform a key global role matching ships and cargoes for 50% of the tanker and 30-40% of the dry bulk chartering business. They are also involved in the sale and purchase of over half the world's new and second hand tonnage.
- The notional value of Freight Forward Agreements (FFAs) traded by shipbrokers in over-the-counter derivatives market reached a record \$163bn in 2008, but is expected to slump to \$40bn in 2009.
- With 17% of premiums in the international marine insurance market, London remains the leading centre ahead of Japan, the US and Germany. London is also the largest centre in the management of protection and indemnity insurance, with P & I Clubs operating in the UK accounting for 62% of the global market, down from 67% in 2007.
- In ship finance, UK banks' commitments of \$50bn accounted for 13% of the world book at end-2008, down from an estimated 16% in 2006.
- Lloyd's Register is the second largest ship classification society in the world, accounting for 18% of the world fleet.

Sponsored by:

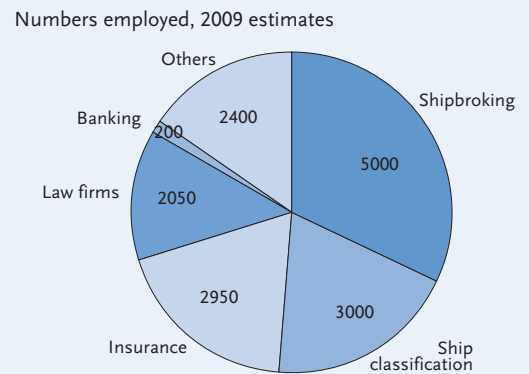


**Table 1 International market share of UK maritime services**

% share, 2008	
Ship finance	13%
Insurance - underwriting	17%
Insurance - P&I Clubs	62%
Lloyd's Register	18%
Shipbroking (estimates)	
- Tanker chartering	50%
- Dry bulk chartering	30-40%
- Second hand tonnage	50%

*Source: International Union of Marine Insurance; Lloyd's Register; Baltic Exchange; & IFSL estimates*

**Chart 1 UK employment in maritime services**



*Source: Baltic Exchange, Spinnaker, IFSL & industry estimates*

- London is the leading centre in legal services involving about 30 law firms. English law is the most widely applied to shipping disputes, usually involving foreign interests.

In addition to the international firms and organisations that supply these business services, many other international shipping organisations are based in London, including the International Maritime Organisation, the only United Nations specialised agency to be headquartered in the UK.

In summary, London and the UK is a leading source of capital and expertise for marine insurance, ship-chartering, shipping finance, ship classification, legal and accounting services and dispute resolution. In addition there are a wide range of other skills and facilities based there, including education and training, publishing, event organisation, research and technical and engineering consultancy.

**INTERNATIONAL SHIPPING INDUSTRY**

Maritime services in London and the UK provide services to an international shipping industry which, through the movement of cargoes, is vital in enabling the world economy to function. The shipping industry is facing a period of substantial adjustment in the wake of the downturn in the world economy and slump in world trade.

**Seaborne trade** Having grown at an average of 3.5% a year between 1985 and 2002, the rate of growth in seaborne trade accelerated between 2003 and 2007 to an average of 6.4% a year (Chart 2). Seaborne trade therefore rose by 36% from 42.2bn tonne miles in 2003 to 32.9bn tonne miles in 2007. Seaborne trade is estimated to have risen a further 2% in 2008 but is expected to fall by around 10% in 2009.

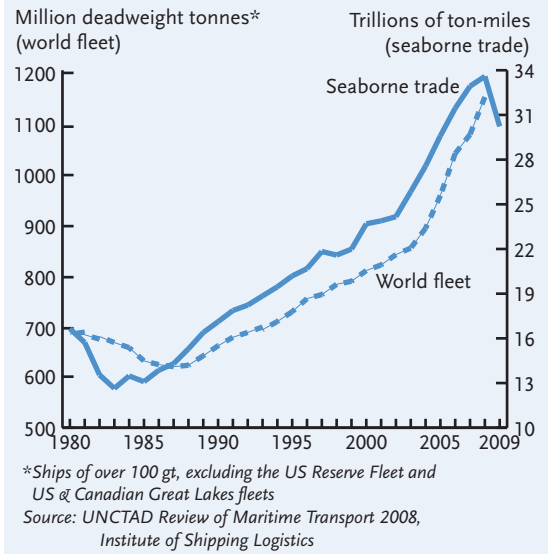
**Cargoes** All types of bulk cargo increased between 2000 and 2007, with iron ore showing the biggest rise of 88% amongst the four main bulk cargoes of iron ore, coal, grain and crude oil and oil products (Table 2). Taken together, crude oil and oil products remained the largest single bulk category with 38% of bulk cargo in 2007. Growth in container traffic doubled from 235m TEUs to 470m TEUs between 2000 and 2007. Further growth in 2008 is likely to be followed by a drop in 2009.

**Trends in world fleet**

The drop in seaborne trade in 2009 and consequent drop in demand for ships is leading to the reemergence of oversupply in the world fleet that had previously been largely eliminated. As a result ship orders have slumped.

**Supply and demand** The extent of oversupply in the international shipping industry has fallen steadily over the past 20 years (Chart 3). Surplus tonnage as a share of the world merchant fleet fell from 16.9% in 1986 to 6.4% in 1996 and to a low point of 0.7% in 2004 and 2005, before picking up to around 1% in 2006 and 2007. Oversupply will have soared in 2008 and 2009, as the strong rise in ship ordering has been followed by the sharp downturn in seaborne trade.

