

Title: Review of charging for UK statutory seafarer medical examination (ENG1) IA No: DfTDMA223 RPC Reference No: N/A Lead department or agency: Maritime and Coastguard Agency Other departments or agencies: Department for Transport	Impact Assessment (IA)
	Date: 4/11/21
	Stage: Consultation
	Source of intervention: Domestic
	Type of measure: Secondary Legislation
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Summary: Intervention and Options	RPC Opinion: RPC Opinion Status

Cost of Preferred (or more likely) Option (in 2019 prices)			
Total Net Present Social Value	Business Net Present Value	Net cost to business per year	Business Impact Target Status
NQ	NQ	NQ	Non-qualifying provision

What is the problem under consideration? Why is government intervention necessary?

The MCA is the UK maritime administration and provides a range of services to seafarers and shipping such as ship surveys and seafarer certification. These services are pivotal to maritime safety, helping to prevent loss of life and pollution incidents at sea. The Merchant Shipping (Fees) Regulations 2018 SI/2018/1104 (as amended) (the “**Regulations**”) set the fees for providing these statutory services. The Regulations include a fixed rate that MCA Approved Doctors (ADs) must charge for ¹seafarer medicals. This is the only fee under the Regulations which does not provide MCA with income, as it is paid by the Seafarer directly to the AD. The rate has now become significantly less than those charged by doctors for similar occupational health medicals. This is beginning to affect the number of doctors willing to be approved to carry out seafarer medicals. Government intervention is required to change or remove the fee because the fee is set in secondary legislation.

What are the policy objectives and the intended effects?

The policy objective is to ensure that MCA Approved Doctors who carry out seafarer medicals are adequately recompensed for their time, and that seafarers and shipping companies pay a fair price. The intention of the policy is also to ensure that the MCA can maintain a countrywide network of Approved Doctors to meet the needs of seafarers and the shipping industry and to fulfil the Government’s international obligations relating to seafarer medicals.

¹ Where “seafarer” is mentioned with reference to medicals, this means both merchant seafarers and fishermen.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Option 1: Do nothing

The fee for a seafarer medical has been £115 since November 2020. There is no mechanism within the Regulations to provide for a further increase to the fee without intervention. This means that the fee which is already below the market rate for medical examination will fall further behind if nothing is done.

Option 2: ENG1 Fee to be set by market forces

Removing the fee for a seafaring medical from the Regulations would enable Approved Doctors to set their own charge. This is in line with how doctors charge for all other statutory and occupational medicals such as the Oil and Gas UK Medical. As the fee for a seafarer medical is paid directly by the seafarer or their employer to the doctor and no part of it is paid to the MCA, there is no economic reason for the MCA to set the fee. Making this change would allow shipping companies to negotiate contracts to supply medical services including the seafarer medical with ADs at mutually agreed rates, which could result in improved services for seafarers. This system could also result in inflated fees by those ADs with higher costs. If fees were to rise arbitrarily, it could result in seafarers having to travel longer distances to find a better value medical.

Under Treasury guidelines on government fees, the MCA can either set a statutory fee or leave the fee to be determined by market forces. Reference to a “guideline” fee would be a non-standard practice, would not carry enforceable legal authority, and may, practically speaking, create confusion as to what is actually legislated for.

Option 3: Regulations to set ENG1 fee with annual increase by RPI/CPI

This has been considered, but it would be very difficult for industry or ADs to predict and plan for the fee in advance – the exact rate to link to is difficult to determine, monitoring such an arrangement would be complicated, and consequently this option would bear the risk of challenge and create uncertainty. This idea was in fact already considered in a stakeholder engagement in 2017 but dismissed then because of the reasons mentioned.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** April/2025

Is this measure likely to impact on international trade and investment?

No

Are any of these organisations in scope?

Micro
Yes

Small
Yes

Medium
Yes

Large
Yes

What is the CO₂ equivalent change in greenhouse gas emissions?
(Million tonnes CO₂ equivalent)

Traded:
N/A

Non-traded:
N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Do nothing

FULL ECONOMIC ASSESSMENT

Price Base Year :	PV Base Year	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	NQ		

Description and scale of key monetised costs by 'main affected groups'

These changes will affect all users of these medical services. For the purpose of this analysis we assume that this cost falls entirely upon business¹ and seafarers.

