Title:
Introduction of the proposed Workboat Code

IA No:

Lead department or agency:
Maritime and Coastguard Agency

Other departments or agencies:
Department for Transport

Impact Assessment (IA)

Date: 23/04/15

Stage: Consultation

Source of intervention: Domestic

Type of measure: Secondary legislation

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Summary: Intervention and Options

RPC Opinion: Awaiting Scrutiny

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
£-0.12m	£-0.12m	£0.01m	Yes	Zero Net Cost

What is the problem under consideration? Why is government intervention necessary?

Workboats are currently built to standards introduced in 1998 or the equivalent standard, Marine Guidance Notice (MGN) 280, introduced in 2003. MGN 280 harmonised four Codes of Practice where many standards and operating procedures were similar and could be rationalised to facilitate vessels operating under more than one Code. However, the workboat industry saw this harmonisation as lessening the safety standards for workboats and this has impacted most on workboats operating overseas whose owners are finding it increasingly difficult to win contracts because other Flag States no longer recognise the UK standards. Government intervention is required to update and separate the standards specifically for workboats.

What are the policy objectives and the intended effects?

The objective of the proposed Workboat Code is to separate the standards for workboat specific operations and update the existing requirements in line with industry best practice. The Code will once again provide the UK industry with a world leading 'one-stop shop' consolidated document which will be recognised by other Flag States. This will facilitate owners of UK workboats competing against those in other countries to win contracts in the UK, in Europe and internationally.

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

The introduction of the Workboat Code is the preferred option as this addresses the unintended impacts of the harmonisation of the four Codes of Practice and will facilitate further growth in this maritime sector. The Workboat Code is enforced by existing legislation which does not need amending and allows for amendments made through a Merchant Shipping Notice.

The do nothing option does not address the concerns raised by industry and is not a viable option.

Voluntary regulation was considered and discarded as the mandatory standards ensure a level playing field in the sector and maintain safety by removing rogue operators.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?			No			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes	
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** N/A	**Non-traded:** N/A		

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description: Revision of the Code of Practice for the Safe Operation of Small Workboats and Pilot Boats under existing legislation

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2015	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	**High:** NQ	**Best Estimate:** -0.12

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NQ	3	NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	1.0		0.06	**1.6**

Description and scale of key monetised costs by 'main affected groups'

The key monetised costs are training requirements for any crew member who use radar equipment (Category 0 to 2 workboats) and electronic chart systems (Category 0 to 2 workboats operating at high speeds). The National Workboat Association (NWA) estimate approximately 50% of the industry is already trained, with the remaining crew training to be completed over the next three years. These costs are estimated at a total of £360,000 per year for the first 2 years and £300,000 in year 3 and £60,000 per year thereafter. Total transitions costs have been rounded in the above template to £1.6 million.

Other key non-monetised costs by 'main affected groups'

Much of the additional/revised equipment standards, for example double fuel tanks, alternative standards for multihull damage stability, radar, electronic chart systems and anchors will be subsumed within the design and construction costs for a new build workboat and are therefore difficult to monetise. These requirements may also affect any existing vessels wanting to newly certify as a workboat, however, data isn't available to monetise the impacts for these vessels. The consultation will aim to obtain more information on these costs.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ	NQ	NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	NQ		0.1	**0.9**

Description and scale of key monetised benefits by 'main affected groups'

The key monetised benefit is the relaxation of the SOLAS standard for liferafts and their service requirements for workboats operating in Categories 1 to 6. This annual benefit is estimated at £100,845 per year, over a ten year period. These figures have been rounded in the above template to £0.1 million.

Other key non-monetised benefits by 'main affected groups'

Five non-monetised benefits have been identified: relaxation of the requirement for a compass to be swung every two years which impacts all workboats, the increase in earning potential with the increase in the size of fuel tanks for Category 4 – 6 and restricted Category 3 workboats and the recognition of alternative multihull damage stability standards for multihull workboats, the value to UK workboat operators for international recognition of the proposed Workboat Code and safety benefits resulting from the updates to the Code. The impact of the Workboat Code on potential earnings is also discussed in this IA. The consultation will aim to obtain more information on these benefits.

Key assumptions/sensitivities/risks **Discount rate** 3.5%

The key assumptions are that 25% of new build workboats are certified under MGN 280 each year and 20% of new build workboats operate at high speeds. The evidence is sensitive to the limitations of available data and is based on information provided by industry. A minimal degree of risk is associated with the impacts of the Workboat Code; the draft Workboat Code was published in June 2014 and owners and builders have already been working to these standards.