**Chart 2 World fleet & seaborne trade**



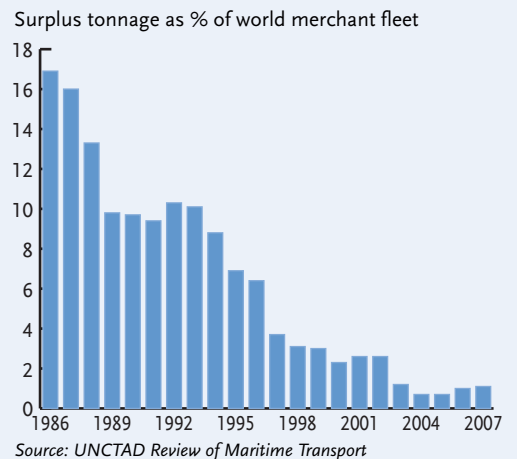
**Table 2 World seaborne trade**

Type of cargo	2000	2007	% change
Bulk cargo (billion ton-miles)			
Crude oil & oil products	10265	12440	21
Iron ore	2545	4790	88
Coal	2509	3750	49
Grain	1244	1857	49
Other bulk cargo	7130	10095	42
Total seaborne trade	23693	32932	39

TEUs (millions)	2000	2007	% change
Container port traffic	235	470	100

*Source: Institute of Shipping Logistics, Fearnleys Containerisation Intl.*

**Chart 3 Oversupply of world merchant fleet**



**New ship orders** Orders for new ships increased substantially over a number of years, nearly doubling from 303m tonnes at end-2006 to 587m tonnes at end-2008, but are likely to have fallen away substantially during 2009, given excess capacity in the world fleet. (Chart 4).

### Structure of world fleet

**Control** The country of domicile indicates where the controlling interest of the world fleet is located. Analysis by the Institute of Shipping Logistics, based on ships over 1,000gt, shows that Japan is the country with the largest controlling interest, with 176m dwt, marginally ahead of Greece 175m dwt, and followed by Germany 94m dwt, China 91m dwt and the UK 51m dwt.

**Registration** The registration of ships over the past 30 years has spread to open registry countries, the largest by flag being Panama, Liberia, the Marshall Islands, the Bahamas, Malta and Cyprus. Open registers, have been preferred by shipowners because of greater flexibility in manning arrangements. However, the introduction of a more sympathetic regulatory regime alongside a more favourable fiscal regime, centred on the introduction of a tonnage tax, has reversed the decline in some countries, including the UK.

## MARITIME SERVICES IN LONDON AND THE UK

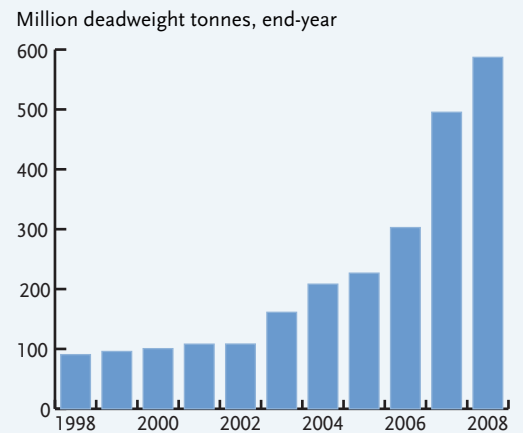
London is the world's leading centre in the supply of a wide range of financial and professional services to international shipping including banking, insurance, shipbroking, legal and accounting services, ship classification and publishing. The nature and scale of maritime services is systematically analysed in this section, with data on their contribution to the UK economy set out in the following section on page 10. 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.

### Shipbroking

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. Based on numbers employed, the largest shipbrokers in London are Clarksons, Simpson Spence & Young Ltd, Braemar Seascope, EA Gibson Ltd, Galbraiths Ltd and Howe Robinson & Co Ltd. Shipbrokers are represented by the Baltic Exchange which is the world's only independent source of maritime market information for the trading and settlement of physical and derivatives contracts. The 400 shipbroking firms operating in London employ 5,000 staff.

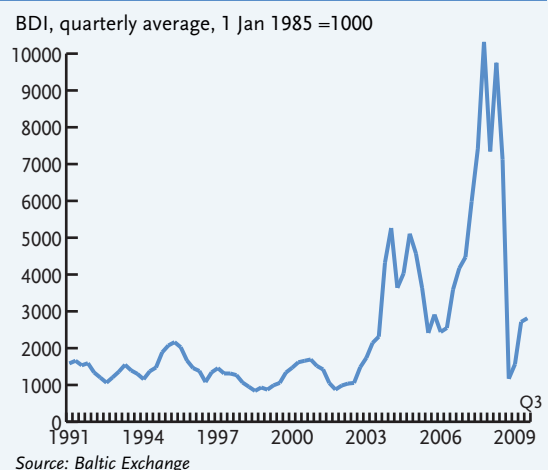
The collapse in 2008 of The Baltic Exchange Dry Index (BEDI) from a peak of 11,793 in May 2008 to a trough of 663 in December 2008 is a key indicator not only of the fortunes of the global shipping industry but more widely of the speed and extent of the global economic downturn. The quarterly average of the index which smoothes daily fluctuations shows the index to have averaged 2,362 in the first nine months of 2009 and therefore remains less than a third of the very high rates prevailing for much of 2008

Chart 4 Ships orderbook



Source: UNCTAD Review of Maritime Transport, Institute of Shipping Logistics

Chart 5 Baltic Exchange Dry Index



Source: Baltic Exchange

(Chart 5). Between 2002 and 2008, BEDI had moved steadily up from its earlier trading range of 1,000 to 2,000 between its launch in 1985 and 2002. Key factors in the higher level of BEDI during this period were strong growth in trade, reflecting demand for commodities, principally stemming from China, which coincided with an increasingly tight market for ships.

