

# **The bipartite maritime commission**

## **Proposals to strengthen Norwegian maritime competence, employment and competitiveness**

### **Summary**

The commission's mandate has been to consider measures that can strengthen Norwegian maritime competence, ensure jobs for Norwegian seafarers onboard Norwegian vessels and ensure the competitiveness of Norwegian shipping companies. In particular, the commission was asked to assess whether the tax refund scheme for employment of seafarers should be amended, and whether a requirement for Norwegian wages and labour conditions should be introduced on vessels in Norwegian territorial waters and on the Norwegian continental shelf.

The commission's report includes an introductory part I that describes the Norwegian maritime industry. Part II describes Norwegian wage and labour conditions, including an account of the current situation (Chapter 4); the legal framework (Chapter 5); the commission's assessments (Chapter 6); and the commission's recommendations (Chapter 7). Part III of the report discusses the tax refund scheme for employment of seafarers, with a description of the same (Chapter 8); the commission's assessment (Chapter 9); and the commission's recommendations (Chapter 10). Special remarks by the parties are presented in Part IV.

The commission has engaged in comprehensive discussions, especially with regard to the knowledge base for, consequences of and recommendations concerning the introduction of a requirement for Norwegian wages and labour conditions. The parties have differed in their assessments of the legal framework and the consequences of introducing such a requirement. The commission has nevertheless reached agreement on a joint recommendation. One precondition is that it can be implemented without conflicting with our obligations under international law or EEA regulations.

### **The commission's recommendation**

The commission's recommendation consists of two parts: first, it is recommended to introduce a requirement for Norwegian wages and labour conditions for transport of goods or passengers between Norwegian ports, and second, that the tax refund scheme for employment of seafarers be strengthened and to a greater degree be made statutory. The commission underscores that this is a consolidated recommendation in which the measures are closely interrelated and if introduced separately will fail to have the intended effect.

## 1) The requirement for Norwegian wages and labour conditions

In Chapter 7.1 the commission has described its recommendations regarding the requirement for Norwegian wages and labour conditions in four items. In general, the commission recommends:

- that a requirement for Norwegian wages and labour conditions be introduced for transport of goods or passengers between Norwegian ports, specifically distinguished from vessels on international voyages;
- that a requirement for Norwegian wages and labour conditions be introduced for passenger vessels operating in Norwegian territorial waters in direct competition with the coastal ferry route, as well as for cruise vessels when Norway is the main destination, specifically distinguished from vessels on international cruise voyages;
- that a requirement for Norwegian wages and labour conditions be introduced for vessels that undertake stationary activity in Norwegian territorial waters, including hotel ships; and
- that the principle of Norwegian wages and labour conditions also be applied to vessels that serve new maritime industries in Norwegian territorial waters, including future industries that are not yet known.

The commission is of the opinion that these requirements should be introduced in the form of a new regulatory framework that refers to the prevailing wage levels and labour conditions as stipulated by collective agreements. The commission unanimously points out the importance of formulating the requirement for Norwegian wages and labour conditions in a manner that ensures equally effective control and enforcement on vessels that are operated from abroad as on vessels that have their home base in Norway.

## 2) The tax refund scheme for employment of seafarers

In Chapter 10.1 the commission has described its recommendations regarding the tax refund scheme for employment of seafarers in four items. In general, the commission recommends:

- to strengthen the tax refund scheme by repealing the current upper limit/restrictions in the scheme;
- to make the substantial elements of the current tax refund scheme statutory, thereby ensuring necessary predictability;

- to simplify the tax refund scheme by reducing the number of tax refund models from eight to three; and
- to also include in the tax refund scheme vessels that serve new maritime industries in Norwegian territorial waters, including future maritime industries that are not yet known.

### The commission's assessment

The commission is of the opinion that work that is mainly performed in Norway, sea transport that is based on Norwegian natural resources, and activities for which Norway is the main destination should contribute to the creation of Norwegian jobs, as well as maintain maritime competence by ensuring that seafarers who are resident in Norway can compete for these jobs on equal terms with foreign seafarers. Introducing such a requirement is also deemed necessary to prevent a negative tendency that would weaken the competitiveness of Norwegian shipping companies that apply Norwegian wage levels and labour conditions, and to maintain a strong NOR flag.

