

# Styra rätt!

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# Summary of “Correct steering” (Styra rätt) (SOU 2008:53)

## **Remit**

The Government’s supplementary terms of reference 2007:69(annex 2) extended my original remit concerning piloting issues to include a review of the role and overall activities of the Swedish Maritime Administration, including a review of the public commitment.

Part of the remit was to propose future forms of organisation, division and funding of the activities for which the Administration is currently responsible. The terms of reference specifically stated that an examination should be made into the feasibility of converting some of the activities to corporate form and into whether it would be appropriate to transfer parts of the activities to another principal. Moreover the suitability of the public enterprise form was also to be reviewed. The Maritime Safety Inspectorate was not covered by the remit.

## **Public commitment**

In my review of the public commitment I was able to establish that the activities of the Swedish Maritime Administration overall have a positive external impact, mainly on maritime and environmental safety. In my opinion, some of the maritime infrastructure can also be seen as public goods. Moreover, in my assessment, there are market problems in several areas of activity. The activities are largely of such a nature that they cannot be expected to be offered on an open market to a sufficient extent and at an economically effective price. Overall, this justifies an extensive public commitment for maritime infrastructure.

Furthermore, such public commitment can be warranted by the fact that the state, through international agreements of various kinds, has undertaken to ensure that certain tasks are carried out. The public commitment should cover all the current functions of the Swedish Maritime Administration, with the exception of fairway maintenance for fairways only used by leisure craft and the production of charts and nautical publications for recreational boating. The review of the public commitment also included analysing the level at which the responsibility that follows from the commitment should lie. For some fairways the responsibility for the public commitment should lie at local or regional level.

## **Feasibility of corporatisation**

As part of my review of the feasibility of corporatisation of all or parts of the Swedish Maritime Administration, I have used criteria set by the Riksdag and the Government to identify the activities best suited at present for conversion to another operational form. The activities that currently most closely meet the criteria are found in the field of hydrographics. In view of this I have decided to study in more detail the feasibility of corporatisation of hydrographic survey services and production of hydrographical data. My overall assessment after completing my analyses is, however, that no part of the Swedish Maritime Administration is currently suitable for corporatisation.

## **Higher proportion of contract work**

In some of the Swedish Maritime Administration’s areas of activity there is currently no functioning market. If the Administration continues to develop as an active and competent purchaser, such markets can be established in areas where it now has in-house production. The objective should be to create markets able to supply the Administration with the competence and services required for the

Administration to perform its duties. In order to effectively follow up how any increased procurement is carried out, quantitative goals must be set as to the share of hydrographic surveys, fairway maintenance and pilot transport that is put to tender. In principle, the Swedish Maritime Administration is not allowed to conduct competitive activities and consequently its own production should be phased out as functioning markets are established in the various operational areas.

## **From public enterprise to administrative authority**

By phasing out major parts of production and replacing them by services put out to tender, the Administration will develop into an agency with greater focus on the sectoral role and purchasing role than is the case today. The parts of the Administration that are mainly business oriented will not be kept. I believe that a logical consequence of these changes will be that the Swedish Maritime Administration will be transformed from being a public enterprise into an administrative authority.

## **Ship Management function**

All vessels belonging to the Swedish Maritime Administration will be gathered into one profit centre in order to develop and further improve this area of activity. Separate balance sheets and income statements will be prepared for the profit centre and special performance requirements will be set. Internal charges will be used as a means of improving capacity utilisation.

The Ship Management function will also make its vessel capacity available in connection with the procurement processes proposed for production within the various parts of the Administration. The fact that the function is a separate division will ensure competitive neutrality between the procured services and the in-house services still supplied by the Administration.

## **Hydrographic information**

To achieve more effective hydrographic survey services, the objective will be to procure services within a three-year period that correspond to at least 75 per cent of the Administration's direct costs for hydrographic surveys. The Administration's own resources for hydrographic surveys will be phased out correspondingly. The phase-out assumes that the market continues to function satisfactorily. In order to carry out hydrographic surveys of a more urgent nature and to ensure a certain minimum capacity, limited resources will be maintained within the Administration. Production of charts and nautical publications for recreational boating is not covered by the public commitment. The information requirement can be met by means of publication of official navigational charts that are a natural part of the Administration's commitment. In addition, there are a number of actors that already supply charts and nautical publications for recreational boating. The Administration will therefore phase out production of charts and nautical publications for recreational boating.

## **Fairways**

The Swedish Maritime Administration will gradually put operation and maintenance of fairways out to tender and as the market develops will replace its own production by contract work. The objective will be for procurement to be equivalent to 75 per cent of direct costs of fairway maintenance within a three-year period. The Swedish Maritime Administration will systematically contact representatives of municipalities and regions to discuss the possibilities of transferring responsibility for certain fairways and channels to the local and regional level. For a transitional period, the Administration will be able to make grants to facilitate transfer of responsibility to a new principal.