Shipbrokers have helped to establish a substantial market share for London in the chartering business estimated at 50% of the global tanker and 30-40% of the global dry bulk chartering business. London also ranks as the world's foremost sale and purchase market. Baltic members are involved in the sale and purchase of over half the world's new and second hand tonnage, a market worth over \$34bn annually.

**Freight derivatives** Trading in Forward Freight Agreements (FFAs), first introduced in 1992, are over the counter (OTC) contracts that can be tailored to individual needs and flexible as to route, size and time period. A number of the large broking houses are using freight derivatives to hedge or take a position on the future movement of freight rates. According to Baltic Exchange estimates, the notional value of trading in Forward Freight Agreements (FFAs) in the OTC derivatives market rose from \$142bn in 2007 to \$163bn in 2008, although the steep decline in shipping markets is likely to result in a much smaller market in 2009, with Freight Investor Services predicting a drop of three quarters in notional value to \$40bn (Chart 6). Previously the market expanded rapidly from \$7bn in 2002.

FFAs have been increasingly used by larger charterers, shipowners and also by financial institutions such as investment banks. The dry bulk market, such as grain and coal, accounted for 95% of the total value of contracts in 2007 and 2008 with wet cargoes, such as oil, making up the remaining 5%. The predominance of dry bulk is due to the much higher share of freight costs in the dry market.

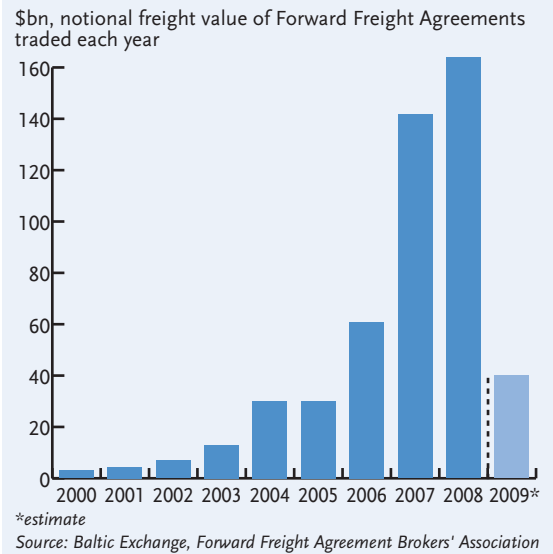
A number of exchanges are considering the development of a centralised screen for the FFA market: a move that is supported by banks and commodity traders who believe that it would bring more liquidity to the market. Shipbrokers, however, have expressed concerns that the FFA market is not yet ready to evolve from over the counter to exchange trading.

**Bank finance**

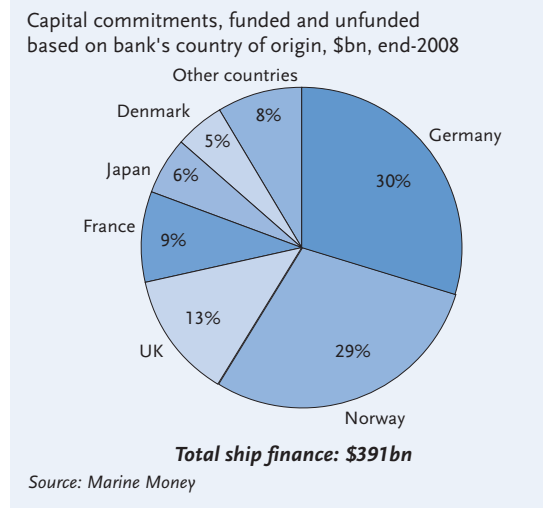
The main providers of finance for the shipping industry include international commercial banks, investment banks and smaller boutiques, which act as arrangers or introducers of capital. Global bank lending for ship finance, according to Marine Money's annual survey, reached a record \$391bn in 2008, 15% up from \$339bn in 2007 and 42% higher than the \$275bn in 2006. German and Norwegian banks accounted for the lion's share of finance, 30% and 29% respectively, followed by UK banks with 13% (Chart 7).

Despite this year to year growth, the climate for ship finance has deteriorated rapidly since the onset of the crisis in September 2008. Bank lending has been held back by capital, credit and bank bailout constraints. Over a half of banks reporting to Marine Money faced capital constraints and

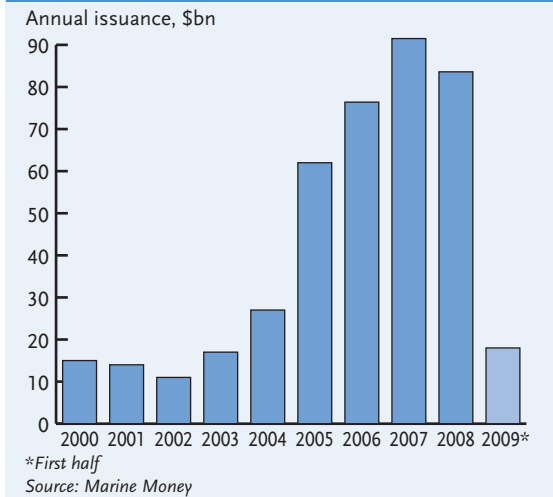
**Chart 6 Freight derivatives**



**Chart 7 Ship lending and lease finance**



**Chart 8 Syndicated shipping loans**



seven out of eight were impacted by credit constraints. Of those that were credit constrained just over a half did not expect to resume lending for ship finance until at least 2010. Around 60% of banks also said that the domestic focus imposed on banks as a result of government bailouts was impacting ship lending. Syndicated lending, which accounted for about a third of ship finance in 2008, fell from a 2007 peak of \$91bn to \$84bn in 2008. Such lending totalling just \$18bn in the first half and are expected to drop by a half overall in 2009 (Chart 8).