The estimated costs and benefits presented in this IA are sensitive to the data sources that have been used in this analysis and the assumptions that have been made. Due to limited availability of evidence, it has not been possible to reliably estimate low and high estimates and understand the impact of the non-monetary impacts on the overall costs and benefits of this policy. Consequently, there are uncertainties around these estimates. Therefore only central estimates have been provided based on the information provided by the NWA.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:				In scope of OITO?	Measure qualifies as
Costs: 0.1	**Benefits:** 0.1	**Net:**	0.0	Yes	Zero net cost

Evidence Base

1. Background

1.1 The Code of Practice for the Safety of Small Workboats and Pilot Boats

The *Code of Practice for the Safety of Small Workboats and Pilot Boats*, known as the Brown Code, is one of four Codes of Practice[1] published for small commercial vessels operating in UK waters under a common set of standards. The Brown Code applies to pilot boats of any size, plus commercial workboats[2] of up to 24 metres length which carry cargo and/or a maximum of 12 passengers.

The National Workboat Association[3] (NWA) was formed to facilitate the development of the Brown Code standards which include construction, machinery, safety equipment, stability and the correct operation of a vessel so that those standards are maintained. Its overarching aim was to provide safety for the crew, passengers and any other personnel carried in the course of business and the safety of all other users of UK coastal waters with whom they may contact.

The Brown Code set a national standard and was generally accepted by industry because it could be easily referenced and understood. It created a level playing field within the sector and removed most of the 'cowboy' operators who could undercut costs by operating to a lower standard.

Due to its high standard, the Brown Code was recognised internationally and used by other national maritime administrations as a basis for standards of their own vessels. As a result, UK flagged workboats were able to win contracts and operate widely across the UK and the rest of Europe.

Some other Port States for UK workboats operating overseas have insisted during port state inspections on additional requirements for instance, crew needing to be certified to the International Convention for the Standards of Training, Certification and Watchkeeping (STCW)[4]. Workboats operating solely in the UK may employ crew certified under the UK national standards for Boatmasters.

Due to the rapid growth of the workboat sector in recent years with more vessels operating overseas, the MCA developed a specific STCW workboat certificate which fits perfectly with other Flag State requirements and has now become the accepted certification standard within the industry.

1.2 Harmonisation in 2003

In 2003 a decision was made to combine the four Codes of Practice into one consolidated document based on the fact that many of the standards and operating principles were common across the Codes which could be rationalised. It facilitated vessels who wished to operate under more than one remit and although there was fierce opposition from the NWA at the time the consolidation went ahead using the Small Commercial Vessel Codes, not the Brown Code, as the base document.

This combined Code of Practice was issued as Marine Guidance Note (MGN) 280 (M), The Small Commercial Vessel and Pilot Boats Code in 2004. This MGN 280 updated the four Codes of Practice, consolidated the requirements and became an equivalent standard which many builders and owner/operators of these vessels have been using instead of the four Codes of Practice. However, MGN 280 has not been enforced by UK law although it is recognised as an equivalent standard to the four Codes of Practice.

In practical terms, this means that whether vessels are built to the four original Codes or MGN 280 they can only be issued with certification under the four original Codes of Practice.

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[1] The Safety of Small Commercial Motor Vessels – A Code of Practice, the Safety of Small Commercial Sailing Vessels – A Code of Practice. The Code of Practice for the Safety of Small Workboats and Pilot Boats and the Code of Practice for the Safety of Small Vessels in Commercial Use for Sport or Pleasure Operating from a Nominated Departure Point enforced by the Merchant Shipping (Vessels in Commercials Use for Sport or Pleasure) Regulations 1998 (SI 1998/2771).

[2] Small workboats are considered to be any vessel of a size that the Workboat Code applies to and that is not a pleasure vessel or a vessel used for sport or pleasure such as sea angling. For example a workboat transports workers, goods and supplies to offshore windfarms.

[3] The National Workboat Association is an industry working group and its members include the MCA, representatives of interested Class Societies (Lloyds, Bureau Veritas and American Bureau of Shipping), SCMS, the Royal Yachting Association, the Yacht Brokers, Designers and Surveyors Association and the Professional Boatman's Association.

[4] STCW is the standard of training and certification for seafarers working on ships operating internationally.

