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AUTUMN BUDGET 2024 AND SPENDING REVIEW

Stakeholder Representation – Society of Maritime Industries (SMI)

Overview

The maritime sector is crucial to the UK economy, with 95% of goods reaching the UK by sea and over 99% of global transactions occurring through underwater cables. Maritime supports our international trade and defence capabilities in protecting the safety of shipping lanes and underwater infrastructure, making it the fourth largest exporter in goods and second largest in services.[1]

The Society of Maritime Industries (SMI) acknowledges the Chancellor's focus on economic growth as a national mission, emphasizing the importance of maritime innovation in addressing challenges such as climate change, skills shortages, and rising living costs.

SMI launched its Vision for Maritime in June 2024, which identified key policy areas for industry and government action. In a spirit of constructive advice, we invite the Government to collaborate with us in unleashing prosperity, particularly in coastal communities, by attracting investment and creating high-skill job opportunities through maritime supply chains.[2]

Proposals

Defence

1. **UK-Centric Defence Procurement**
   Defence procurement should prioritise UK-designed and UK-built solutions, except where capabilities do not exist or require development, to protect shipping lanes, energy supply, and data transactions. This will strengthen domestic supply chains, reduce costs, and enhance resilience.

Competitiveness

2. **Support for Sovereign Maritime Capability**
   The Government should provide grant match-funding for developing technologies, infrastructure, processes, and practices essential for maritime innovation. This will help maintain a competitive edge and drive shipyard productivity.

3. **Extension of Export and Trade Show Support**
   The Government should extend support programmes for civil maritime sector participation in international trade shows, de-risking exports and freeing up vital capacity for SMEs. This will

[1] UK Chamber of Shipping (2023), Value of Shipping Report
[2] Society of Maritime Industries (2024), Vision for Maritime

allow UK maritime businesses to increase exports which, in turn, will drive productivity and economic growth nationally.

Skills

4. **Integrate Maritime Skills**
   Skills England should incorporate the outputs of the Maritime Skills Commission and the Shipbuilding Skills Delivery Group. This will help build a strong pipeline of skilled maritime workers, crucial for economic growth and productivity.

Environment

5. **Incentivise Green Maritime Technologies**
   The Government should extend public co-investment to promote the shift toward green fuels and infrastructure. This will ensure the timely decarbonisation of maritime operations in line with the aim of achieving Net Zero across the whole economy.

Regulation

6. **Link Innovation Funding to Regulatory Adjustments**
   The Government should introduce a linkage between maritime innovation funding and the necessary adjustments within the Maritime and Coastguard Agency to effectively regulate new technological developments. This would enable the regulatory framework to keep pace with industry innovations.

7. **Invest in Maritime Autonomous Systems**
   The Government should invest in industry initiatives such as the Maritime Autonomy Assurance Testbed. This will provide opportunities to establish the UK as a leader in disruptive maritime technologies.

About SMI

SMI is the trade association for the UK's maritime engineering, science and technology industry. Our members include shipbuilders, ship repairers, systems and components manufacturers, technology and engineering specialists, naval architects, universities and financial services providers. We represent the second largest maritime industry in the UK, driving £35 billion into the economy, generating £2 billion in tax revenues and supporting 217,000 jobs.[3]

SMI would be delighted to meet HM Treasury officials to discuss the points raised below in greater detail. If you have any queries, please contact SMI's Policy & Research Manager – Giorgio Buttironi – at giorgio.buttironi@maritimeindustries.org or on 07493341344.

Defence

The current government procurement model fails to support the UK's long-term defence needs due to its excessive reliance on international competition. The NSbS Refresh underscored the importance of leveraging UK suppliers to reinforce supply chains, lower costs and bolster resilience.[4] Similarly,

[3] Centre for Economic and Business Research & Maritime UK (2022), State of the Maritime Nation 2022
[4] Ministry of Defence (2022), Refresh of the National Shipbuilding Strategy

the Defence and Security Industrial Strategy (DSIS) made the case for decreasing our dependence on international competition because it hinders investment and technological advancements.[5]

The UK needs to focus instead on domestic shipbuilding and supply chains to boost internal growth, especially along the coastline and inland waterways where a significant proportion of businesses within maritime supply chains operate. Aligning our procurement approach with the practices of other European nations, protecting critical infrastructure whilst cooperating internationally in less vital areas, will create new jobs and attract private investment in communities that have traditionally experienced greater deprivation over the last few decades. This will also strengthen the UK's defence posture and resilience by prioritising the development of key onshore skills and technology.