The shipping portfolio of the three commercial banks in the UK in 2008 reporting to Marine Money's survey was \$50bn in 2008, equivalent to about 13% of the world book, down from an estimated 16% in 2006. Reporting UK banks included Royal Bank of Scotland \$30bn, Bank of Scotland \$10bn and Lloyd's TSB \$10bn (Bank of Scotland is now part of Lloyds Banking Group). US, German, Norwegian and French shipping banks operate out of London, some through representatives, so the UK's share of ship finance originating in London may be somewhat higher than the 13% share indicated. A number of banks involved in ship finance did not take part in the survey. Portfolios of many shipping banks around the world are likely to be reduced in 2009.

London has a reputation as a centre for innovative ship finance structures and other options such as leasing. Out of the \$50bn of ship finance reported to Marine Money by UK banks, \$8bn was lease finance reported by Lloyds TSB and Bank of Scotland.

**Securities markets**

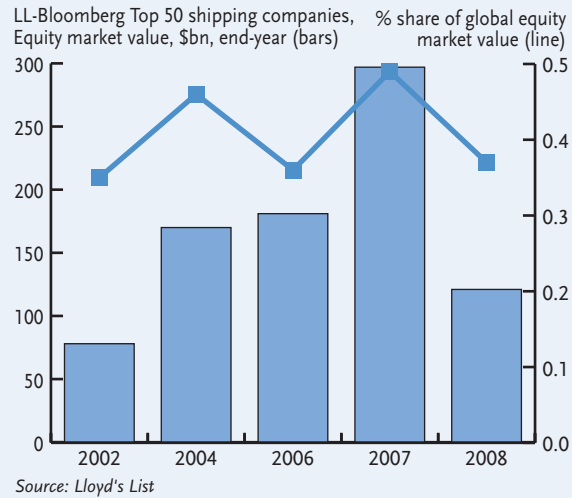
*Market value* The market value of the largest 50 listed companies in the shipping sector worldwide slumped from a year-end high of \$297bn in 2007 to \$121bn at end-2008 (Chart 9). The 59% decline in market valuation of the largest shipping companies exceeded the 46% drop in global equity markets in 2008. The shipping sector therefore fell from 0.49% to 0.37% of global equity market capitalisation between end-2007 and end-2008.

*Equity issues* The total value of shipping share offerings slumped to \$2.0bn in 2008 as the IPO market collapsed and the climate for follow on offerings also deteriorated (Chart 10). IPOs which had accounted for over half of \$17.0bn equity issues raised in 2007 reached only \$750m in 2008.

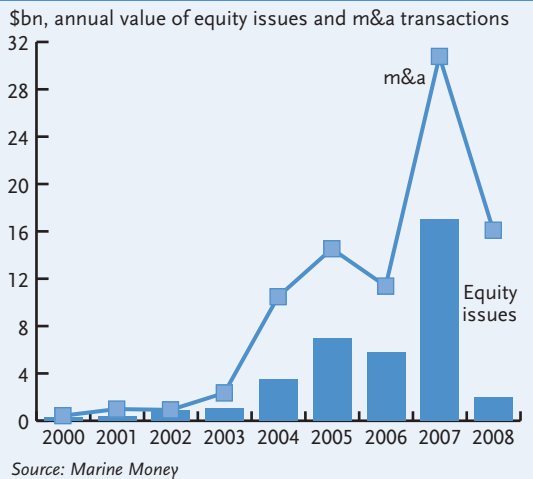
Mergers and acquisition activity also fell away with transactions totalling some \$16bn in 2008, just over half the \$30bn in 2007 (Chart 10). In the three previous years m&a had been in the region of \$10bn to \$15bn each year.

*Bond issues* Bond issuance slumped in 2008 to around \$500m down from an estimated \$4bn in 2007. This follows a boom period between 2003 and 2006 when issuance exceeded \$5bn a year peaking at \$7.5bn in 2006 (Chart 11). This reflects the periodic surges that occur in shipping bond issuance that are also characterised by contrasting phases of limited activity. For example, there was a relatively barren period between 1999 and 2002 when cumulative issues amounted to only \$600m.

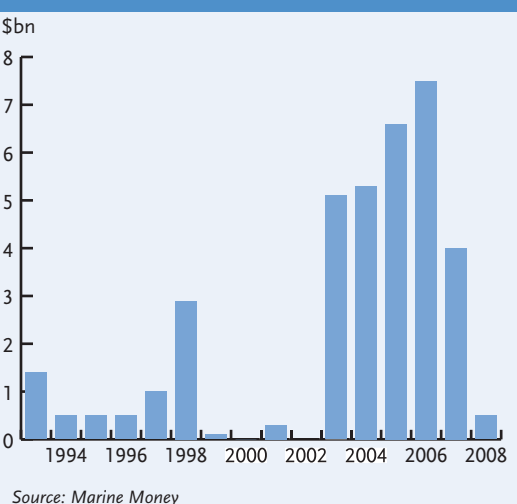
**Chart 9 Shipping equity market value**



**Chart 10 Shipping equity issues and mergers & acquisitions**



**Chart 11 Shipping bond issues**



**Insurance**

The London Market is the world's leading market for international traded insurance and reinsurance. Marine insurance is typical of the high risks placed in the London Market that cannot easily be placed in local markets. A variety of cover and range of expertise is offered. Lloyd's and insurance and reinsurance companies provide cover for hull & machinery, cargo, energy and miscellaneous risks related to contingency and liability in marine operations. P & I Clubs provide protection and indemnity insurance taken out by shipowners against third party claims.