2. Problem under consideration and rationale for intervention

2.1 Problem

There have been unforeseen impacts following the harmonisation of the Brown Code with the other three codes of practice for vessels engaged in sport and pleasure in MGN 280, many of which are yachts. It is considered by the workboat sector that the high safety standards set by the Brown Code have been significantly lowered to facilitate the consolidation. MGN 280 contains too many references to yachts which has been difficult to apply the text to workboats. Thus, it has become increasingly difficult to operate workboats certificated under MGN 280, which has restricted trade.

Safety

Lower safety standards have led to owners/operators of workboats, who had previously worked abroad without any issue, encountering problems winning contracts because other Flag States do not recognise MGN 280 as being an equivalent to the original Brown Code. Furthermore, foreign flag states would refuse UK registered workboats to operate in their waters or require additional safety equipment before allowing them to operate.

The Marine Accident Investigation Branch has recently made a number of recommendations and observations[5] that need to be addressed and there continues to be an increase in the risk of safety related incidents if safety standards are not raised from MGN 280.

Technology

The workboat sector has grown significantly and technology has moved on since both the Brown Code and MGN 280 were first published. The size and capabilities of workboats has increased to promote operations worldwide and latterly the introduction of high speed windfarm boats. Modern workboats need to be designed and equipped differently to facilitate the new operating parameters and therefore all the standards need updating.

'One-stop shop' facility

If MGN 280 remains the equivalent standard and the original Brown Code is not updated, owners will lose the 'one-stop shop' facility and will be forced to build new workboats to the higher Full Class[6] standards of construction leading to higher build costs and a reduction in the long term earnings of the vessels. With a one-stop shop facility, builders can contact a Competent Authority surveyor or the MCA for queries, whereas building to the standards of the Class Societies using the Full Class standards can involve numerous departments and sets of complex rules.

Loss of Competitiveness and tax revenue

There is a risk of existing UK workboats moving to competitor Flag States whose standards are becoming more widely accepted by other administrations which would result in a loss of revenue to HM Treasury. However, there has been strong indications from other foreign operators who would like to register their workboats in the UK under the proposed Workboat Code because their workboats will then be recognised by the main workboat contractors.

Growth of infrastructure

There has been a rapid development of the Offshore Windfarm Industry both in the UK and abroad, and other major port constructions such as at Liverpool, Port of London Authority, Crossrail and the new Thames Sewerage Tunnel, for which all spoils will be transported down the Thames by barge. Others include port infrastructure projects such as the wind turbine construction sited on the Humber and at Hartlepool. Whilst the Thames and Humber fall outside of the Codes geographical area (e.g. not seagoing) most of the workboats supporting these operations often voluntarily comply with the Codes which may be above the standard set by the local authority to allow them more flexibility in operations.

2.2 Rationale

Safety is the overarching rationale for revising the standards in the proposed Workboat Code, with respect to the safety of crew, passengers and personnel on board the workboat and of all persons in UK waters. The Code of Practice provides for the safe construction and equipping of workboats to meet the challenges of the current busy commercial operations, in line with up-to-date equipment which is already on the market and now being fitted as standard on new build workboats. The changes also reflect

[5] Chiefton report (towing gear, section 25) http://www.maib.gov.uk/publications/investigation_reports/2012/chiefton.cfm and Island Panther/Windcat 9 report (training, navigation) http://www.maib.gov.uk/publications/investigation_reports/2013/windcat_9_and_island_panther_combined_report.cfm

[6] Full Class standards are applicable to vessels operating in international waters.

changes in other national and international regulations applicable to workboats which need to be taken account of to ensure safe operation.

The NWA has lobbied the MCA since 2010 to update and reissue the Brown Code as a standalone document again. This would re-establish its position as the world-leading, effective standard of construction and operation of small commercial workboats operating both in the UK and further afield. There is strong global demand for workboats and the proposed Workboat Code will enable the UK workboat industry to compete with workboats of other flags.

The MCA and NWA has developed and revised the proposed Workboat Code and it is almost complete. All references to yachts have been removed and it is generally felt that the new Code now represents the type and size of vessels classed as workboats.

3. Policy objective

The objectives of this policy are to ensure safety remains paramount and to provide an up to date, standalone standard for the fast evolving UK workboat industry to allow them to remain competitive both in the UK and internationally. The proposed Workboat Code will again become a one-stop shop for all the appropriate standards for workboats providing clarity to the industry and other Flag States.

The changes to the Workboat Code are not considered to be new standards but merely reflect the changes to workboats through operational experience and what is thought to be best practice. Owners themselves have contributed most of the changes because they have been considered best practice both from an operational and safety standpoint.