Other key non-monetised costs by 'main affected groups'

No non-monetised costs compared to do nothing have been identified.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	NQ		

Description and scale of key monetised benefits by 'main affected groups'

There are no financial benefits to the MCA by removing the medical fee from the Regulations.

Other key non-monetised benefits by 'main affected groups'

Service delivery to seafarers may continue at current levels as the medicals are carried out by MCA ADs. However, if fees remain the same then MCA is likely to lose some ADs from the network who will consider that it is not financially viable to continue this workstream as they are unable to recoup their costs at this price level and the fees charged are not comparable to other industry medicals.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5%

Assumptions have been made on the costs. In 2018, 52,483 ENG1 seafarers' medicals took place although 44% of these were undertaken overseas. The number of ENG1 Seafarer medicals undertaken in the UK dropped to 38,567 in 2020 due to the pandemic.

Standard 10-year appraisal period.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:		Score for Business Impact Target (qualifying provisions only) £m:0
Benefits: 0	Net: 0	

¹ Where "business" is mentioned, this means both shipping and fishing companies.

Summary: Analysis & Evidence

Policy Option 2

Description: Unregulated ENG1 fee

FULL ECONOMIC ASSESSMENT

Price Base Year :	PV Base Year	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	NQ		

Description and scale of key monetised costs by 'main affected groups'

Within the Regulations, the medical fee is an anomaly as it does not create revenue for MCA. Therefore, the removal of this fee means that the ADs will be better recompensed for this work in line with other medicals that they carry out for other industries. This will mean that the market sets prices, which could result in prices falling (due to increased competition) or increasing (if current prices do not cover the costs ADs have, or if ADs try to capitalise on lack of regulation). If medicals fees increase, it could be to the detriment of both ship owners and seafarers financially. The opposite is also a possibility in terms of ADs reducing prices to undercut competitors locally which could mean that seafarers and shipowners benefit from cost savings. Either or both above options are possible. It is worth noting that currently 40% of ENG1 medicals are done abroad where MCA has no control over costs and there is a range of prices reflecting geographical locations of ADs.

As the proposed change in regulation is a transfer between seafarers and doctors, there is **no net cost** to business.

No transition costs have been identified with this option.

Other key non-monetised costs by 'main affected groups'

There will be a small familiarisation cost for seafarers and doctors.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	NQ		

Description and scale of key monetised benefits by 'main affected groups'

The benefits would result in an increase of revenue for ADs and the ENG1 price would maintain competitiveness with other occupational health related medicals. This will help to prevent the reduced availability of medicals for seafarers (as the statutory price remains low) and maintain the number of ADs.

Other key non-monetised benefits by 'main affected groups'

Service delivery to seafarers will continue at current levels. This option should help with AD recruitment and retention.

Key assumptions/sensitivities/risks

Discount rate

3.5%

Assumptions over the market price have been made by comparing the rates of comparable medical assessments. The number of ENG1s carried out a year has been assumed to remain constant.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:		Score for Business Impact Target (qualifying provisions only) £m:0
Benefits: 0	Net: 0	

Summary: Analysis & Evidence

Policy Option 3

Description: Regulations to set ENG1 fee with annual increase in RPI/CPI

FULL ECONOMIC ASSESSMENT

Price Base Year :	PV Base Year	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	NQ		

Description and scale of key monetised costs by ‘main affected groups’

There would be difficulty in establishing the exact rate to link to, monitoring such an arrangement would be complicated, and consequently this option would bear the risk of challenge and create uncertainty. This approach would not comprehensively mitigate some of the issues above created by the current capping of the ENG1 Fee. Annual increases in RPI/CPI would not necessarily match the increase in doctors’ costs.

Other key non-monetised costs by ‘main affected groups’

No non-monetised costs compared to do nothing have been identified.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	NQ		

Description and scale of key monetised benefits by ‘main affected groups’

No benefits have been identified for this option.

Other key non-monetised benefits by ‘main affected groups’

Service delivery to MCA customers will continue at current levels.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5%
Standard 10-year appraisal period.		

