 Regulatory Policy Committee	Opinion
Impact Assessment (IA)	Implementation of Wreck Removal Convention Act 2011
Lead Department/Agency	Department for Transport
Stage	Final
IA number	DFT00307
Origin	International
Expected date of implementation	April 2015 (SNR 9)
Date submitted to RPC	24 October 2014
RPC Opinion date and reference	27 November 2014 RPC14-DFT-2256
Departmental Assessment	
One-in, Two-out status	Part in scope and part out of scope
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	£0.08 million (in scope: IN) £0.04 million (out of scope: international)
RPC Overall Assessment	GREEN
<p>RPC comments</p> <p>The IA is fit for purpose. The proposal implements an international measure that places a liability on the registered owner of a ship for the costs of locating, marking and removing shipwrecks that pose a hazard to navigation within the UK's Exclusive Economic Zone and Territorial Sea ⁽¹⁾. The Department is gold plating the proposal by including an opt-in to extend the UK coverage to UK territorial sea in addition to the Exclusive Economic Zone.</p> <p>The Department has adequately monetised the costs and benefits. The RPC confirms an equivalent net cost to business of £0.04 million each year for the core proposal, and £0.08 million each year for the gold plating. Although the Department claims familiarisation costs are small (and this appears to be a reasonable assumption), the IA would have benefited from providing an estimate of their likely size.</p> <p>⁽¹⁾ Exclusive Economic Zone (EEZ): is a zone that generally extends up to 200 nautical miles from a State's territorial sea and over which that State has control of all economic resources within this area, including fishing, mining, oil exploration, and any pollution of those resources.</p> <p>Territorial Seas is a zone that lies adjacent to, and is measured from, the coastal state's mean low tide mark. It has a maximum width of 12 nautical miles.</p>	
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>“The UK is vulnerable to the consequences of shipwrecks. There is currently no legal requirement that a shipowner must remove a wreck or pay for its removal - so the</i></p>	

costs of removal and clean-up are often borne by the Government. Therefore, Government intervention is considered necessary to give the Nairobi International Convention on the Removal of Wrecks (ICRW) 2007 the force of law in the UK by implementing the Wreck Removal Convention Act 2011. This would provide a uniform legal basis to locate, mark and remove, or have removed wrecks which pose a hazard to navigation or the marine environment. In line with the polluter pays principle, it would also, by imposing liability and compulsory insurance on shipowners, ensure the Affected State can recover those costs.”

What are the policy objectives and the intended effects?

“The policy objective of the proposed regime is to improve the Government's response to wrecks by: (i) requiring the registered owner to remove a wreck which poses a hazard to navigation or the marine environment while providing the relevant authorities with the power to intervene if the owner does not do so expeditiously; (ii) making the registered owner liable for the costs of locating, marking and removing the wreck; (iii) requiring the registered owner of ships of 300 gross tonnage (gt) and above to maintain insurance to cover this liability; and (iv) giving State authorities the right of direct action against the insurance provider to recover costs. The proposed regime will also define the territorial application of the wreck removal provisions.”

Comments on the robustness of the OITO assessment

The Department explains that the proposals go beyond the minimum requirement by opting-in to extend the coverage to UK territorial waters, namely it is gold plating the proposal. The element of the proposal that implements the minimum requirement is out of scope of ‘One-in, Two-out’ as an international measure, in accordance with the Better Regulation Framework Manual (paragraph 1.9.8.iii). The element, however, that goes beyond the minimum requirement is in scope and scores as an “IN”.

Based on the evidence presented, the IA provides a reasonable assessment of the likely impacts.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

Although the proposal is an international measure, it requires a SaMBA because there is an element of gold plating.

The Department explains that the implementation of the proposals would not have a significant impact on small businesses. While some shipowners may be small businesses, the majority of the UK fleet already maintains compulsory insurance. The Department does not regard the proposal as placing a significant burden on small firms, nor should it put them at any significant disadvantage to ship owners of vessels under 300 gross tonnes who are not required to have insurance. Feedback is that industry fully supports the proposals including extending it to UK territorial waters.

The SaMBA is sufficient.

Quality of the analysis and evidence presented in the IA

The Department proposes to implement an international measure (the Nairobi International Convention on the Removal of Wrecks) that places a liability on the registered owner of a ship for the costs of locating, marking and removing shipwrecks that pose a hazard to navigation within the UK's Exclusive Economic Zone and Territorial Seas. It will introduce compulsory insurance for vessels over 300 gross tonnes to enable the Government to recover any costs incurred.

The proposal includes an 'opt-in' to extend coverage to include the UK territorial sea. The Department would like to take up this option, because most wrecks occur within twelve nautical miles of the coastline.

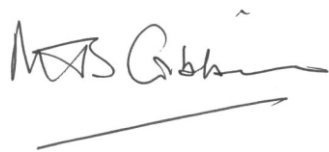
The proposals will be a benefit to the Government as it will be able to pass more of the costs of dealing with wrecks to business. The Department assumes that the cost to business is equal to the benefits to Government from the implementation of the convention. However, the IA notes that the impact on cost recovery is very uncertain. In particular, vessels involved in such wrecks incidents may not be either UK flagged or UK owned. Consequently, these costs would not necessarily represent the cost to the UK. Therefore, it is estimated that the cost of the UK implementing the ICRW should be less than the benefits resulting in a net benefit to the UK.

The Department estimates this cost will be £140,000 each year. Shipowners will also be required to obtain a certificate to prove they have insurance in place. The Department estimates the cost to ship-owners will be £16,000 each year, based on an assumption of 1,000 ship-owners paying £16 for each certificate.

The Department has adequately monetised the costs and benefits of the proposals.

Although the Department acknowledges that there will be some familiarisation costs, it has not been able to monetise these, as it does not have any evidence. As the new regime comes into force four years after the primary legislation received Royal Assent, the Department argues this will limit any such costs. Although this appears to be a reasonable assumption, the IA would have benefited from providing an estimate of the likely size of the familiarisation costs.

Signed



Michael Gibbons, Chairman