

Regulator Assessment: Qualifying Regulatory Provisions

Title of proposal	Business-led Marine Licences: Longer term development and maintenance licences, and organisational wide licences
Lead Regulator	Marine Management Organisation
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Date of assessment	March 2017
Commencement date	September 2015
Origin	Domestic
Does this include implementation of a Cutting Red Tape review?	No
Which areas of the UK will be affected?	The English marine area.

Brief outline of proposed new or amended regulatory activity

The Marine and Coastal Access Act 2009, provides the regulatory framework for determining marine licences. In April 2011 when the marine licensing powers commenced, the MMO established the application and assessment procedures for individuals and organisations to apply for a marine licence. Because the experience and knowledge of the marine licencing team have matured since 2011, and the evidence base used to make decisions is continually enhanced, the MMO have improved the application and assessment process to enable individuals and applicants to apply for marine licences that better suit their business needs. There are three types of these business-led applications which fall into this category:

- **Organisational wide (multi-activity and multi-location) marine licences**
These types of marine licences would typically apply to organisations that operate nationally and have assets in numerous locations around the English coast, such as utility companies. The licence could cover some or all of these assets dependent on what the organisation needs and would harmonise with that organisations asset management plan to allow ongoing operational activities, such as dredging and repairs to take place.
- **Longer term dredging marine licences**
Larger ports typically manage their business several years in advance. Therefore to ensure that their berths remain operational to accommodate future business need, ports can plan their maintenance dredging over the long term. To support a longer term dredging strategy, marine licences can now be issued to correlate with that longer term management plan where applicable.

- **Development and maintenance marine licences**
In the past marine licences were applied for, and typically issued, to permit specific projects and developments to facilitate a specific need, such as a windfarm development, a new marina, or a new sea wall. There may be obligations on the licence holder to provide monitoring reports for the development, but generally once the development was completed the marine licence would not authorise further activities in the marine environment. This approach would therefore result in the need for additional marine licences in the future should routine maintenance, or minor repair work, be needed. To support more effective management of these assets, marine licences can now remain valid for longer periods and embed additional permissions that allow the regular ongoing maintenance and repair work of the development.

Which type of business will be affected? How many are estimated to be affected?

There are more than 4,500 users of the MMO's online system representing around 1,400 organisations or individuals from the Energy, Aggregates, Cables, Coastal Development, Ports, Marinas and Recreation sectors. Annually there are around 500 unique applications for marine licences and this change may affect anyone submitting a multiple applications. Out of the 1,400 users requiring marine licences, we estimate that around 50 of these represent organisations with sufficient assets and infrastructure that would benefit from this change.

The effect will be positive for these businesses with reduced processing time for both them and the MMO. Because these changes are applicant led, they will likely affect medium and large businesses, but some smaller business could be affected.

Summary of costs and benefits

Price base year	Implementation date	Duration of policy (years)	Net Present Value	Business Net Present Value	Net cost to business (EANDCB)	BIT score
2015	2015	10	0.17	0.17	0.0	0.0

Please set out the impact to business clearly with a breakdown of costs and benefits

The three new licence types set out will each involve a greater amount of effort and resource upfront for both the applicant and the MMO, but the savings are realised over the life of the licences. Calculations are over a 10 year period.

The following figures have been calculated using estimates from the Marine Case Management System. All applicants seeking a marine licence are charged according to the Marine Licensing (Application Fees) Regulations 2014.

Benefits

- Licence fee saving

Before these changes were implemented, a business would need to apply to the MMO for marine licences to cover a range of activities associated with the works set out above. These licences would not extend longer than three years despite the applicants needing to undertake the actual work past that time. As a result applicants would often need to apply several times over several years to ensure that they received consent for the breadth of their marine activities.

- Applicants in scope = 50
- Average length of licence = 2.5 years
- Average number of MMO hours needed to assess licence application = 22 hours
- Applicant fee = £94/hour
- Number of licences needed in 10 year period = 4

Over a 10 year period under the old model, this means that the cost to an applicant to receive consent for these types of activities is estimated at:

50 applicants X 4 licences each X 22 hours X £94 an hour = £413,600
(Equivalent to £41,360 of fees paid each year).

After these changes were implemented, business could apply to the MMO for one marine licence that covers the breadth of their marine activities.