**Cargo, hull, energy & liability** The dollar value of direct marine premiums in the London Market fell by 22% from a high of \$4.7bn in 2007 to \$3.7bn in 2008\* (Chart 12). Previously premiums had more than doubled from \$2.0bn in 2002. A large but unquantified volume of reinsurance business is also transacted in the London Market, as well as in other marine centres. Overall, data collected by the International Union of Marine Insurance (IUMI) shows that premiums worldwide fell by only 4% to \$22.2bn. Previously direct marine premiums in the UK, as reported by the London market, had broadly followed worldwide trends over the past decade.

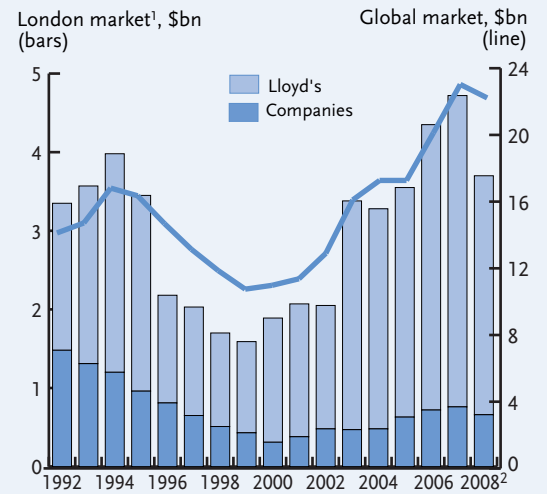
The reported decline in the dollar value of London market premiums has resulted in the UK's share of the global market dropping from 21% in 2007 to 17% in 2008. This is the lowest UK share since 2002, having been in the range of 19-22% between 2003 and 2008. The UK has had the largest global share since 2001 (Chart 13), although its lead over Japan more than halved in 2008 as Japan's share rose to 12% in 2008 from a low of 10% the previous year. The US had a 10% share in 2008, followed by Germany 7%, France 6% and Norway, the Netherlands and Spain each with between 3% and 5%. Just over a third of the market was divided between a further 40 countries that provide returns to the IUMI.

**Lloyd's of London** Lloyd's is an international insurance market which has been a major player in marine insurance for over 300 years. Corporate capital, supplied by the world's major insurance groups, financial institutions and other listed companies from around the world, has become increasingly important to the underwriting of insurance, accounting for 85% of Lloyd's capacity. Over 700 private members, called Names, account for 5% of capacity. Lloyd's share of London market premiums was 82% in 2008.

**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. Data from the International Underwriting Association (IUA) for the company market shows that underwriting results on marine insurance were between £170m and £220m for the years of account between 2002 and 2006 (Chart 14). This represented a pick up from the previous four years.

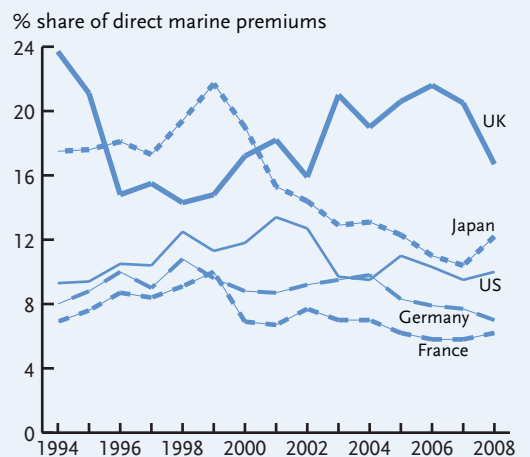
**Protection and indemnity** London is the biggest centre for marine protection and indemnity insurance offered by P & I Clubs. Data compiled by Standard & Poor's for five of the main operational locations for P & I Clubs shows that the UK's share of this market was 62% in 2008, still much the highest share but the lowest in the past decade when it has typically been between 65% and

**Chart 12 Direct marine premiums in London market**



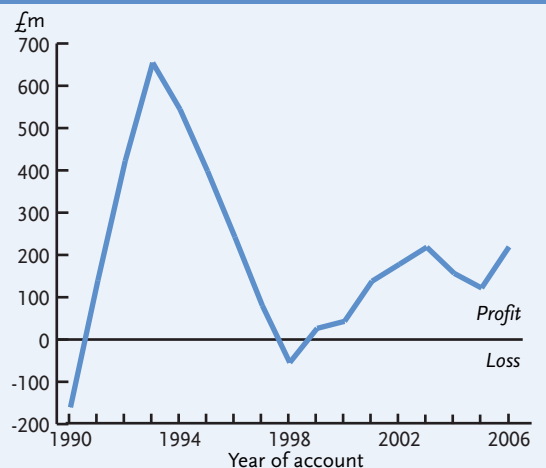
<sup>1</sup>Excluding P&I Clubs <sup>2</sup>Initial estimate  
Source: IUMI - International Union of Marine Insurance

**Chart 13 Direct marine premiums market share**



\*Initial estimate  
Source: IUMI - International Union of Marine Insurance

**Chart 14 Companies' underwriting results for damage to ships and cargo**



Source: International Underwriting Association

6 \*The exchange rate conversion may have exaggerated any underlying decline in UK premiums in 2008 as IUMI calculations are based on end-year rates: in 2008 the \$/£ rate was 20% lower in December than the average for the year.

70%. Gross premiums of P & I Clubs operating in the UK rose by 1% to \$1.79bn in 2008, although this was much less than the 10% rise to \$2.9bn in P&I Club premiums worldwide. Global premiums have nearly doubled from a low point of \$1.5bn in 2000 and 2001 (Chart 15). The next largest centres for marine mutual insurance were the Nordic countries, with a 25% share, with the balance being made up by Japan and the US.