A draft of the Workboat Code has been in operation as a guidance document since June 2014 because of its strong support from industry. Workboats built to this Code have once again become more acceptable in other Flag States, and consider that it is something that they should do themselves. This is the only Code for workboats anywhere in the world.

4. Description of options considered (including do nothing)

4.1 Do nothing

Do nothing is not considered a viable option based on the rationale discussed in section 2. Failure to address the problems will continue to restrict the UK workboat industry; owners/operators will still be required to buy additional equipment to meet local standards of other Flag States therefore decreasing the maximum possible profit which could be made on winning contracts abroad. This may lead to more vessels leaving the UK flag, as operators will find it easier to flag elsewhere to take advantage of local standards – thus losing money from UK plc. Do nothing will not recognise the significant growth in the workboat industry and technology; the standards will remain not fit for purpose and out-dated.

4.2 Voluntary compliance with the Workboat Code

Due to the considerable support for the Workboat Code from industry, consideration was given to possibility of removing statutory enforcement of the standards, or at least exempting small and micro businesses from mandatory compliance. Both have been discarded during discussions with the UK workboat industry on the grounds of safety to workboat crew, passengers and users of coastal waters as discussed in section 2.2.

In addition, a statutory code has enhanced status with industry – UK and foreign – as a result of UK government backing, and ensures a level playing field for business. Foreign contractors prefer to employ vessels built to statutory standards and therefore the outdated Brown Code, and MGN 280, now hold little credence with them.

4.3 Option 1: To produce a revised Workboat Code under the existing legislation.

This is the preferred option and would allow operators to compete more effectively for contracts in the UK and internationally. This would bring more revenue into UK plc all for the modest increase in cost implications of the proposed Workboat Code.

It will also recognise industry best practice and enhanced safety standards due to higher equipment standards and level of crew training which ultimately lead to safer ships and cleaner seas. These higher

levels of crew training and certification will also make these UK crews more employable going forward because they hold suitable training qualifications which would be recognised in other sectors.

In addition, the proposed Workboat Code will once again be the consistent national standard in a 'one-stop shop' which may potentially shorten the build time of new vessels by not having to look in numerous regulations therefore the workboat will become operational quicker.

The preparation of the proposed Workboat Code has been led by industry (Annex 1 provides a list of organisations who participated in the Industry Working Group) in association with the MCA through the NWA and has consequently been supported by the main interested industry bodies and also individual industry interests alike. The proposed Workboat Code will replace the original Brown Code for newly built workboats and any existing vessels which are new to workboat operations. It has the same scope of application as the original Brown Code.

The Merchant Shipping (Small Workboat and Pilot Boat) Regulations 1998 do not require amending due to an ambulatory reference contained in the Regulations which allows any amendments to be made through a Merchant Shipping Notice. The proposed Workboat Code is written more openly to allow for operations both from the UK coastline and internationally.

In revising the standards much of the higher standards of the original Brown Code have been reinstated for this type of vessel, something which the industry were very keen to oversee, an opportunity has also been taken to update equipment carried on board and update practice, in line with other UK and international requirements.

The proposed Workboat Code was published in draft at Seaworks[7] in June 2014 due to demand from Industry, who are now eagerly waiting for the Code to be formalised.

5. Monetised and non-monetised costs and benefits of each option (including administrative burden)

5.1 Introduction

This impact assessment (IA) assesses the additional costs and benefits of the proposed Workboat Code compared to the 'Do Nothing' scenario; the 'Do Nothing' scenario represents what would happen if the Government does not take action. In line with the Better Regulation Framework and the Treasury's Green Book, a 10 year appraisal period has been used in this IA.

The discussion of the additional costs and benefits under Option 1, the proposed Workboat Code, is structured as follows:

- Monetised costs to business (section 5.5)
- Monetised benefits to business (section 5.6)
- Non-monetised costs and benefits to business (section 5.7)
- Summary of net impacts (section 5.8)

For the purposes of this IA, the costs and benefits of the proposed Workboat Code, Option 1, during the appraisal period have been monetised to the extent that is possible. Given the limitations of the available evidence base, it has not been possible to monetise some of the costs and benefits of the proposed Workboat Code, Option 1, that have been identified. Where it has not been possible to monetise a cost or benefit a full qualitative description of the impact has been provided.

The estimates of the additional costs and benefits of the proposed Workboat Code, Option 1, that are presented in the IA are sensitive to the data sources used in this analysis and the assumptions that have been given in this IA. In addition, the costs of having a ship built depend to a large extent on market forces prevalent at any given time, discussed further in section 5.3, and for this reason it has not been possible to estimate all the additional costs. Consequently there are a number of uncertainties that have been considered in the estimates presented in this IA, these estimates may change post consultation.