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:		Score for Business Impact Target (qualifying provisions only) £m:0
Benefits: 0	Net: 0	

1.0 Policy Rationale

Policy background

The MCA is an Executive Agency within the DfT. As part of the Regulations, there is a statutory fee for the seafarer medical examination (the ENG1). This fee is currently set at (£115) and is collected by the Approved Doctor carrying out the examination from the seafarer or their employer if they are employed. No part of the fee is paid to the MCA. This statutory fee is therefore an anomaly within the Regulations as it does not contribute towards MCA's recovery of costs.

Problem under consideration

Over the last twenty years, the statutory ENG1 fee has lagged significantly behind the market rate for similar medical examinations and significantly behind inflation. This is affecting recruitment and retention of doctors available to conduct the ENG1 examinations. Only doctors appointed by the Secretary of State for this purpose are able to conduct the statutory ENG1 examination and issue the UK ENG1 certificate. They are known as "Approved Doctors" (ADs).

Rationale for intervention

The UK has an obligation under the International Labour Organization's Maritime Labour Convention, 2006 and the International Maritime Organization's Convention on the Standards of Training, Certification and Watchkeeping, 1978 (as amended) to set the standards for and recognise medical practitioners to conduct seafarer medical fitness examinations and issue seafarer medical certificates in accordance with the requirements of the two Conventions. Since the UK ratified the Work in Fishing Convention 2007 (ILO 188) in 2018, ENG1 medicals have also been mandatory for the fishing industry. In addition, the provision of seafarer medical examinations covered in this impact assessment is pivotal to maritime safety, as the fitness of seafarers and their ability to work on ships directly helps to prevent loss of life and incidents at sea.

Fees are set in secondary legislation and therefore government intervention is required to remove the statutory fee to allow continued recruitment and retention of ADs and the consistent provision of these critical seafarer medical services. In the 2018 consultation on the increase of MCA fees in general, of the answers received from ADs and medical surgeries, 91% believed that the ENG1 Fee had not increased enough to provide quality of medical required for seafarers. This evidence shows that the ADs are in favour of the fees being increased.

Economic rationale for intervention is to rectify a government failure to futureproof the supply and quality of ADs and their availability for seafarers to access ENG1s. Allowing the market to set its own price will allow for price competition and allow firms to negotiate prices.

Benefits for seafarers include the continued geographical availability of ADs across the UK to carry out medical fitness examinations and issue ENG1 certificates. As it is mandatory for seafarers to have a valid seafarer medical in order to work, choice and location of doctor is important to ensure their employment opportunities are not hindered by lack of availability of ADs. Maintaining the network of ADs will facilitate flexibility for seafarers if ADs continue to be available locally or near to ports reducing cost for travel or waiting for availability of appointments.

Policy objective

The policy objective is to ensure that the ENG1 fee is sufficient to ensure continued supply of ADs and a good quality medical examination. Experience over the last twenty years has shown that this cannot be guaranteed while the fee remains in the Regulations, because the legislative process and MCA resource required to amend this fee cannot respond quickly enough to changes in the market. We intend to secure this by removing the medical ENG1 fee from the Regulations. This will mean that the ADs will not have to wait until the next MCA fee uplift takes place to increase their fees in response to increased costs. The MCA is due to start preliminary scoping work on a replacement SI for the current Regulations by the end of 2021. A replacement SI for the whole of the Regulations will not be in place until at least 2023. As previously mentioned, the fee for a medical fitness examination sits as an anomaly to the other MCA fees from which MCA receives income. This option will also prevent a reduction in the quality of MCA services which help maritime safety, which might result if the fee approved doctors can charge lags further behind the market rate, resulting in them needing to reduce the time they spend on appointments or the support they can draw from their medical practice.

Options considered

Option 1: Do Nothing

The ENG1 fee was set at November 2020 to £115. The MCA is working on improving the process for agreeing regular fee increases to try to avoid the long periods with no increases in future. Doing nothing would leave things as they are, with a statutory fee. It is hoped that in future, if this option is pursued, the amendment process will be streamlined, and the MCA will be better able to implement regular, small increases.

