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Violet Lynch  
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Dear Violet

### **MERCHANT SHIPPING (LIGHT DUES) (AMENDMENT) REGULATIONS 2009**

We share the alarm expressed by the entire maritime sector on the proposals contained in the Regulations and we were party to the "One Voice" letter which was sent to the Secretary of State on 30 March.

This not only drew attention to the inappropriate timing of the proposed changes, but also to their consequences for the sector. The changes have to be seen against the background of what are long standing unresolved issues such as the continuing subsidy of Irish lights and the efficiency of the GLAs.

It is disappointing in the extreme that part of the package does not contain a clearer commitment to deliver progress on these strategic issues which have had a malign influence on levels of dues and the operational efficiency of the GLAs.

Obviously light dues is a charge levied on shipping, not on ports, but the port sector cannot isolate itself from their impact. You will have seen in responses from individual members examples of the possible impact on ship calls to the UK and the consequential impact on port investment and the ability to meet commitments. The proposals bear particularly heavily on the container and bulk trades at a time of extreme economic difficulty and when the government is trying to stimulate consumer spending, not restrict it through inhibiting trade.

*The British Ports Association – Speaking for UK Ports*

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Turning to some of the specific questions raised by the consultation, our responses are as follows:-

- Changing the light dues formula

By increasing the burden on certain types of ships, the most likely effect is that rather than raising additional revenue, the ships directly affected will simply not call at the UK. The impact could therefore be completely the reverse of the one intended. We can only reiterate the consensus within the shipping industry that the current formula should not be changed. The proposed increase in the tonnage cap therefore affects highly sensitive markets at a highly sensitive time.

- Voyage Cap

The most significant impact will fall on short sea and coastal traffic. Bearing in mind the government's (and our) commitment to shifting freight from road to water and the increasingly strong competition faced by coastal traffic from depressed haulage charges, we oppose the proposal on the basis of timing and unfairness.

In the consultation document the claim is made that the proposed increases contain no net extra cost to the economy as a whole. We cannot accept this. At a time of recession the effect on the wider economy will be increases in the cost of imports as well as related costs such as the servicing of the offshore oil and gas sectors. Another significant market is the cruise industry which again has freedom of choice as to where it will call and which will also bear the brunt of the proposals.

We very much support the proposals of the Lights Advisory Committee in their recent response. As an alternative to increasing light dues, the DfT should look at other measures which will not only deal with the issue of revenue but also set in train a series of reforms for the longer term. These are particularly important points for us. We can only see an inevitable repetition of proposals of this kind if there is no commitment to change. These main changes can be summarized as follows:-

- Tackling the Irish lights subsidy

In spite of previous commitments we are not aware of any significant progress. We support the view that from the start of the 2009/10 financial year, the full cost of aids to navigation in the Republic of Ireland should be met by the Republic. Our understanding is that the Secretary of State undertook to do this in 2004 and so there has been a 5 year lead in period for the Republic to adjust to these new arrangements. Should the DfT choose to continue subsidizing Irish lights, the cost of this should be met by the government.

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- GLA Efficiency

The DfT should impose a 5% real terms reduction in the GLA operating costs for each of the next 3 financial years. This is not out of line with cost reductions which port users are having to achieve as a result of market conditions.

- GLA's Capital Expenditure

The DfT should require a cut in GLA's spending plans for 2009/10 beyond those already agreed in the 2008 bilateral meetings.

On a more general point, we can only assume from the fact that the proposals appeared there was an expectation that they were achievable. As the actual outcome was that the proposals have united the maritime industry in opposition, this does suggest a serious misunderstanding of the customer base and commercial realities. The wholly inadequate impact assessment is the clearest example of this under-estimation of the proposals' impact.

This in turn begs questions about the process by which the proposals were agreed internally. We suggest that the opportunity is taken to look at the internal consultation process and whether radical changes should be made. It looks as though the input from the LAC has been completely ignored. This raises serious doubts about the robustness of the process within DfT and between DfT and the GLAs.

You will have received separately details of the potential impact of the proposals from both Harwich Haven and the Port of Dover. In the Harwich Haven case, there is not only the disproportionate burden already borne by harbour users, there is also the threat to the Haven's debt financing facility. In the case of Dover, there are clear messages about the potential impact on ferry traffic and the cruise trade. These are just two examples of direct financial impacts; there will be many similar cases throughout the country. This is not to mention the potential knock-on effects in terms of employment and economic growth.

All in all, we are alarmed at the consequences of the government's proposals, their lack of understanding of the impact on port users and the seeming refusal to tackle longer term problems. We trust that this consultation will not lead to any rise in charges but to the introduction of an urgent alternative programme as outlined both in this and other responses.

Yours sincerely



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Director

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