A number of questions are posed in this consultation IA in order to obtain more information on the costs and benefits identified via consultation.

[7] Seaworks International is the largest and fastest growing international commercial marine and workboat exhibition and conference held each year in the port of Southampton, UK.

Evidence for the estimation of costs and benefits in this IA has been obtained via close engagement with representatives of the Workboat Industry, led by the NWA as agreed by the Working Group. The Working Group included key representative bodies of the workboat industry such as the NWA, the British Marine Federation, the Professional Boatman's Association and Classification Societies, representing the views as surveyors and for the owners of the workboats they survey. The NWA is a trade association for workboat owners and operators in the UK[8]. For this IA, the NWA provided an analysis of the changes between the Brown Code, MGN 280 and the proposed Workboat Code. This was reviewed and agreed with policy officials in the MCA, who drafted this IA. The MCA further consulted with the NWA several times during the development of the IA to obtain evidence for estimation of the impacts, costs and benefits of the Workboat Code. The evidence and assessment of costs and benefits, and the discussion provided in this IA of limitations in the evidence that can be obtained, and has the agreement of the NWA.

5.2 Application and potential number of vessels affected

The proposed Workboat Code will be applicable to all newly built or newly certified (existing vessels not certified under the existing Brown Code) UK workboats of less than 24 metres. In addition, it will apply to all non-UK workboats of less than 24 metres operating in UK waters. The Code will not be applied retrospectively to existing workboats at this time.

All UK commercial vessels are registered on the UK Ship Register at the Registry of Shipping and Seamen (RSS) which records the vessel type upon initial registration depending on the certificate of survey. The only time a vessel type will change on the Register is if an amended or new certificate of survey is presented, for example, there is a change of ownership, change to the vessel details or registration renewal. This type of change is not recorded as a unique transaction and an investigation to establish the number of vessels which had been previously registered for use other than a workboat would require a manual search, of possibly over 10,000 entries.

The UK Certifying Authorities[9] (CAs) conduct the surveys and issue safety certificates for these vessels, this information is collated by the MCA in the Single Vessel Database (SVD). The data used in this IA was provided by the SVD in February 2015. However, the SVD only records information such as the date of build of a vessel, whether a vessel is built under MGN 280 or the original Brown Code and area of operation. It does not differentiate whether a vessel built under MGN 280 is operating as a workboat or as a small commercial vessel (under one of the other three Codes), nor provides a date when an existing vessel becomes certified as a workboat.

It is considered to be disproportionate to ask RSS and the CAs to conduct these manual searches to establish more exact figures for this IA. There are more than 6600 vessels recorded on SVD and only 13 CAs; a search of paper files would involve a considerable amount of work. Therefore, based on their knowledge of the industry and undertaking surveys on workboats, the NWA has indicated that an additional 25 per cent on top of the database figures will take into account any new workboats built under MGN 280. That is, the NWA estimates that 163 workboats were built under the MGN 280 standards. Together with the 650 built under the Brown Code, the total number of workboats is 813.

Table 1 provides a breakdown of the number of UK workboats on the SVD database certified in the UK over the last 10 years, from 2005 to 2014 inclusive, and shows the 25 per cent increase on the database numbers. The data is further broken down to show the number of workboats operating in Sea Categories 0 to 6 (please see Annex 2 for a description of Categories) as some of the revised standards only affect certain operations.

Table 1: Breakdown of UK workboats per area of operation (2005-2014)

Year	Cat 0	Cat 1	Cat 2	Cat 3	Cat 3 R	Cat 4	Cat 4 R	Cat 5	Cat 6	Total
2005		7	9	7		3			3	29
2006	1	3	18	12		2		1	1	38
2007		3	28	23	4	7			4	69
2008		5	34	16	1	1			2	59
2009	1	6	43	12	1	3	2	1	5	74

[8] http://www.workboatassociation.org/

[9] Certifying Authorities are the Secretary of State or any other person authorised by him to survey and issue certificates for these vessels.