Benefits:

- Minimum disruption.
- Continued certainty for seafarers/employers on what they should expect to pay for an ENG1 examination, compared to option 2.

Dis-benefits:

- Continuing uncertainty for ADs.
- Risk of future delays in increases.
- ENG1 examination continues to be the “poor relation” to other professional medicals.
- Less flexibility to respond to changes to the medical examination (e.g. the introduction of on-line examination records for ADs).
- Overseas ADs continue to be unregulated while those in the UK are regulated (the MCA’s powers do not extend to setting the fee outside the UK).
- Low fees may undermine the quality of the examination because ADs cannot afford to allocate the necessary time.

Option 2: ENG1 Fee de-regulated, to be determined by market forces

This would be in line with other statutory and occupational medicals such as in the oil and gas industry. As the fee is paid directly by the seafarer or their employer to the AD, there is no economic reason for the MCA to set the fee. It would allow companies to negotiate contracts to supply medical services including the seafarer medical with ADs at mutually agreed rates, which could result in improved services for seafarers.

As the proposed change in regulation is a transfer between seafarers and doctors, there is no net cost to business. The information below illustrates the scale of the transfer between businesses.

Benefits:

- ADs could increase or decrease the fee in response to their own costs and market forces.
- Allowing the AD to set their own fee at a level which covers their costs would help to ensure quality is maintained.
- Removing the cap on the ENG1 fee and an ENG1 fee comparable to other similar work would improve recruitment of ADs.
- It would remove the discrepancy between overseas doctors and those in the UK where the statutory fee applies.
- There would be greater flexibility for changes to the content (and therefore length/cost) of the medical examination.
- If doctors in the UK increased their charges unreasonably, the MCA could withdraw their approval for not complying with MCA conditions of appointment.

Disbenefits:

- Costs for seafarers and employers will be more unpredictable.
- Employers may seek out doctors charging lower fees; seafarers may be disadvantaged if they are obliged to attend an AD charging a lower rate at a distance from their home/place of work.
- Risk of unbridled increases from ADs in areas where there is no competition.
- ADs may use cost to limit demand, so reducing availability of appointments in some areas.
- This would not fully address the issue of overseas ADs fees.

The MCA already provides guidance for ADs on the content and length of an examination.

Discounted Options:

Option 3: Regulations to set ENG1 Fee with annual increase by RPI/CPI

This has previously been suggested by industry¹ stakeholders as a way forward but does not, in our assessment, provide a workable solution (this option was discounted by DFT lawyers due to lack of clarity and open to legal challenge).

- It would be very difficult for industry or ADs to predict and plan for the fee in advance.
- There would be difficulty in establishing the exact rate to link to, monitoring such an arrangement would be complicated, and consequently this option would bear the risk of challenge and create uncertainty.
- This approach would not comprehensively mitigate some of the issues above created by the current capping of the ENG1 Fee.
- Annual increases would not necessarily match the increase in ADs' costs.

2.0 Costs and Benefits

The appraisal period applied is the standard 10 years, starting in April 2020.

¹ Where "Industry" is mentioned, this means both merchant shipping and fishing companies.

The ENG1 Medical examination

Background

The requirement for a statutory seafarer medical examination and certificate comes from both the ILO Maritime Labour Convention, 2006 (MLC) and the IMO Standards of Training, Certification and Watchkeeping Convention 1978 (as amended). Only very high-level requirements for medical fitness are laid down in the Conventions, but there are Joint ILO/IMO Guidelines on seafarer medical examinations which were updated in 2012. Since the UK ratified Work in Fishing Convention 2007 (ILO 188) in 2018, ENG1 medicals have also been mandatory for the fishing industry.

As well as laying down the standards of medical fitness required, these standards require doctors to be authorised and trained by the competent authority to conduct seafarer medicals.

The UK seafarer medical examination system

The UK seafarer medical examination (ENG1) system is well-established and internationally respected and provided a benchmark for the international guidelines when they were updated in 2011².