**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. 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. About 30 firms of insurance brokers place the bulk of marine business, with business becoming increasingly concentrated in the larger 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. The Association of Average Adjusters based in London has international membership and support. As well as the adjusters, qualified by examination, numbering 38, there are some 300 people engaged in the profession in the UK. In total there are 350 individual subscribers based in 26 countries. Average adjusters represent a 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, now incorporated within BMT Marine & Offshore Surveys Ltd, is an international surveying organisation closely connected with the London Market, whose function is 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.

**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. 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.

**Law firms** The main shipping law firms, listed in Table 3, supply a service covering both the wet and dry market, with most of the larger firms also supplying finance. The interests of shipping law firms are represented through the Admiralty Solicitors Group (ASG) and the Maritime Solicitors Mediation Service (MSMS). The ASG promotes and preserves standards in the practice of London maritime law, while the MSMS is a specialised

Chart 15 Premiums of P & I Clubs

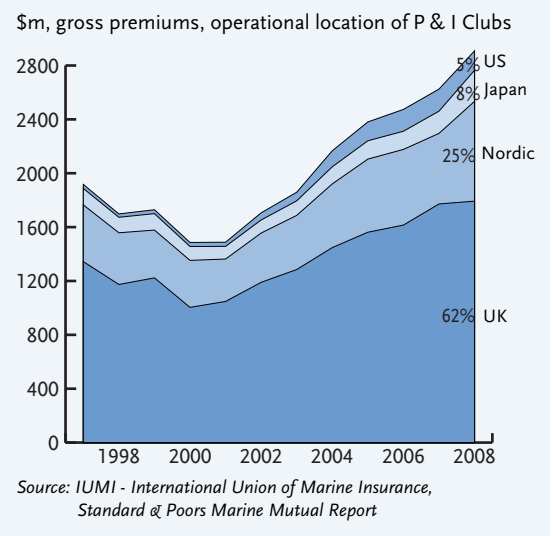


Table 3 Leading shipping law firms

Andrew M Jackson	Jackson Parton
Barlow Lyde & Gilbert	Lawrence Graham
Bentley Stokes & Lowless	Middleton Potts & Co
Berrymans Lace Mawer	More Fisher Brown
Clifford Chance	Norton Rose
Clyde & Co.	Prettys
Curtis Davis Garrard	Rayfield Mills
DLA Piper Rudnick Gray Cary	Reed Smith Richards Butler
Elborne Mitchell & Co	Stephenson Harwood
Eversheds	Thomas Cooper & Stibbard
HBJ Gateley Wareing	TLT Solicitors
Hill Dickinson	Waltons & Morse
Holman Fenwick & Willan	Waterson Hicks
Holmes Hardingham	Watson Farley & Williams
Ince & Co	Winter Scott

Source: Admiralty Solicitors Group, Chambers

service promoting mediation in the maritime and marine insurance sector.

**Barristers** Five barristers' chambers are listed by Chambers directory as regularly undertaking shipping work. About 200 barristers work to help resolve maritime disputes, acting in different roles as advocates, advisers or arbitrators.

### Resolution of maritime disputes

Claims to both the Commercial and Admiralty Courts have a strong international character with about 80% of cases involving at least one claimant or one defendant that is based outside the UK. Alternative Dispute Resolution (ADR), particularly mediation, represents a small but growing form of maritime dispute resolution.

**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. Claims to the Commercial Court fell back to 1,285 in 2008 from 1,593 in 2007 (Chart 16). In both these years claims handled by the The Commercial Court were higher than the period between 2000 and 2006 when claims were in the range of 1,000 to 1,200 each year. At that stage about half of the annual claims had been maritime related commercial disputes, with much less than 100 claims each year coming to trial. These mostly involve charterparty disputes, claims for damage to or short delivery of cargo, and disputes under marine insurance policies.

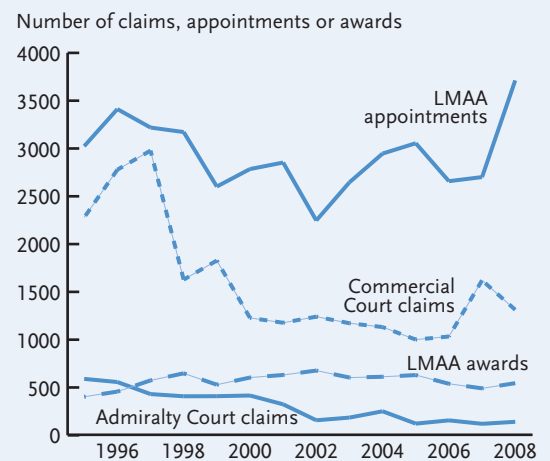
**The Admiralty Court** The origins of the Admiralty Court date from the fourteenth century. Maritime cases coming before this court are normally in relation to loss of, or damage to, a ship, its cargo or an installation. The number of claims has fallen from 388 in 2000 to between 92 and 128 in the past four years 2005 to 2008. Only a few claims come to trial each year.

**The London Maritime Arbitrators Association** deals with many cases where parties agree to arbitrate rather than initiate court proceedings. The annual number of appointments received by full members of the Association rose to 3,684 in 2008, having mostly been in the region of 2,500 to 3,000 over the previous ten years. These relate only to the Association's 35 full members. In addition, there are appointments received and awards made by 470 supporting members worldwide (a majority being barristers and solicitors), as well as non-members.