2010		3	38	36	1	5			6	89
2011		17	40	15	1	6			9	88
2012	1	11	37	16		4		3		72
2013		19	30	10	3	7		1		70
2014		14	26	10	1	10		1		62
Total	**3**	**88**	**303**	**157**	**12**	**48**	**2**	**7**	**30**	**650**
Additional 25% under MGN 280	**4**	**110**	**379**	**196**	**15**	**60**	**3**	**9**	**38**	**813**

* R means restricted operations in a certain category

New build workboats

The figures in table 1 have been used to forecast the number of new build workboats over the next 10 years of this appraisal period. And based on the knowledge of the workboat sector, the NWA anticipates that the number of workboats will further increase by 25 per cent over the next 10 years, which is the same as the previous 10 year period (2005-2014) (Table 2). That is, we expect a further 813 workboats in the next 10 years, plus an extra 25% over and above that, giving a total of 1016 workboats. Out of those 1016 workboats, we expect 813 would have been built under the Brown Code and 204 under the MGN 280 (a 25% increase in each category, giving the overall 25% increase in workboat numbers as indicated by the NWA).

Table 2: Breakdown of expected number of UK workboats per area of operation in the following 10 years

	Cat 0	**Cat 1**	**Cat 2**	**Cat 3**	**Cat 3 R**	**Cat 4**	**Cat 4 R**	**Cat 5**	**Cat 6**	**Total**
Brown Code (650 plus 25% increase)	**4**	**110**	**379**	**196**	**15**	**60**	**3**	**9**	**38**	**813**
All (813 plus 25% increase)	**5**	**149**	**511**	**265**	**20**	**81**	**3**	**12**	**51**	**1017**

Newly certified workboats

Due to the limitations on available data, the NWA estimates that approximately 6 – 10 existing vessels will newly certify to operate as workboats each year. For the purposes of this IA, it will be assumed that 10 existing vessels will newly certify as a workboat each year.

It should be noted that the figures in the section are for indicative purposes only, sensitive to the limited data sources and may increase/decrease based on the development of the industry, the wider economy etc.

Question to Consultees

Q1. Does Table 1 provide a good representation of the scale of new build workboats, and newly certified workboats, which will be impacted by these new standards? Please submit any further evidence to substantiate these figures.

5.3 Build costs and potential earnings

5.3.1 Build costs

For new build workboats some of the revised standards will be incorporated into the total overall cost of building the ship, in contrast to the costs of having to modify or replace existing arrangements or equipment. Such costs are virtually impossible to quantify due to the multitude of factors that affect the overall costs involved in the design and construction of a new vessel. For instance, the bidding price quoted by a shipyard and timing of building a ship are both subject to external commercial

considerations, such as the availability of services and shipyard capacity. Furthermore, shipyard construction costs do not necessarily correspond directly to the design characteristics or size of a vessel. Rather, they tend to fluctuate according to supply and demand within the shipbuilding industry, and reflect the general economic conditions prevalent at the time. It is also not possible to know whether costs incurred at the design and construction stage would be absorbed by the ship builder or passed on to the ship's purchaser.

In addition, owners will specify different items of equipment on board for each individual workboat. For instance, different sizes of bollard pull: 30, 35 or 40 ton, winches: 25, 30, 40 or 50 ton and cranes (one or two): capacity 100, 160 or 200 ton per metre. The size requirements for such items will be dependent on the type of operation the workboat will undertake and this will be considered by owners before any cost implications of the requirements of the standards themselves. It is the NWA's experience that the existing Brown Code and MGN 280 have not played a great part in the new building of workboats. Structurally the Brown Code has been taken only as the minimum standard, with many owners insisting on higher standards, and it is more the safety equipment (lifesaving appliances, liferafts, fire-fighting equipment etc) which are specified as per Code requirements.

Therefore, taking into account the considerations above and the commercially sensitive nature of the costs to design and build ships, the NWA has only been able to provide an indicative cost estimate. It is considered that the costs to build a standard, basic specification, 24 metre Damen Multicat, and making note of any necessary changes required by international and European legislation and the advances in technology, would be:

Cost under the Brown Code:	£4,250,000
Cost under MGN 280:	£4,250,000
Cost under the proposed Workboat Code:	£4,313,750

The additional £63,750 estimated cost to build to the proposed Workboat Code equates to <u>1.5 per cent</u> of the overall design and build cost.

Please note, this is an indicative cost for one type of larger workboat (24 metre Damen Multicat); the size and type of workboats vary significantly depending on area and operational requirements and for this reason the overall cost has not been quantified.

Engagement with the workboat industry during this drafting of this IA has attempted to obtain evidence on whether costs for other sizes of workboats would be proportionate to the size of vessel as compared with the 24m costings. However, it has not been possible to obtain data to confirm this for this consultation stage IA. Further evidence on this will be sought during the consultation.

