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Subsidy Control Act 2022 Guidance Consultation Team  
Department for Business, Energy and Industrial Strategy  
1 Victoria Street  
London  
SW1H 0ET

08 August 2022

Dear Sir/Madam,

### **Consultation on the guidance on the Subsidy Control Act 2022**

Please find attached a response from the Society of Maritime Industries (SMI) to the consultation on the guidance on the Subsidy Control Act 2022.

The Society of Maritime Industries (SMI) is the trade association for the UK's maritime engineering, science and technology community – looking to enable maritime organisations of all sizes to thrive. This we do in various ways – including annual conferences, overseas events and trade missions. We support our members to raise their profile and enjoy meaningful collaborations. As a trusted advisor to the UK Government, we look to create new momentum and progress for the industry as a whole, and create new levels of maritime innovation, within our own member community and beyond.

By virtue of its standing as a major island nation, the maritime sector is a key strategic component of the United Kingdom's economy and, in the current landscape of spiralling energy prices and unprecedented geopolitical shifts following the COVID-19 pandemic, the introduction of a new subsidy control regime will influence the sector's work towards a number of strategic priorities such as achieving net zero emissions by 2050, levelling up economically disadvantaged communities across the coast, and shaping the UK's outlook as an outward-facing global maritime and financial hub.

Last year, we engaged with the Department for Business, Energy and Industrial Strategy (BEIS) on designing a new approach to subsidy control in the UK. Responding to a previous consultation in March 2021, we noted that the introduction of a new subsidy control regime offered an opportunity to “level the playing field” and accelerate investment in key areas including decarbonisation, digitalisation and autonomy. We specifically drew attention to the high upfront costs and long return on investment periods associated with maritime business, highlighting the need for subsidies to bridge the competitiveness gap in the short-term and “level the playing field” to allow the sector to compete fairly for investment.

In this submission, we have answered questions about issues such as the overall structure and the wording of the draft guidance on the Subsidy Control Act 2022, while also taking the opportunity to provide a number of recommendations which, in our opinion, will aid all involved stakeholders – ranging from public authorities through to businesses, communities and individuals – to better understand the new subsidy control regime.

- The Government should regularly monitor how other jurisdictions structure their own subsidy control systems and, if necessary, take action to update the guidance in order to ensure the UK remains an attractive and competitive place to do business.

**Chief Executive: Tom Chant**

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- The Government should conduct an assessment of the final draft of the guidance on the Subsidy Control Act 2022 to make sure that it does not prevent public authorities from enabling key sectors such as maritime to stimulate investment and promote growth opportunities.
- The Government should publish a separate briefing reiterating the UK's obligations under WTO rules and listing specific examples of subsidies and subsidy schemes that do not fall within the new system's purview, for the benefit of businesses and public authorities alike.

We reiterate the importance of making sure that the new subsidy control regime enables the maritime sector to compete on a 'level playing field' with international competitors for domestic and overseas contracts, alongside the National Shipbuilding Strategy Refresh published just a few months ago.

We hope that our submission provides instructive feedback on the guidance that will be used by public authorities to award subsidies. The Society of Maritime Industries (SMI) is happy to provide any further information that the Government may require.

Yours faithfully,

A handwritten signature in black ink, appearing to read "T. Chant", written in a cursive style.

Tom Chant  
Chief Executive  
Society of Maritime Industries

## **CONSULTATION ON THE GUIDANCE ON THE SUBSIDY CONTROL ACT 2022**

### **A RESPONSE FROM THE SOCIETY OF MARITIME INDUSTRIES (SMI)**

**Name:** Giorgio Buttironi

**Email:** [Giorgio.buttironi@maritimeindustries.org](mailto:Giorgio.buttironi@maritimeindustries.org)

**Organisation:** Society of Maritime Industries (SMI)

**Based in:** London

**Type of Organisation:** Trade Association

**Size of Business:** £34.6 billion in turnover, £16.4 billion in GVA, and 217,000 jobs<sup>1</sup>

**SIC Codes:** 3011 ("Building of ships and floating structures") and 3315 ("Repair and maintenance of ships and boats")

**Are you happy for your response to be published?** Yes

**Would you like to be contacted when the consultation response is published?** Yes

**Question `1: Do you have any comments regarding the overall structure, form, or style of the guidance?**

The Society of Maritime Industries (SMI) does not have any particular issues with the structure of the draft guidance on the Subsidy Control Act 2022. Our members understand the important role of the new subsidy control regime in making sure that the UK remains a competitive business environment with an attractive offering, whilst also safeguarding the country's strategic capabilities and stimulating investment in sectors and/or areas where there is enormous potential for growth.