- Applicants in scope = 50
- Average length of licence = 10 years
- Average number of MMO hours needed to assess = 42 hours
- Applicant fee = £94/hour
- Number of licences needed in 10 year period = 1

50 applicants X 1 licences each X 42 hours X £94 an hour = £197,400
(Equivalent to £19,740 fees paid each year)

Fees saving: £216,200 over 10 years
(Equivalent to annual savings of **£21,620** in fees paid)

- Administration saving from reduced application effort (including familiarisation time)

Assumption 1- The value of 1 hour of an applicant's time is **£23.30** (this has been calculated using the Office for National Statistics 'Annual Survey of Hours and Earnings'- (<http://www.ons.gov.uk/ons/rel/ashe/annual-survey-of-hours-and-earnings/2014-revised-results/index.html>) estimate of the wages of an average applicant, plus an estimated 'non-wage labour cost' of 16.5%)
http://ec.europa.eu/eurostat/statistics-explained/index.php/Hourly_labour_costs.

Assumption 2- Data for number of hours taken by applicants to complete these new application forms is not accurately recorded, whereas the MMO keeps accurate records of administrative time taken on each case. However, from discussions with those involved in with implementing these applications, it is possible to use anecdotal data for the hours which applicants take to complete an application.

Assumption 3 – It is not possible to quantify the supporting cost/resource that would be needed to complete the application form, such as scientific data, engineering reports, etc. It is assumed that these costs would be proportionate to the effort used completing the application and any savings/costs to the application would be reflected in the supporting costs.

Before these changes were made:

- Applicants in scope = 50
- Average length of licence = 2.5 years
- Average number of applicant hours needed to complete licence application (based on anecdotal information) = 14 hours
- Cost to applicant = £23.30/hour
- Number of licences needed in 10 year period = 4

Over a 10 year period under the old model, this means that the cost to an applicant to receive consent for these types of activities is estimated at:

50 applicants X 4 licences each X 14 hours X £23.30/hour = £65,240

After these changes were implemented:

- Applicants in scope = 50
- Average length of licence = 10 years
- Average number of applicant hours needed to complete licence application based on anecdotal information) = 40 hours
- Cost to applicant = £23.30/hour
- Number of licences needed in 10 year period = 1

50 applicants X 1 licences each X 40 hours X £23.30/hour = £46,600

Saving to applicants: £18,640 over 10 years
(Equivalent to annual savings of **£1,864**)

Costs

Familiarisation cost - We estimate that there will be a familiarisation cost to some of the applications. However, because these new applications will cover a longer period (possibly 10 years), the gap between applications could mean most applicants will need to re-familiarise themselves with the application and process when they apply.

Over the 10 year period there will therefore be a familiarisation cost of 1 hour (for every application):

1 hour x 50 x £23.30 per hour = £1,165.

(over each year there will be a £116.50 cost)

Transitional costs (e.g. changes to systems, training) – Because the new applications cover a longer time period, across multiple activities and multiple sites, the cost of the applicant applying for the licence will increase. Existing data for applicants completing the application form is an average of 14 hours. It is estimated that it will take an additional 26 hours to complete the application form.

Over the 10 year period the transitional costs will be:

26 hours x 50 x £23.30 = £30,290

(over each year there will be a £3,029 cost)

Difference

Annual Benefits

Licence fees saving = £21,620

Administration saving from reduced application effort = £1,864

Total Benefits = £23,368

Annual Costs

Familiarisation Costs = £116.50

Transitional Costs = £3,029

Total Costs = £3,145.50

(NB: these costs have been already been included in the benefits calculation above)

Net Annual Savings to Business = £20,222.50

Please provide any additional information (if required) that may assist the RPC to validate the BIT Score

In addition to the quantitative costs and benefits calculated above, we have been unable to quantify the following additional likely benefits:

Reduced waiting time- The proposed change will reduce the time it takes for a business to receive a decision on a marine licence, therefore allowing projects to become operational much quicker (waiting time in some cases will be reduced from 13 weeks to 0.5 hours as the applicant won't have to wait for a decision.

Enhanced business confidence- By automating the new fast-track regime, applicants will have certainty on how long it will take for their licence to be processed. This will give their third party suppliers confidence, reducing waiting times.

Benefit to smaller businesses- The proposed change will impact different sized businesses, however the impact to smaller businesses will be even more positive due to their reduced resources. Fast track activities are by their nature low risk and therefore are more likely to be undertaken by smaller businesses.