A statutory medical certificate is valid for no more than 2 years (1 year if under 18) but a medical examination may be needed more often where there is a clinical reason. Under UK legislation the cost of a medical is paid by the employer if the seafarer is employed. If they are employed under short-term contracts, seafarers may have to obtain their ENG1 between jobs, and therefore will pay for it themselves. An ENG1 medical examination normally takes 30-40 minutes in straightforward cases (longer if additional medical information is required), part of which may be with an occupational practice nurse, but only the AD can make the decision on fitness and issue the certificate.

In addition, ADs are required to:

- a. retain records for 10 years;
- b. provide information to the medical referees if a seafarer concerned seeks a medical review of the decision;
- c. keep up to date with MCA guidance (including the requirement to attend at least every three years a free day-long annual seminar held in London); and
- d. provide annual statistics to MCA.

The MCA's Chief Medical Adviser audits the ADs for correct application of the statutory medical standards and compliance with MCA procedures and conditions

Approved doctors

The MCA appoints Approved Doctors on behalf of the Secretary of State. There are about 240 doctors, the majority of whom are in the UK. However, a substantial proportion of ENG1 examinations (44% in 2018) are conducted overseas, and for these MCA cannot enforce the statutory fee. Overseas ADs are encouraged to use the statutory fee as a guideline, but MCA acknowledges that they need to take account of local market conditions.

The MCA limits the number of Approved Doctors, so that it can maintain a credible system of quality control on medicals. However, where practicable the MCA tries to avoid situations where one AD has a monopoly, so that seafarers have a choice of ADs. This is beneficial for reasons other than controlling the fee, such as maintaining availability of appointments for example during holiday times. In the larger ports as well as some remote areas, the ADs often consider their role as providing a community service and so would be unlikely to take advantage of an unregulated fee to increase their charges beyond "the going rate".

While the primary objective is to provide a system for UK seafarers, most ADs perform medical examinations for any seafarer who applies, including those of other nationalities. For example, the ENG1 is the medical certificate of choice in the large yacht sector, regardless of the flag of the vessel. There are some doctors, nominated by shipping companies, who are approved only to do medicals for seafarers employed on the company's ships.

² https://www.ilo.org/sector/Resources/codes-of-practice-and-guidelines/WCMS_174794/lang--en/index.htm

The ENG1 system is currently paper based, but a project is underway to create an electronic system which will remove some of the administrative burden (in particular the collation of annual statistics) from ADs and provide much improved statistical and management information to the MCA. This is expected to be delivered in at the end of 2021.

Fee increases for cost recovery

Evidence from the public consultation exercises in 2016, 2017 and 2018 showed that the statutory fee for the ENG1 had fallen well behind the charges made for other similar work. As explained in the Background on page 9, ADs have additional work in support of the medical examination in order to maintain their appointment, which may require support from their medical practice, and ADs, many of whom are in busy GP practices, were finding it increasingly unattractive to offer the service. The MCA was also finding it difficult to recruit and retain ADs. ADs withdrawing from recruitment exercises or resigning from the role have given the fee level as a main factor in their decision.³

While the staged increase agreed as a result of those consultation exercises went some way to improve the picture, the medical fee has now reached the top increment agreed and will remain at that level until the Regulations are replaced. The legislative process to update the fee cannot be sufficiently responsive to the market to guarantee that a similar situation will not arise again in future.

Assumptions

The approach to this assessment has been considered proportionate to the costs imposed upon businesses.

We have made several assumptions:

- Market costs have been calculated based on consultation responses from the MCA consultation exercises in 2016 and 2017
- All ADs would choose to impose an annual inflation increase on the fee if free to do so
- All Approved Doctors in the UK are willing to abide by BMA GP rates for government work if asked to do so; and
- The number of ENG1 medicals conducted in the UK will remain broadly constant for the next 5 years.

Costs and benefits to business

Since both ADs (or the practices in which they work) and employers are businesses, the payment of fees for the seafarer medical is a transfer between businesses, and there is no overall economic cost or benefit. Changes to the fee affects only those who bear the cost of the medical examination. If the fee does not fully recompense the AD for their time and overheads, the ADs business is subsidising the employer. If the cost of the medical exceeds the cost to the AD, the employer is subsidising the AD or their practice.