Question to Consultees

Q2. Do the above costs present a good indication of the additional costs to design and build under the proposed Workboat Code? Please submit any further evidence to indicate the cost to build a new workboat under the proposed Workboat Code compared to the Brown Code and/or MGN 280. Please state the size of workboat and area of operation where possible.

5.3.2 Potential earnings

In much the same way, earnings are dependent on commercial pressures and are therefore difficult to monetise. The NWA indicates that in principle owners like to achieve £1,000 per £ million value of their workboat per 12 hour day, i.e. for a £4 million workboat an owner would expect to earn an average of £4,000 per day. This principle is the same on whether a workboat is operating near to base or further away from the home port. Any additional costs such as the number of crew required to operate the workboat for a particular job, levels of fuel consumption, accommodation for crew if they cannot sleep on board and travel costs are at the client's cost, as well as any damage and loss of equipment

It is estimated on average a workboat is in operation around 245 to 280 days (40 weeks) per year depending on operations, therefore the earning potential can range from £980,000 to £1,120,000 per year for a £4 million workboat. It is considered that anything less than 180 days (26 weeks) would make a workboat commercially unviable.

The NWA considers that the proposed Workboat Code should make UK workboat operators more competitive in some markets, however, it would be difficult to qualify this until the Code has been operating for some time. It is hoped that the earning potential for a workboat built to the revised

standards will achieve slightly higher than the £1,000 per £ million value of a workboat and again is not possible to quantify at this stage. The NWA anticipate an increase in the order of five per cent is a reasonable assessment. A five per cent increase of earnings for a £4 million workboat would equate to additional £49,000 to £56,000 per year (£490,000 to £560,000 (not discounted) over the 10 year appraisal period). This evidence provides an indication of the potential impact on earnings of the proposed Workboat Code. However, as the evidence is currently limited, this has not been included in the monetised benefits estimated in this IA. Further information on the impact on potential earnings for the workboat industry will be sought via this consultation stage IA, to consider if the impact on potential earnings can be robustly included in the estimation of monetised benefits in the final IA.

The lifespan of an average workboat is estimated to be between 25 - 30 years since the introduction of the original Brown Code but it is dependent on use, maintenance, environment and operational aspects. There is no data on the lifespan of the larger workboats as building only began in the last 10 to 15 years, though the NWA notes that with the current standards of maintenance and condition of these workboats they see no reason why these vessels should not last a full 30 years. It should also be recognised that there are many smaller workboats which were built in the 70s and 80s which still remain operational.

However, this is not the case for windfarm workboats which are of lighter aluminium construction (as opposed to a conventional workboat built of steel) and built for a specific purpose. The lifespan of these workboats is considered to be between 15 to 20 years only, and would be worthless at the end of this period. In addition, a windfarm workboat would only be deployed in other workboat operations if it was modified to meet the operational requirements; this would have a considerable cost implication.

Question to Consultees

Q3. Please provide any further information on indicative potential earnings from the introduction of the Workboat Code? Please submit any further evidence to substantiate these assumptions

5.4 Assumptions

A number of assumptions has been made to form the calculations of the costs and benefits of Option1:

a) In addition to the 650 workboats identified on the SVD, the NWA estimates a further 25 per cent of new workboats would have been built under MGN 280;

b) The NWA predicts a further 25% increase to the 813 existing workboats over the next 25 years;

c) MCA data does not distinguish whether a workboat is a fast workboat. The NWA estimate approximately 20 percent of new builds are fast workboats; and

d) The NWA estimates between 6 – 10 existing vessels certify to operate as a workboat each year. For the purposes of this IA the figure used will be 10 vessels.

Question to Consultees

Q4. Are the assumptions made in this IA a sound basis for estimating the costs and benefits of the proposed Workboat Code? Please submit any further evidence to substantiate these assumptions

A comparison of the requirements between the original Brown Code and the proposed Workboat Code has been undertaken to establish the changes to the existing statutory requirements. It is recognised that existing vessels wanting to newly certify as a workboat may be affected by the revised standards in the proposed Code but as no data exists to establish the number of vessels these changes may affect these costs have not been monetised.

The following information in sections 5.5 to 5.7 has been provided by the NWA. The costs should be read as indicative and sensitive to the limited available data and the assumptions listed in section 5.4.

