

Introduction of the proposed workboat code

Department for Transport

RPC rating: - The IA is now fit for purpose as a result of the Department's response to RPC's initial review notice

Description of proposal

Workboats are currently built to standards introduced in 1998 or the equivalent standard, Marine Guidance Note (MGN) 280, introduced in 2003. MGN 280 harmonised four Codes of Practice, including one covering workboats, where many similar standards and operating procedures were rationalised.

The previous harmonisation has nonetheless led to both real and perceived reductions in workboats safety standards that have led to some concerns over navigational safety and reduced the ability of owners to win contracts overseas. The Government proposes to produce a revised Workboat Code under existing legislation and update the existing requirements in line with industry best practice.

The Department considered and rejected voluntary regulation to ensure a level playing field in the sector and maintain safety.

Impact of the proposal

The Department estimates that the proposal will affect around 1,000 newly built workboats and 100 newly certified workboats over the next ten years. The Department has identified a range of costs and benefits, most of which it has been unable to monetise. The new code will introduce some additional training requirements for crew members and new standards that in general will increase the design and build cost of workboats. There may be benefits to business in the form of increased overseas sales and some wider benefits to society through increased safety aboard workboats, though this benefit has not been discussed in detail.

Overall, the proposal is regulatory in nature and as such represents an IN to business. Monetised costs total £1 million over ten years in present value terms, which relate to:

- the requirement to train 400 crew members on the use of radar each year for the first three years of the policy and 50 each year thereafter at a cost of £600 each; and
- the requirement to train 500 crew members on the operation of electronic chart systems in the first three years and 50 each year thereafter at a cost of £600 each.

The sole monetised benefit is the introduction of cheaper life rafts with reduced servicing costs aboard certain vessels as the new code lowers the standard for life rafts. The Department estimates that this will affect 813 workboats over ten years, with savings per vessel of £1,000 on the purchase cost and £233 on annual service costs. This results in a total saving to business of £1 million over ten years.

The Department has not monetised the potential increase in revenue if UK businesses were subsequently able to gain additional business from overseas (which in any case may be an indirect benefit).

Quality of submission

The IA now sets out the rationale and the costs and benefits of the proposal adequately for this stage of policy development, following an initial review by the RPC.

The Department rejected voluntary regulation prior to commencing the consultation on the grounds that (i) it would put the safety of workboat crew, passengers and other users of coastal waters at risk and (ii) the preferred option has the wide support of the industry. This appears reasonable.

Issues addressed following RPC's initial review

Small and micro business assessment: as initially submitted, the IA did not provide an adequate assessment of the impact on small and micro businesses. The Department has responded to the initial review notice by providing further information in the revised IA to estimate the number of small firms affected and to explain that setting only a voluntary standard for small businesses could put the safety of other craft at risk.

Competitiveness: the IA previously did not give any idea of the potential scale of the impact on international competitiveness. The Department has further explained in the revised IA why it is not possible to monetise this potential benefit, but has now included an estimate of the earning potential of a typical workboat to give some idea of the scale of the impact.

Quantification: although monetisation is not a requirement at consultation stage, the original IA did not monetise many of the additional costs and did not include any ongoing training costs. Although many of the costs remain non-monetised, the IA now includes ongoing training costs. The Department should use the consultation process to strengthen the evidence for its assumptions and improve the estimates.

Costs to newly certified workboats: the original IA did not differentiate between newly built and newly certified workboats and did not assess the impact relating to

newly certified workboats. The IA now describes the difference between newly built and newly certified and sets out the impact on newly certified workboats separately.

Zero Net Cost Classification. In response to RPC's initial review notice, the Department resubmitted the IA changing the OITO classification from an IN to Zero Net Cost on the grounds that the benefits are at least equal to the costs. However, after discussions with the RPC, the Department reverted to an IN as the claimed benefits could not be quantified (and may be indirect).

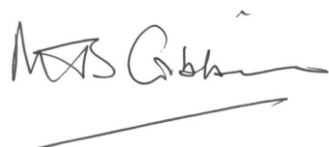
The Department will need to provide further evidence to support its analysis at final stage. In particular, the Department will need to demonstrate that the estimated forecast increase in the workboats and build costs over the next 10 years (page 7), including the assumptions behind the estimates (page 8) are reasonable. The IA should use the consultation process to strengthen the estimates and assumptions and to monetise more of the costs and benefits.

Initial departmental assessment

Classification	In scope
EANCB	£0.01 million
Net present value	-£0.12 million
Business net present value	-£0.12 million

RPC assessment

Classification	In scope
Small and micro business assessment	Sufficient



Michael Gibbons CBE, Chairman