Removing the statutory limit on the fee will primarily benefit ADs, who would be able to charge a fee compatible with other similar work. However, there are expected to be unquantifiable benefits for seafarers and employers:

- Freedom to charge a fee commensurate with the work involved may encourage ADs who are considering giving up or limiting the number of ENG1 medical examinations they conduct to continue. This will benefit seafarers because more appointments will be available, allowing them to obtain an ENG1 more quickly/easily.
- It will be easier to recruit new ADs when vacancies occur, again ensuring that appointments are available in all areas.
- A more realistic fee in the UK may encourage ADs overseas to charge a comparable rate.

³ <https://www.gov.uk/government/consultations/mca-fees-consultation>

- At the National Maritime Occupational Health & Safety Committee (NMOHSC) meeting in July 2020, Industry views from the Chamber of Shipping, Ferry companies, boat operating companies and unions were given after the proposal was introduced by MCA. Their questions included:
 - How would we ensure that the fees do not rise and could we manage competition?
 - That for non-UK employers, seafarers would have to pay for price increases themselves and could the rate be linked to GDP or inflation?

These views above will be addressed in the analysis below:

Monetised and non-monetised costs and benefits of each option (including administrative burden)

In 2018, 52,483 ENG1 seafarers' medicals took place, although 44% of these were undertaken overseas. This means that approx. 29,390 medicals took place in the UK over the same time period.

Over the five-year period of 2015 to 2019, the total of ENG1s (abroad and within the UK) were as follows:

Year	Total no of ENG1's
2015	54,058
2016	52,558
2017	53,315
2018	52,483
2019	51,682

This means that, on average, approx. 52,800 ENG1s take place each year. Accounting for the fact that 44% take place outside of the UK, this means that approx. 29,600 take place within the UK. Seafarers usually take the ENG1 on a biannual basis.

Option 1 – Do Nothing

Fees remain regulated with the risk that in future they may again fall significantly below the market rate, putting delivery of the ENG1 to UK seafarers at risk in the UK. This may also result in ADs leaving the market as they are not being properly remunerated for the labour at comparable rate. This is the baseline – the counterfactual that options 2 and 3 are measured against.

Option 2 – ENG1 Fee de-regulated, to be determined by market forces

As the proposed change in regulation is a transfer between seafarers and doctors, there is no net cost to business. The information below illustrates the scale of the transfer between businesses.

MCA cannot provide evidence on which to base an assessment of the likely increase and to calculate the increase in costs for seafarers, although it has looked to the rates set in comparable medical assessments. Based on informed assumptions, a range of costs has been estimated by looking at the rates set in these comparable assessments (the Oil and Gas UK Medical). This range estimates that there would lead to an increase in costs of between 13% and 74%, with a central estimate of 45% over five years for those paying the fee (see estimates in fees below).

	Low	Central	High
Current price rate	£ 115	£ 115	£ 115
Comparable Gas Meds	£ 130	£ 160	£ 200
Increase in price	£ 15	£ 45	£ 85
Percentage increase in price	13%	39%	74%

As an estimated 29,600 ENG1s are carried out a year, the annual increase in costs for seafarers is estimated to be as follows, using the comparable medical examination as an estimate for market ENG1 prices:

	Low	Central	High
Cost to seafarers per year	£ 444,000	£ 1,332,000	£ 2,516,000

The would **be no net cost to business** as there is a direct transfer between those ADs and those seafarers seeking ENG1s.

Benefits of this option would be an improvement in the availability of Approved Doctors and maintaining a high-quality service.

The increase in fees results in a transfer from shipowners to doctors. There would however be some search costs, as seafarers “shop around” for the best available prices. No transition costs have been identified for this policy change.

A number of the ENG1s carried out will be for seafarers who are not UK residents and who are not working for UK companies. If the price increases, it will be a benefit to UK business as the doctors will gain from this, and this will be an overall positive impact to business. However, the reverse is also true if the price decreases. As we do not have any data available about the seafarers having ENG1s, we cannot provide an estimate of what this benefit is likely to be. It is also worth noting that some seafarers will pay for their own medicals and as such, the net impact on business is likely to be positive. As we have limited robust evidence on the proportion of seafarers who pay for their own medicals, we have estimated the EANDCB as 0.

