 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	Designation of Marine Conservation Zones in English Inshore Waters and English and Welsh Offshore Waters	
Lead Department/Agency	Department for Environment, Food and Rural Affairs	
Stage	Consultation	
Origin	Domestic	
IA Number	Defra 1475	
Date submitted to RPC	09/10/2012	
RPC Opinion date and reference	03/12/2012	RPC12-DEFRA-1604
Overall Assessment	RED	
<p>The IA is not fit for purpose. The IA says that the proposal is out of scope of ‘One-in, Out-out’ (OIOO), but this is not consistent with the current OIOO Methodology. The IA needs to amend its OIOO classification prior to publication for consultation to be correctly recorded as an ‘IN’. The estimated cost to business (EANCB) will have to be strengthened significantly prior to validation at final stage.</p>		
<p>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</p>		
<p>Presentation. The length of the IA means that it is not accessible or easy to understand. In order to facilitate a more effective consultation the IA would benefit from being more concise to ensure consultees can understand the proposals and potential impacts.</p>		
<p>Estimating the impacts of restricting activity from designation. The IA says that the proposal will restrict a number of activities, including for example, fishing. The IA says that the value of that activity will not always be lost as some activity may be displaced rather than lost (paragraph 3.2.42) and estimates that 75% of the value from, for example, fishing will be recovered from fishing elsewhere. The consultation will have to be used to test this assumption and to determine the extent to which alternatives are meaningful substitutes for restricted activity because losses in consumer and producer welfare from restrictions are not fully offset by the take-up of alternatives activities. Furthermore, the IA acknowledges that there are potential costs of displacement (for example, a reduction in fishing efficiency) that have not yet been taken into consideration.</p>		
<p>Use of current stakeholder estimates. There are examples of significant costs raised by stakeholders which do not appear to have been included in the estimated Net Present Value (NPV). The IA needs to provide a much clearer justification as to why it is considered inappropriate to test these estimated impacts in consultation.</p>		
<p>For example, the IA says that “representatives of the renewable energy sector are concerned that MCZs could incur greater costs for the sector than those shown in the scenarios” and that “the sector anticipates that further costs could be incurred as a result of conditions placed on future licences, including the requirement to undertake additional environmental surveys, additional monitoring of environmental impact and additional mitigation measures, and delays to project delivery”. However, it is not apparent why the industry assessment of additional annual cost of £2,909 million (paragraphs 3.2.147 – 3.2.150) appears to have been discounted whereas the views of Natural England and JNCC appear to have been</p>		

accepted. Similar concerns are also expressed in other affected industries.

Recording of estimated impacts of proposal. The IA summary sheet sets out an annual cost to business of £0.6m but it is not immediately clear how this relates to the summarised costs in paragraph E11 or the detail included elsewhere in the IA. For OIOO purposes in particular, the IA needs to set out a clearer summary of the estimated net impact on each affected sector and the key assumptions that underpin the best estimated impacts as this would help facilitate a more effective and meaningful consultation.

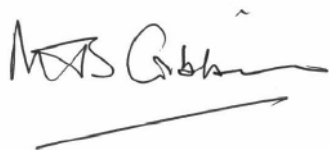
The IA would benefit from a clearer description of the expected scale of benefits as this would help provide useful context for the estimated costs of the proposal. For example, the estimate of the cost to all business sectors affected by restricting their activity in Marine Conservation Zones (MCZs) appears very low, which suggests there will only be a limited impact on activities which cause environmental harm. In comparison the management costs seem disproportionately high to achieve such limited benefits.

Have the necessary burden reductions required by One-in, One-out been identified and are they robust?

The IA says that the proposal is out of scope of 'One-in, Out-out' (OIOO) because "regulatory authorities will implement the management of the sites using enabling powers under the Marinas and Coastal Access Act. The MMOs [Marine Management Organisations] and IFCAs [Inshore Fisheries and Conservation authorities] which will be undertaking the management decisions on MCZs are also not subject to the One-in, One-out policy".

However, this is not consistent with the current 'One-in, Out-out' Methodology (paragraph 16). Where a department is transferring enabling powers to local government, but still maintains responsibility for the regulation, any direct impacts on business must be scored for OIOO (OIOO Frequently Asked Questions, page 4). Furthermore, the OIOO Methodology also says that by-laws made by central government are in scope of OIOO (paragraph 15). For these reasons, the IA therefore needs to amend its OIOO classification prior to publication for consultation as being recorded as an 'IN' in accordance with the OIOO Methodology. The cost to business (EANCB) will have to be strengthened significantly for validation at final stage.

Signed

A handwritten signature in dark ink, appearing to read 'Michael Gibbons', with a long horizontal line extending from the end of the signature.

Michael Gibbons, Chairman