Moreover the Swedish Maritime Administration's will cease to be responsible for fairways and channels that are mainly used by leisure craft. The Administration will be given a clear mandate to continue conducting a dialogue with local and regional actors concerning the takeover of these fairways and channels. In cases where there is no interest in a takeover the Swedish Maritime Administration will phase out the fairways by 1 January 2012. I propose that a total of SEK 50 million be reserved for grants to principals that take over responsibility for fairways and channels in the two categories above. The funds shall be available for a transitional period of three years.

## **Icebreaking**

To keep the costs of ice-breaking down, it is important that vessels and personnel that are unoccupied can be used in alternative activities that generate revenue. The development of the offshore market indicates that there currently can be potential areas of use for the icebreakers Atle, Frej and Ymer in offshore activities. The Swedish Maritime Administration will establish closer and more active ties to market actors and take initiatives to find suitable methods for allowing the traditional icebreakers to be used more efficiently when capacity is available. The possibilities of entering into long-term cooperation with an external actor will be analysed. Finland and Sweden cooperate closely in icebreaking, but in my view this can be expanded and the countries should take further steps towards a joint icebreaking service. Since the Swedish and Finnish icebreaking operations are, to a certain extent, organised in different ways, a developed and more structured cooperation between the countries should be initiated with dialogue at political level aimed at establishing consensus as to the design of the continued cooperation.

## **Pilotage**

The market for pilot transport will be gradually opened as the Swedish Maritime Administration puts the service out to tender. As the market develops, the Administration can phase out parts of its own activities. After three years, the share of procured pilot transport is to amount to 75 per cent of the direct costs of pilot transport. Harbour owners are to be able to carry out pilotage by means of legislation that, after agreement with the Swedish Maritime Administration, allows them to take over pilotage services. This can apply to both transport of pilots and carrying out pilotage. The Swedish Maritime Administration should also consider possibilities of putting provision of pilotage out to tender and conduct a careful analysis as to the areas in which it may be suitable to do so.

## **Search and rescue**

There is currently very extensive cooperation between the Aeronautical Rescue Coordination Centre and the Maritime Rescue Coordination Centre. The fact that as of 1 January 2009, the Swedish Civil Aviation Authority will become part of the new government agency for inspection issues in the transport area (Transportstyrelsen) means that the operative activities of the Aeronautical Rescue Coordination Centre will have no natural base. As a result of this and the additional synergy gains that can be achieved, I propose that the Aeronautical Rescue Coordination Centre and the Maritime Rescue Coordination Centre be merged and incorporated within the Swedish Maritime Administration.

## **Other activities**

The Swedish Maritime Administration should consider the possibility of purchasing appropriate parts of the activities currently carried out within the Swedish Seamen's Service. The Arkö Maritime Training Centre comprises a strategic resource for the training activities carried out by the Administration. However, the Swedish Maritime Administration should not run the centre on its own but put the hotel, restaurant and training activities out to tender.

## All proposals as bulleted points

- Most of the Swedish Maritime Administration's activities are covered by the public commitment.
- Fairways mainly used by leisure craft and the production of navigational charts for the use of leisure craft are, however, not covered by the public commitment. Consequently, the Swedish Maritime Administration should phase out these activities.
- Most of the in-house production should gradually be replaced by putting corresponding activities out to tender.
- As the markets develop and the scope of the procured activities increases, in-house production should be phased out.
- As a result of the Swedish Maritime Administration becoming more of a purely sectoral and purchasing authority, the Administration should change from being a public enterprise to administrative authority.
- All vessels belonging to the Swedish Maritime Administration will be gathered into one profit centre with separate balance sheets and income statements and with set performance requirements.
- Internal charges will be used when the producing divisions use resources of the Ship Management function.
- Consideration should be given to gathering large parts of the state's vessel resources in a common shipping organisation.
- To a greater extent, hydrographic survey services will be put out to tender.
- As the market for hydrographic surveys develops, in-house activities will be phased out. However, some resources for conducting urgent and limited hydrographic surveys will be maintained within the Swedish Maritime Administration.
- Operation and maintenance of fairways will gradually be put out to tender as the market develops.
- The Swedish Maritime Administration should, as quickly as possible, transfer responsibility for fairways and channels that are mainly used by local and regional commercial traffic to public principals at regional or local level.
- A total of SEK 50 million will be reserved for grants to principals that take over responsibility for certain fairways and channels.
- It should be possible to increase alternative uses of traditional icebreakers by the Swedish Maritime Administration establishing closer and more active ties to market actors.
- Sweden and Finland should hold discussions at political level with the aim of reaching agreement on how expanded cooperation between the countries should be designed.
- As the market develops, the Swedish Maritime Administration will gradually put pilot transport out to tender.
- After receiving authorisation from the Swedish Maritime Administration, harbour owners will be able to take over pilotage services.
- The Swedish Maritime Administration should consider putting certain pilotage services out to tender.
- The Maritime Rescue Coordination Centre and the Aeronautical Rescue Coordination Centre will form a single division that will be incorporated in the Swedish Maritime Administration.
- The Swedish Maritime Administration will put suitable parts of the services now provided by the Swedish Seamen's Service out to tender.
- The Swedish Maritime Administration will put the contract for training and also hotel and restaurant activities at the Arkö Maritime Training Centre out to tender.