Option 3 – Regulations to set ENG1 fee with annual increase in RPI/CPI

A 3.5% discount rate is taken to be the rate of inflation over the 10-year appraisal period. The costs of this option include that it would be harder for seafarers to plan for the AD fees and the increase in AD fees wouldn’t necessarily align with the increase in AD costs. It would also fail to address the shortage of Approved Doctors. There would be no net cost to business as there is a direct transfer between those ADs and those seafarers seeking ENG1s. There are no benefits identified with this option.

Sensitivity Analysis

The sensitivity analysis which has been carried out relates to the average price of the seafarer medicals charged by the ADs. These costs vary from 13% to 74% of current prices, relative to the low, central and high-cost estimators. Though these changes in the cost will be assessed in the consultation process and consultees will be asked to provide any evidence related to expected change of fees.

3.0 Risks and unintended consequences

The risk of not implementing any change (Option 1) is that MCA will be unable to recruit and retain ADs and the UK ENG1 will be increasingly difficult to obtain in the UK. There is also a risk that the quality of the medical examinations performed will deteriorate as ADs try to complete them more quickly, commensurate with the fee they are able to collect.

The risk from Option 2 is that the fee will vary considerably across the country/between ADs leading to uncertainty and difficulties in financial planning for seafarers and employers.

4.0 Wider impacts

Small and Micro Business Assessment

It has not been considered appropriate to exempt or charge different fees by size of business for small and micro businesses because there is an international requirement for all seafarers to have a statutory medical fitness certificate. The services covered in this IA are critical to maintaining safety at sea and therefore all businesses must use them, regardless of size. We do not have data on the size of business which pay for the ENG1s or the size of the businesses where ADs work. Therefore, we cannot estimate the impact on small or micro businesses. It is also difficult to estimate the effects of the small and micro businesses as the impact of the policy on businesses depends on how the prices change, which is uncertain. If the prices go up, then small businesses who pay for the ENG1 may be disproportionately disadvantaged, whilst small businesses which employ ADs may be at a disproportionate advantage. However, the reverse is also true; if the prices go down, small businesses who pay for ENG1 would be at a disproportionate advantage, whilst businesses which employ ADs would disproportionately be disadvantaged.

Equalities Impact Assessment

The change would impact equally on all seafarers and employers regardless of their or their employees' age, ethnic origin, sex, nationality, race, sexual orientation or any disability that they may have.

These proposals are therefore considered to have no adverse impact as regards statutory equality duties.

Competition Assessment

The increase in fees is expected to be a relatively small proportion of business costs for employers and therefore is unlikely to have a significant impact on competition. However, for ADs the statutory limit on the fee has consciously affected the market for some years, and since seafarers and employers have in effect been receiving ENG1s at below market rates this impact would simply restore the competitive market position compared to non-UK statutory medicals.

Greenhouse Gases Impact Test/Wider Environmental

The changes proposed by this impact assessment will affect operating costs in due course, but the impact is expected to be a small proportion of the whole. No environment impact is expected as a result.

No further wider impacts have been identified.

5.0 Post implementation review

1. **Review status:** Please classify with an 'x' and provide any explanations below.

<input type="checkbox"/>	Sunset clause	<input type="checkbox"/>	Other review clause	<input type="checkbox"/>	Political commitment	<input type="checkbox"/>	Other reason	<input type="checkbox"/>	No plan to review
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Regulations to be reviewed every five years to ensure continued suitability.

2. **Expected review date** (month and year, xx/xx):

<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	/	<input style="width: 100%;" type="text"/>	<input style="width: 100%;" type="text"/>	Five years from when the Regulations come into force
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3. Rationale for PIR approach:

If the Regulations are amended to remove the statutory fee for the ENG1, a formal post-implementation review will be carried out 5 years after the change is implemented.

However, before that time, MCA will use its regular engagement with stakeholders to monitor for any adverse effects of the change.

Forms of monitoring data required could include the market price of ENG1 and the number of ADs available to conduct the ENG1.

Key Objectives, Research Questions and Evidence collection plans

Key objectives of the regulation(s)	Key research questions to measure success of objective	Existing evidence/data	Any plans to collect primary data to answer questions?