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The Rt Hon. Grant Shapps MP
Secretary of State

Kelly Tolhurst MP
Parliamentary Under Secretary of State
Department for Transport
Great Minster House
33 Horseferry Road
London
SW1P 4DR

23rd March 2020

Dear Secretary of State, Dear Minister,

Maritime Professional Business Services Covid-19

The maritime industries greatly appreciated the time you made available on Friday to hear some of our concerns from the different sectors. These industries have a great history of delivering to UK society and the economy but are faced with specific challenges at this uniquely difficult time for the nation.

Maritime London represents the UK's world-leading Maritime Professional Business Services (MPBS), and I want to take this opportunity to recap in a little more detail the points that were covered on the call.

1. Current status

The UK MPBS cover a wide number of activities and embrace businesses from the very large (e.g. the Lloyds market) to very small SME's and start-ups. We form a vital part of the UK's maritime eco system, making a vital contribution to every sector of the nation's maritime industries. We are also a major exporter and tax generator.

Maritime London members have thus far reacted well to the new working environment. This is primarily a people business where UK firms service the widest international client base. Working with different time zones, many firms regard home working as 'standard'. As you will see from the synopsis below,

while the market is not standing still and long-term effects are difficult to forecast at the current time, sectors beyond Cruise and Ferry seem to be responding well to the crisis.

- China is resuming economic activity and is reported to be operating at 2019 levels, resulting in some improvement in dry bulk freight rates.
- The small upturn in the container market, reflecting the resumption in Chinese activity, seems to have fallen away and there is an awareness that the sector will be exposed if there is a long-term economic slowdown.
- The tanker market, having recently experienced a significant spike in freight rates close to pre-2008 levels due to the increase in Saudi production, is now softening as the appreciation of the major demand shock grows.
- The pandemic is impacting particularly heavily on the Cruise and Ferry markets – Maritime London supports government help for UK workers in these markets as well as targeted assistance to UK businesses in this sector.
- There has been a significant slowdown in shipbuilding due to temporary closure of far eastern yards. In many ways this has benefitted markets as it has slowed deliveries as well as work on ship repair and ship upgrades etc. to meet the latest IMO regulations, thus reducing ship supply. Further, most new build contracts are under English law and jurisdiction, which is creating a significant amount of work for the UK's maritime legal services.

2. Covid-19 and the MPBS

Marine Insurance

Much of the UK's MPBS revolve around the Insurance market. Maritime London's current assessment is as follows:

P&I (Protection & Indemnity) Clubs - The Clubs (which are mutual insurance companies formed to cover Shipowners' otherwise uninsurable risks) play a vital role in solving disputes and problems involving crews and ports. All the largest ones have significant presence in London and several of the leading ones are in fact British. The industry association, the International Group, is also based here. The International Group reported that while the Clubs are currently incredibly busy working on problems associated with some ships entering and leaving ports (mainly quarantine issues), as well as crew changes and stranded crews, they are coping well.

Covid-19 insurance claims - Currently the impact is principally on the Cruise sector which only forms a small proportion of the global fleet. In addition most cruise lines are laying their vessels up or suspending new voyages for the moment, meaning it is more a question of dealing with claims already in the pipeline than anticipating an increase in new ones.

The Lloyd's Market Association commented that the Lloyd's market is reviewing its exposure across all lines. A preliminary assessment suggests that in marine, the hull and cargo market is not overly exposed to losses arising from Covid-19, although claims can be expected from delays involving frozen foodstuffs. There is some separate marine liability exposure in relation to crew or passenger illness, as well as some contingent theft exposure due to non-availability of security staff. These are all gauged to be well within the agreed syndicate business plans in terms of risk aggregations and anticipated claims. Taking the MPBS together, the movement to home working is likely to be more challenging for some parts of the Lloyds market which hitherto has not been required to provide 24 hour service in quite the same way as more obvious 'service providers'.

Other

SME's – Maritime London is highly appreciative of the early and significant action that Government has taken to protect small businesses and particularly to aid staff retention. Friday's conference call highlighted the contribution of SME's to the maritime eco system. We will be monitoring this situation closely in the week ahead and will report back to you where we see particular hardship or challenge.

Some of these SME enterprises are in the innovation and disrupter areas of activity. These businesses have minimal, if any, reserves, and indeed some, in their early stages, have no existing cash flow. These activities are going to be extremely important to the industry going forward, and if we are to maintain the UK's leading position both in this business area and more widely in maritime, it is vital that these businesses (some of which can be classed under Fintech and others under Artificial Intelligence, Data or Blockchain categories, and are all critical to the nation's future success) are supported and protected.

Education and Training – The UK has a very important position as a provider of maritime education and training – probably the world leader. Needless to say, with international travel broadly blocked at this time, the sector faces huge problems. We will investigate and revert further in this regard.

The Self-Employed – Maritime London has a small number of self-employed members. Thus far, the problems of these individuals remain to be addressed by government. We may need to revert further also on this matter.

3. Conclusion

Maritime London endorses the views expressed by other sectors as to the fundamental importance of access to ports in the UK and internationally. We welcome warmly the Government's steps on identifying 'Key Workers' and will revert should there be a need to include any specialisations from within the MPBS sector.

Maritime London and our members are totally committed to supporting the government and will work to provide market intelligence and sectoral insights to support the essential work in keeping trade moving in and out of the UK and worldwide.

With every good wish and warm thanks for the unceasing efforts of your Department,

Yours sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey J. Evans". The signature is written in a cursive, flowing style.

Lord Mountevans

Chairman