The UK's defence procurement policy has begun shifting toward a more flexible model that better balances capability needs with security and economic considerations. We must therefore expand this approach to reform public procurement by promoting early engagement and sustained government-industry collaboration. This will enable us to drive innovation, build reciprocal trust and meet future challenges in a cost-efficient manner. Whilst international competition is frequently hailed as a cost-saver, the Royal United Services Institute (RUSI) published research revealing that contracts awarded within the UK yield a 34-36% return of project costs to the Exchequer through taxation.[6] Countries such as Australia and Canada have successfully managed to integrate their respective shipbuilding strategies to strengthen domestic resilience, providing valuable lessons for the UK.

By providing greater certainty of government investment in the 30-Year Cross-Government Shipbuilding Pipeline, the UK can maintain a skilled and adaptable workforce. This long-term commitment will secure our defence capabilities and ensure that the UK remains a strong and reliable partner in international security alliances.

Competitiveness

Maritime 2050 identified technology and innovation as enablers of greater productivity and competitiveness with an ambition to make the UK a world leader in maritime innovation.[7] In 2022, the Refresh of the National Shipbuilding Strategy (NSbS) gave renewed impetus to Maritime 2050. The introduction of the 30-Year Cross-Government Shipbuilding Pipeline, the establishment of the National Shipbuilding Office, and the launch of the Maritime Capability Campaign Office nurtured the development of a competitive edge in disruptive technologies, making it possible for UK maritime businesses to showcase their achievements overseas.[8]

Looking ahead, we should map the subsectors where the UK commands such a lead and build up our sovereign capabilities to develop them. The Government has a key role in this process by:

- working with industry to produce an industrial roadmap of innovative manufacturing technologies, infrastructure, practices and processes; AND
- making grant match-funding available for the development of these products to drive innovation and increase shipyard productivity.

Offshore wind constitutes a good example. With the European market requiring an extra 309 service operation vessels by 2030 to sustain this sector's expansion, the UK is uniquely placed to capture the

[5] Ministry of Defence (2021), Defence and Security Industrial Strategy
[6] Royal United Services Institute (2012), Briefing Paper: The Destinations of the Defence Pound
[7] Department for Transport (2019), Maritime 2050: Navigating the Future
[8] Ministry of Defence (2022), Refresh to the National Shipbuilding Strategy

economic and environmental dividends in this space. This ambition requires greater coordinated thinking and industry has already thought how to get there. SMI contributed to shaping Maritime UK's Offshore Wind Plan in 2023, putting forward a series of recommendations for industry and government to maximise the benefits of offshore wind growth.[9]

Since 2022, many UK maritime firms have showcased their products and services at major international trade shows thanks to government export promotion programmes. These have enabled 17 companies to take part to Sea Asia 2023 and another 16 businesses to participate to Posidonia 2024. Their participation resulted in forecast order values of respectively up to £1.8 million in Singapore and £4.3 million in Athens.[10]

Our maritime businesses face competition from countries such as Germany, Singapore and Denmark, where respective governments support companies with sizeable support packages. These initiatives de-risk exports for SMEs and free up vital time to meet new contacts, learn about other projects and unlock new business opportunities. More importantly, these events generate the relationships that are eventually required for realising complex maritime engineering projects.

Continued commercial support for maritime businesses is crucial for maintaining our reputation as a world leading exporter, while generating economic growth and transformative job opportunities.

Skills

It is imperative to build a strong pipeline of skilled homegrown workers over the next decade to boost productivity and economic growth.

With maritime jobs adding 45% more value to the economy and paying 30% higher wages compared to the UK average, we must focus on attracting, training and retaining the next generation of UK maritime workers.[11] At the same time, we should retrain existing professionals with the digital and green skilled required to modernise the workforce. To that end, SMI welcomes the launch of Skills England and the transition toward a Skills and Growth Levy, hoping that these will result in a more coherent approach to skills training and apprenticeship funding.

Over the last years, maritime has worked extensively with government toward this ambition. In 2023, the UK Shipbuilding Skills Taskforce (UKSST) set out steps to improve the provision of skills throughout the maritime supply chain. This resulted in the formation of the Shipbuilding Skills Delivery Group "to develop and implement a future-focused skills strategy." The Maritime Skills Commission (MSC) has also conducted numerous similar assessments of our industry's skills needs, outlining concrete steps to address these.

