 Regulatory Policy Committee	Validation of the One-in, Two-out Status and the Net Direct Impact on Business
Validation Impact Assessment (IA)	Marine Licensing (Application Fees) Regulations 2013
Lead Department/Agency	Department for Environment, Food and Rural Affairs
IA Number	DEFRA IA 1117
Origin	Domestic
Expected date of implementation (and SNR number)	April 2014 SNR7
Date of Regulatory Triage Confirmation	20/08/2013
Date submitted to RPC	28/01/2014
Date of RPC Validation	13/02/2014
RPC reference	RPC13-FT-DEFRA-1861(2)
Departmental Assessment	
One-in, Two-out status	Out of Scope
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	N/A
RPC assessment	VALIDATED
Background (extracts from IA)	
What is the problem under consideration? Why is government intervention necessary?	
<p><i>Marine licensing ensures that the impact of certain marine activities on environmental, human health and other legitimate users of the sea is considered and managed. Government intervention is necessary as negative externalities would not be, otherwise, addressed. Government policy is that those who carry out an activity should bear its full cost, including the cost of licensing. The Marine Management Organisation (MMO) current charging structure for licensing is insufficient to recover those costs and it also results in cross subsidisation issues between applicants. There is a need to amend the charging provisions to achieve that.</i></p>	
What are the policy objectives and the intended effects?	
<p><i>The Government's policy objective is for the administration of marine licensing to be as efficient as possible, with costs fully recovered. This policy aims to change the level of fees charged by the MMO to applicants applying for licences and to achieve 96% cost recovery of the MMO's licensing operations. It is not desirable to achieve full cost recovery at this time because full cost recovery for the lower value, smaller projects would result in very significant increases in fees to industry for these projects, potentially placing a disproportionately high burden</i></p>	

on small projects and thus smaller businesses.

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

Option 0 - marine licence fees remain at current levels, operating systems include improvements to maximise efficiency. Changes due to other regulations are included in this baseline.

*Option 1 - current fee structure replaced by fees charged on an hourly basis subject to maximum ceilings for fast track and routine projects. **This is the preferred option** and will require a change to the Marine Licensing (Application Fees) Regulations 2011. It utilises the efficiency gains under Option 0 and increases cost recovery to around 96% whilst minimising the impact on smaller businesses in particular.*

Option 2 – charge fees wholly on an hourly basis without maximum fee ceilings for any projects. This Option would achieve 100% cost recovery but would also lead to introduction of some fees which are disproportionate (in certain cases, double the current fee charge) to the size and scale of the project.

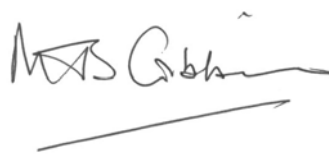
RPC comments

The Department's proposal moves the marine licensing fees regime closer to full cost recovery. It does not go beyond full cost recovery and does not involve any increase in regulatory activity. The RPC can confirm this proposal as out of scope of One-in, Two-out (OITO).

Based upon predicted case volume, the combination of the increase in the Marine Maritime Organisation (MMO) hourly charge rate and the new charging structure is estimated to increase costs to business by £0.1 million each year. Based on the information provided, the RPC can confirm the resulting EANCB (£0.08 million).

The impact of the policy options are assessed against a baseline that incorporates anticipated MMO process efficiencies. This is correct, because these efficiencies are independent of the proposal here. However, the IA would benefit from some discussion of this, in particular around how much fees might have to increase further if the process efficiencies were not fully achieved.

Signed



Michael Gibbons, Chairman