The LMAA, in conjunction with the Baltic Exchange, has broadened its service in two ways in 2009: firstly, through the development of a new arbitration procedure to deal with intermediate claims in the range of \$100,000 to \$400,000; and secondly, through the offering of mediation service for shipping and commodity related disputes. The mediation service is to be governed by the LMAA/Baltic Exchange Mediation Terms (2009) and will provide a flexible means of resolving disputes.

**Lloyd's Open Form of Salvage Agreement** Arbitration Awards are also made under Lloyd's Open Form (LOF), the oldest and most widely used standard salvage contract, with 83 such contracts being advised to Lloyd's in 2008.

Chart 16 Commercial Court, Admiralty Court and LMAA



Source: Commercial Court, Admiralty Court, LMAA

Lloyd's, in 2009, is in the process of implementing reform of LOF.

### Ship classification

Ship classification involves the survey of vessels to establish their compliance with rules relating to structural and mechanical soundness. The insurance community continues to rely heavily on the major classification societies for the assurance that vessels meet structural and mechanical standards. Lloyd's Register (LR) based in London is the oldest of the major societies. At the end of 2008, 147m gross tonnage was in the LR class - 18% of the world's sea-going merchant fleet, exceeded only by Nippon Kaija (Table 4).

### Other services

**Accounting services** The UK provides significant expertise in the professional accounting services that are required by the shipping industry worldwide. Moore Stephens based in London is the leading accounting firm supplying services to the shipping industry. The ability to offer accounting services internationally is facilitated by international reporting standards (international accounting standards) being commonly applied around the world and by the small size or complete absence of a local pool of shipping expertise in many countries.

**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.

**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.

**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 shipping industry.

**Table 4 Ship classification societies**

End-2008	Number of ships	million gt	% share*
Nippon Kaija (NK)	6594	163	20
Lloyds Register (LR)	6348	147	18
Det Norske Veritas (DNV)	5075	125	15
American Bureau of Shipping (ABS)	6094	122	15
Germanischer Lloyd (GL)	5345	77	9
Bureau Veritas (BV)	6314	59	7
Korean Register of Shipping (KR)	2149	34	4
China Classification Soc. (CCS)	2188	29	4
Registro Italiano Navale (RINA)	1796	22	3
Phoenix Register of Shipping (RS)	4260	15	2
Rest in class	8270	33	4
Unknown/not classified	46699	46	6
<b>Total</b>			<b>107</b>

*\*Some ships are dual classified so total share of individual societies adds to more than 100%*  
 Source: Lloyd's Register

### UK agents of overseas shipping owners

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. Instability in the UK tax environment, related to taxes on those resident but not domiciled here for tax purposes (non-domiciles) together with higher domestic tax rates means that there is less certainty about the commitment of major foreign shipowning interests to the UK. The overseas community of agents and owners has contributed significantly to the continued prominence of London as a leading international maritime service centre.

### International organisations

Several regulatory and representative organisations, other than those already mentioned, are based in London and the UK. Governmental regulatory organisations include the International Maritime Organisation and the International Oil Pollution Compensation Funds. A further 17 international shipping organisations representing the private sector have headquarters and offices in London (Table 5).

A number of other international organisations, representing professionals in the maritime industry, are also based in London. These organisations, which include the Institute of Chartered Shipbrokers seek to define standards of professional conduct and to promote and encourage professional development. Their members provide services to all sectors of shipping, including the legal sector, where they are in demand as expert witnesses and as arbitrators.

## CONTRIBUTION TO THE UK ECONOMY

**Employment** IFSL estimates that there were 15,600 people employed in maritime services in 2009, the majority in shipbroking, insurance, legal services and ship classification (Table 6). Other activities making an important contribution include accounting services and publishing.

**Overseas earnings** Shipbrokers are the biggest contributor to UK overseas earnings, with net exports increasing from £769m in 2007 to a record £948m in 2008. (Chart 17). Rise in margins pushed UK banks' overseas earnings up to around £500m. Overseas earnings from ship classification were £72m in 2008. Based on available data, P&I Clubs' overseas earnings are estimated to be in the region of £130m. Other activities are estimated at £500m. Overseas earnings of UK maritime services are therefore estimated in the region of £2.1bn in 2008, up from around £1.5bn in 2006. However, the downturn in global shipping markets since the autumn of 2008 is likely to result in a drop in UK overseas earnings in 2009.

**UK shipping** The UK-owned fleet has grown nearly threefold from a low point of 7.2m tonnes at end-1999 to 21.3m tonnes at end-2008. Much of the increase is due to inward investment by international shipping companies, which have taken advantage of the beneficial fiscal and operating environment for shipping and maritime business in the UK.

**Table 5 International shipping organisations in London**

<i>Headquarters in London</i>	
Greek Shipping Co-operation Committee (GSCC)	
Inmarsat	
International Association of Classification Societies (IACS)	
Int. Association of Dry Cargo Shipowners (INTERCARGO)	
International Bunker Industry Association (IBIA)*	
International Chamber of Shipping (ICS)	
International Federation of Shipmasters (IFSMA)	
International Maritime Bureau (IMB)	
International Maritime Industries Forum (IMIF)	
International Salvage Union (ISU)	
International Ship Supplies Association	
International Shipping Federation (ISF)	
International Tanker Owners' Pollution Federation (ITOPF)	
Oil Companies International Marine Forum (OCIMF)	
World Scale Association	

*Regional office in London*

International Assocn. of Independent Tanker Owners (INTERTANKO)
Japanese Shipowners Association (JSA)