The maritime engineering, science and technology industry plays a crucial part in promoting the take-up of offshore renewable energy and decarbonising the maritime sector to help achieve net zero emissions by 2050 and, in the process, unlocking growth opportunities for communities in coastal cities and towns in line with the levelling up agenda.

The new subsidy control regime should be mindful of our industry's role and contribution to net zero and levelling-up. We therefore advise the Government to monitor on a regular basis what other countries are doing in the same context and, if necessary, to update the guidance in order to ensure the UK remains an attractive place to do business, whilst continuing to deliver on our strategic priorities.

For instance, offshore windfarm and military vessels in other European jurisdictions such as France and Italy are developed almost exclusively by domestic firms and supply chains on the grounds of being a sovereign capability and a matter of energy security, despite this being at odds with rules under the World Trade Organisation (WTO). Given the central role of the maritime engineering, science and technology community to energy security and the Royal Navy, we would urge the Government to seize the opportunities of the UK's new position outside of the EU and make international regulation work for the country, rather than adopting it almost entirely without any amendments.

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<sup>1</sup> Maritime UK and Centre for Economic and Business Research, State of the Maritime Nation 2022, pp. 23-27

**Questions 2: Do you have any comments regarding the proposed wording of any part of the guidance? Please refer to relevant paragraph numbers in your answer.**

The Society of Maritime Industries (SMI) is quite content with the proposed wording of the draft guidance on the Subsidy Control Act 2022. However, we would recommend the Government conducts a thorough assessment of the final draft to make sure that the guidance does not prevent public authorities from working collaboratively across industry and government within their respective regions, as well as at a national and international level, to enable key sectors such as maritime to stimulate investment and promote growth opportunities.

**Question 3: Would you prefer to see additional information or advice put into any sections of the guidance? If necessary, please explain why the suggested additions would aid your understanding of the regime.**

The Society of Maritime Industries (SMI) acknowledges that the draft guidance on the Subsidy Control Act 2022 sets out the types of subsidies and subsidy schemes that do not fall within the new subsidy control regime. These include Legacy Subsidies, Withdrawal Agreement Subsidies, and Permitted Modifications to existing subsidies. We also appreciate reference to the UK's obligations under the rules of the World Trade Organisation (WTO).

However, the Government should publish a separate briefing reiterating the UK's obligations under WTO rules and setting out, in greater depth, a list of specific examples of subsidies and subsidy schemes that do not fall within the new system's purview, for the benefit of businesses and public authorities alike. By way of an example, such a document could be made available in the form of a policy update from the Department of Business, Energy and Industrial Strategy (BEIS), or as an additional annex to the final version of the guidance on the Subsidy Control Act 2022.

**Question 4: Are there any sections of the guidance you do not think it is necessary to include in the final publication of the document? Please refer to relevant paragraph numbers in your answer.**

The Society of Maritime Industries (SMI) did not identify any sections within the draft guidance on the Subsidy Control Act 2022 that, in our opinion, should not be included in the final version of the document.

**Question 5: Would further support, such as teach-in sessions or brief explanatory products, be helpful to you or your organisation to better explain any elements of the regime? If so, please specify which areas of the regime you would like that further support to cover and which form you would prefer that support to take.**

As mentioned in our answer to Question 3, the Society of Maritime Industries (SMI) wholeheartedly supports the notion of the Government providing additional aid to industry in navigating the landscape brought in under the Subsidy Control Act 2022, especially for the maritime sector and – more specifically – the maritime engineering, science and technology community.

We would certainly support the use of teach-in sessions and workshops sponsored by the Department of Business, Energy and Industrial Strategy (BEIS) to aid understanding of the new system, but we would like to see the Government publish a separate guidance document to outline UK's obligations under World Trade Organisation (WTO) rules and list specific examples of subsidies and subsidy schemes that would not be subject to the new system under the Subsidy Control Act 2022.

**Question 6: We invite respondents' views on whether the proposed guidance may have any potential impact on people who share a protected characteristic (age, disability, gender re-assignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (gender) or sexual orientation), in different ways from people who don't share them. Please provide any evidence that may be useful to assist with our analysis of these impacts.**

The member companies of the Society of Maritime Industries (SMI) operate equal opportunities employment policies and value diversity and inclusion. The proposed subsidy control regime is unlikely to impact people who share a protected characteristic in different ways from people who do not share them.