The commission's recommendation will be important for employment, the competitiveness of shipping companies, the Norwegian maritime cluster, purchasers of transport services and the business community/consumers. There is some uncertainty regarding the adaptations that will be undertaken as a result of a requirement for Norwegian wage levels and labour conditions, and the commission therefore finds it difficult to quantify the effect this will have on the number of employees and vessels in Norwegian registers.

The commission's recommendation will provide seafarers resident in Norway with access to a larger labour market and thereby a higher number of employment opportunities. The introduction of Norwegian wage levels and labour conditions will mean better predictability for the employees, which will have a positive effect on the industry's reputation and recruitment of young people. Good access to a workforce with operational maritime competence is important for the rest of the maritime cluster, and the proposal could thereby have positive ramifications for other maritime enterprises.

The commission also acknowledges that the introduction of a requirement for Norwegian wage levels and labour conditions will entail increased costs, and that the impact on the shipping companies' competitiveness will depend on the adaptations that are made by each shipping company and the way in which the cost increase is managed in the value chain. In segments with alternative forms of transport, the price increase for sea transport may incentivise a change to road transport. The commission is concerned that provisions be made to ensure that sea transport remains a competitive form of transport also in the future.

The objective of the tax refund scheme is to ensure Norwegian maritime competence and recruitment of Norwegian seafarers, and help provide Norwegian shipping companies with conditions that compete with those in other countries. The scheme compensates partly for the cost disadvantage associated with employment of workers who are resident in Norway for tax purposes on vessels registered in the NOR and NIS registers. The commission takes the view that a prospective introduction of Norwegian wage levels and labour conditions will not eliminate the need for this tax refund scheme, nor that its scope should be curtailed for this reason.

The commission presumes that a tax refund scheme with no upper limit will have a positive effect on the employment of seafarers and the number of vessels in Norwegian registers. It is further presumed that making the substantial elements of the scheme statutory will give shipping companies and seafarers a predictability that will make it more attractive to register vessels in Norwegian registers, and give young people increased security to choose a maritime career onboard Norwegian vessels.

#### About the continental shelf

Separate discussions have been held by the three seafarers' associations, the Norwegian Confederation of Trade Unions and the Norwegian Shipowners' Association with a view to reaching agreement about a scheme for vessels that are involved in offshore activities on the Norwegian continental shelf. The coastal shipping companies have not taken part in these discussions, since this issue does not concern their members.

The parties agree that the issue of wage levels and labour conditions should be regulated in an agreement between the parties. For an agreement to function as an alternative to statutory regulation it is essential that the operators, represented by the Norwegian Oil and Gas Association (NOROG), also be included in the agreement. Even though a postponement has been granted for the submission of the commission's report, NOROG has not yet decided to endorse such an agreement.

Without NOROG as a party to the agreement it will not constitute an alternative to statutory regulation, since it will not encompass foreign shipping companies operating on the Norwegian continental shelf.

The parties agree that concessionaries, operators and others that participate in activities on the Norwegian shelf and are subject to the Petroleum Act must ensure that those who work onboard supply, rescue and anchor handling tug supply vessels continue to enjoy Norwegian wage levels and labour conditions. This agreement rests on the presumption that the tax refund schemes for the offshore vessels concerned remain at least at the same level as today.

The recommendation for which agreement between the parties has been reached is presented in Chapter **Feil! Fant ikke referanseilden..**

#### Special remarks by the parties

In addition to the joint recommendation from the commission, the parties in the commission have submitted a number of proposals that they believe will strengthen Norwegian maritime competence and employment, and ensure the competitiveness of the shipping companies. The proposals have formed part of the commission's deliberations to a varying degree. The specific proposals and the party backing them are presented in Chapter 12. This chapter also includes special remarks that have been submitted by both the employees' and the employers' associations regarding the legal framework. Chapter 13 provides general comments regarding the commission's mandate and other issues.