SMI would like to see Skills England integrate the work of the MSC and the UKSST into its operational structure, working with industry and government stakeholders to promote maritime careers and – in so doing – increase social mobility in our coastal communities.

[9] Maritime UK (2023), Offshore Wind Plan
[10] Estimates from SMI post-exhibition survey gathered at Sea Asia 2023 and Posidonia 2024
[11] Centre for Economic and Business Research & Maritime UK (2022), State of the Maritime Nation 2022

Environment

Maritime has made progress towards decarbonising its operations over the last five years, receiving support and developing a close partnership with government departments and executive agencies in the process.

With £206 million of match-funded public investment administered under the UK Shipping Office for Reducing Emission, maritime worked tirelessly to research, develop and commercialise green propulsion technologies. The Clean Maritime Demonstration Competition (CMDC) allocated £130 million of funding in four successive rounds to support the design and deployment of clean technologies for a total investment of £193 million over three years.[12] The Zero Emission Vessel and Infrastructure (ZEVI) competition similarly awarded £77 million to support close-to-commercialisation solutions for a total investment of £137 million.[13]

SMI members contributed first-hand to this mission thanks to public co-investment in ground-breaking solutions. Artemis Technologies obtained funding over multiple CMDC rounds to develop an eFoiler Crew Transfer Vessel in partnership with Tidal Transit and Lloyd's Register, while Cammell Laird received £3.6 million for its Green Shore Power Project. Similarly, Beckett Rankine and Wight Shipyard contributed to the Zero-Emission Fast Freight (ZEFF) project – developed in partnership with Thames Clippers, Aqua Superpower and the Port of London Authority – to remove freight from London's road network and transport it in a more environmentally efficient mode.

These are only a few examples of projects that developed solutions to reduce our industry's carbon footprint. Maritime enthusiasm for this mission explains why these competitions became quickly oversubscribed, with the CMDC's First Round receiving bids for 225% of its allocated budget, with SMI urging the Government to build on this track record and extend funding under UK SHORE.

Regulation

Maritime businesses rely on the effective functioning of the MCA as a source of guidance on day-to-day operational activities.

The MCA needs adequate resources to attract and retain the expertise needed to efficiently regulate our industry, whilst freeing up capacity to enable regular engagement with external stakeholders. To that end, the Government should introduce a linkage between maritime innovation funding and the adjustments required of the MCA to regulate new technological developments. This arrangement already exists in aviation, where the Future Flight Challenge ensured that a share of £125 million of innovation funding went to the UK Civil Aviation Authority to enable it to respond effectively to any issues emerging from the regulation of innovative technology, and in road transport, where the Centre for Connected and Autonomous Vehicles has already ensured that the UK has a proven track record in leading connected and self-driving vehicle innovation, enabling joint public and private investment of £800 million through to 2030.

The development of marine autonomous systems (MAS) is another field with enormous potential, which includes disruptive solutions that will transform the operating and business models of maritime industries making them more productive, cost-effective and helping to achieve Net Zero. These

[12] Department for Transport (2024), Multi-year clean maritime demonstration competition.
[13] Department for Transport (2023), Zero Emission Vessels and Infrastructure (ZEVI) competition.

include self-piloting ships, reduced crewed vessels, enhanced capabilities and security, and smart port operations.

The Maritime Autonomy Assurance Testbed (MAAT) has been developed as a collaboration between National Physical Laboratory, Lloyd's Register, the UK Hydrographic Office, and the Met Office, and a range of academic institutions, to provide a straightforward template to certify the operational assurance of MAS. Developed initially out of the Plymouth & South Devon Freeport, MAAT's networked structure will provide a national digital platform for research, innovation and assurance. The MCA has indicated its support for the objectives and outputs of MAAT in enabling the development of standards and providing evidence to progress its own aims in this area, as has the UKRI-funded Future Marine Research Infrastructure (FMRI) programme for achieving its aims for uncrewed marine research infrastructure.[14]

To ensure the widescale and affordable deployment of MAS, MAAT is seeking an investment of £36 million over 4 years and a government commitment to engage with the programme to deliver on policy objectives such as economic growth, coastal communities' regeneration, and net zero. MAAT will demonstrate UK leadership in innovation and technology adoption, further enhancing collaboration opportunities with strategic international partners.

[14] National Physical Laboratory (2024), Maritime Autonomy Assurance Testbed.