

 Regulatory Policy Committee		Regulatory Triage Confirmation	
Title of regulatory proposal		Increasing the rate of Payments in Lieu of Training (PILOT) under the tonnage tax in line with inflation	
Lead Department/Agency		Department for Transport	
Origin		Domestic	
Expected date of implementation		1 October 2015 SNR10	
Date submitted to RPC		23 April 2015	
Confirmation date and reference		5 May 2015	RPC15-FT-DFT-2363
Departmental triage assessment		Low-cost regulation	
RPC confirmation The RPC confirms this low-cost regulatory proposal is suitable for the fast track.			CONFIRMED
Departmental rationale for triage rating The Regulatory Triage Assessment (RTA) explains: <i>"The minimum training obligation in the UK tonnage tax scheme was designed to correct the declining numbers of UK-based seafarers. It requires firms to train officer cadets or, where this is not possible for a shipping company and subject to DfT agreement, to pay PILOT which should be at least equivalent to actual training costs."</i> <i>"The intended effects of increasing the rate of PILOT are to reduce the risk of, (i) those tonnage tax companies which are meeting their training obligation through actual training facing higher costs than those paying PILOT; and (ii) creating a perverse incentive for firms to pay PILOT rather than recruit and train officer cadets."</i> The Department's rationale for fast track is: <i>"On the basis that the total annual gross cost to business of this measure is estimated at up to around £0.1 million per year, it is proposed that this measure is a 'low-cost' regulation and therefore qualifies for the fast track."</i>			
RPC comments The Department proposes to increase the PILOT rate from 1 October 2015 by the rate of inflation, encouraging companies to meet their training obligations directly rather than making payments in lieu. Without this proposal the real value of the PILOT rate would fall – the costs to business are considered against this counterfactual. . The Department calculates that, as a result of			

the proposal, PILOT payments will increase by £16 per trainee month to £1218. The £16 increase is based on HM Treasury's forecast of the GDP deflator for 2015/16.

The Department states that the highest number of pilot payments made in any year between 2000/1 and 2013/14 was 4,410. Taking this as an upper bound on the number of PILOT payments in a future year, the additional costs to shipping companies are estimated at around £70,560 (£16 x 4,410) per year.

The RPC considers this to be a reasonable assessment.

One-in, Two-out (OITO) assessment	Out of scope
--	---------------------

The RTA states that this policy is considered to be an example of the "operation of periodic adjustments to a pre-existing regulation or regulatory regime intended to maintain the current level of regulation in the face of general wage and price inflation" (Better Regulation Framework Manual, March 2015 edition, paragraph 1.9.9 (viii)).

The Regulatory Policy Committee has previously given its view that only uplifts to PILOT above price or wage inflation should be considered in scope of One-in, Two-out (OITO). As the proposal is to increase PILOT in line with general inflation, it is, therefore, out of scope of OITO.

Signed

Michael Gibbons, Chairman