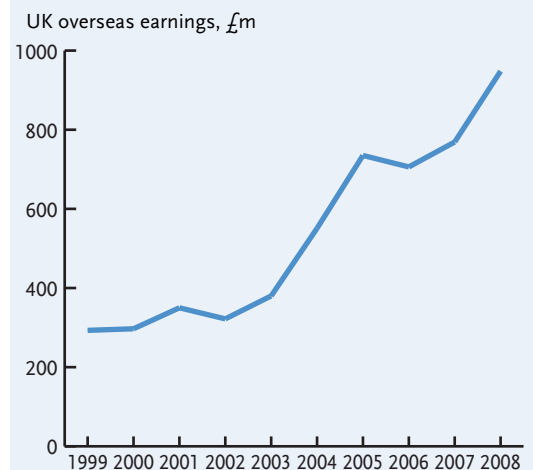
\*based in Southampton

**Table 6 UK employment in maritime services<sup>1</sup>**

Number employed, 2009 estimates	
Shipbrokers	5000
Ship classification	3000
Law firms	2050
Insurance brokers	1500
P & I Clubs	950
Average adjuster	300
Banking	200
Underwriters	200
Others	2400
<b>Total</b>	<b>15600</b>

<sup>1</sup>This does not include shipping company support staff  
Sources: Baltic Exchange, Spinnaker, IFSL estimates

**Chart 17 UK overseas earnings of shipbrokers**



Source: Baltic Exchange

---

Chamber of Shipping data shows that the fleet owned by UK-based companies makes a substantial contribution to the economy in its own right, indicated by turnover reaching almost £12bn in 2008 and a direct contribution to the UK balance of payments of £5.7bn in 2008, up from £4.7bn in 2007.

### **OTHER SOURCES OF INFORMATION**

**Admiralty Solicitors Group** [www.admiraltysolicitorsgroup.com](http://www.admiraltysolicitorsgroup.com)

**Baltic Exchange** [www.balticexchange.com](http://www.balticexchange.com)

**Chamber of Shipping** [www.british-shipping.org](http://www.british-shipping.org)

**Chambers and Partners** [www.ChambersandPartners.com](http://www.ChambersandPartners.com)

**Commercial and Admiralty Courts** [www.hmcourts-service.gov.uk](http://www.hmcourts-service.gov.uk)

**Institute of Shipping Economics and Logistics** [www.isl.org](http://www.isl.org)  
Shipping Statistics Yearbook

**International Underwriting Association of London (IUA)** [www.iua.co.uk](http://www.iua.co.uk)

**International Union of Marine Insurance** [www.iumi.com](http://www.iumi.com)

**Lloyd's of London** [www.lloyds.com](http://www.lloyds.com)

**Lloyd's List** [www.lloydslist.com](http://www.lloydslist.com)

**Lloyd's Register** [www.lr.org](http://www.lr.org)

**Lloyd's Shipping Economist** [www.shipecon.com](http://www.shipecon.com)

**London Maritime Arbitrators Association** [www.lmaa.org.uk](http://www.lmaa.org.uk)

**Marine Money** [www.marinemoney.com](http://www.marinemoney.com)

**Spinnaker** [www.shippingjobs.com](http://www.shippingjobs.com)

**UNCTAD** [www.unctad.org](http://www.unctad.org)  
Review of Maritime Transport

**SPONSOR'S CONTACT DETAILS****The Baltic Exchange**

St Mary Axe

London EC3A 8BH

Tel: +44 (0)20 7623 5501

Fax: +44 (0)20 7369 1622

Email: [enquiries@balticexchange.com](mailto:enquiries@balticexchange.com)Website: [www.balticexchange.com](http://www.balticexchange.com)

Contact:

Jeremy Penn, Chief Executive

**Data files**

Datfiles in excel format for all charts and tables published in this report can be downloaded from the Reports section of IFSL's website [www.ifsl.org.uk](http://www.ifsl.org.uk)

**Sign up for new reports**

If you would like to receive immediate notification by email of new IFSL reports on the day of release please send your email address to [download@ifsl.org.uk](mailto:download@ifsl.org.uk)

**IFSL Research:****Report author: Duncan McKenzie**

**Director of Economics**, Duncan McKenzie  
[d.mckenzie@ifsl.org.uk](mailto:d.mckenzie@ifsl.org.uk) +44 (0)20 7213 9124

**Senior Economist**: Marko Maslakovic  
[m.maslakovic@ifsl.org.uk](mailto:m.maslakovic@ifsl.org.uk) +44 (0)20 7213 9123

International Financial Services London  
 29-30 Cornhill, London, EC3V 3NF

**[www.ifsl.org.uk](http://www.ifsl.org.uk)**

This report on Maritime Services is one of 16 financial sector reports produced by IFSL. All IFSL's reports can be downloaded from the Reports section of [www.ifsl.org.uk](http://www.ifsl.org.uk).

© Copyright October 2009, IFSL



*In partnership with:*



**International Financial Services London (IFSL)** is a private sector organisation, with nearly 40 years experience of promoting the UK-based financial services industry throughout the world.

**City of London Corporation** administers and promotes the world's leading international finance and business centre and provides free inward investment services.

**UK Trade & Investment** helps UK-based companies succeed in international markets and assists overseas companies to bring high quality investment to the UK's vibrant economy.

This brief is based upon material in IFSL's possession or supplied to us, which we believe to be reliable. Whilst every effort has been made to ensure its accuracy, we cannot offer any guarantee that factual errors may not have occurred. Neither International Financial Services London nor any officer or employee thereof accepts any liability or responsibility for any direct or indirect damage, consequential or other loss suffered by reason of inaccuracy or incorrectness. This publication is provided to you for information purposes and is not intended as an offer or solicitation for the purchase or sale of any financial instrument, or as the provision of financial advice. Copyright protection exists in this publication and it may not be reproduced or published in another format by any person, for any purpose. Please cite source when quoting. All rights are reserved.