5.5 Monetised costs of Option 1, the proposed Workboat Code

5.5.1 Radar training (Category 0 – 2 workboats) – transitional cost

In addition to the requirement to carry radar reflectors, the proposed Workboat Code introduces the requirement for all Category 0 to 2 workboats to install a radar system, costs for this are discussed in section 5.7.3. To support this and to meet recommendations from the MAIB, the Code strongly recommends for any member of the crew likely to operate the radar to undertake appropriate training: the Maritime Skills Qualification (MSQ) unit 'Use of Radar for Safe Navigation and Collision Avoidance on Domestic and Code Vessels', the Small Ships Navigation and Radar Course or other course subsequently approved by the MCA.

In three years, this recommendation for training will become a mandatory requirement therefore a three year lead in period has been given to allow industry sufficient time to get their crew members trained.

The NWA estimate that four crew per workboat would be required to operate radar and approximately 50 per cent of workboat crew are already trained accordingly. Therefore, they anticipate a further 400 will require training in the first year and similarly a further 400 in years two and three. It is difficult to forecast the number of new entrants to the workboat industry who would be affected by this from year four onwards. The workboat industry tends to fluctuate and it is difficult to anticipate the ups and downs of the industry but the NWA believes the numbers of new entrants will be only small. Therefore the NWA estimates, on the basis of a 10% turnover, it would be in the region of 40 – 50 (for the purposes of this IA, the higher estimate of 50 will be taken) seafarers per year.

Specific workboat training has been developed with the NWA and the Maritime Skills Alliance (MSA). The MSQ unit noted above is one such course and the most likely course to be undertaken by workboat crew for this specific training. The NWA has advised that the cost for this course is approximately £600.

The total overall cost is expected to be £930,000. These include transitional costs extended over the first three years of £720,000 in total (£240,000 per year for the first three years) and £30,000 ongoing costs per year thereafter.

5.5.2 Electronic Chart System (ECS) training (Category 0 – 2 workboats operating at high speeds) – transitional cost

It has been recommended as best practice by the NWA for all Category 0 to 2 workboats operating at high speed, especially those operating round windfarms, to carry an ECS (costs for the system are discussed in section 5.7.4). To support this and to meet recommendations from the MAIB, the Code strongly recommends for any member of the crew likely to operate it to undertake appropriate training: the MSQ unit 'Operate non-ECDIS marine Electronic Chart Systems' developed by the NWA and approved by the MCA.

In three years this recommendation for training will become a mandatory requirement therefore a three year lead in period has been given to allow industry sufficient time to get their crew members trained.

The NWA estimate that four crew per workboat would be required to operate ECS and approximately 50 per cent of crew is already trained accordingly. Therefore, they anticipate a further 500 will need training: 200 in years one and two and 100 in year three. It is difficult to forecast the number of new entrants to the workboat industry who would be affected by this from year four onwards. The workboat industry tends to fluctuate and it is difficult to anticipate the ups and downs of the industry but the NWA believes the numbers of new entrants will be only small. Therefore the NWA estimates, on the basis of a 10% turnover, it would be in the region of 40 – 50 (for the purposes of this IA, the higher estimate of 50 will be taken) seafarers per year.

Specific workboat training has been developed with the NWA and the Maritime Skills Alliance (MSA). The MSQ unit noted above is one such course and the most likely course to be undertaken by workboat crew for this specific training. The NWA has advised that the cost for this course is approximately £600.

The total overall cost is expected to be £510,000. These costs include transitional costs extended over three years of £300,000 in total (£120,000 in years one and two and £60,000 in year three) and £30,000 ongoing costs per year thereafter.

5.6 Monetised benefits of Option 1, the proposed Workboat Code

5.6.1 Use of ISO liferafts for vessels operating in areas Category 1 – 6

The original Brown Code required all workboats to carry SOLAS[10] liferafts, the international standard, which are required to be serviced annually. The proposed Workboat Code will now only require workboats operating in Category 0 to carry SOLAS liferafts as this operational area is unrestricted. Workboats operating in Category 1 – 6 areas will now be required to carry ISO[11] liferafts, which only require servicing every three years.

Workboats built under MGN 280 already carry ISO liferafts, therefore only workboats built under the Brown Code will benefit from the change. Based on the figures provided by the NWA in section 5.2, this change will impact 813 workboats in the next 10 years; approximately 81 each year. The assumption is the number of workboats will increase by 25 per cent over the next 10 years, which is the same as the previous 10 year period (2005-2014).

The initial cost of a 6 person SOLAS liferaft is £1600, plus an annual service cost of £350.

The cost of an ISO liferaft is £600, plus a service cost of £350 every 3 years.

As ISO liferafts are £1000 cheaper and require servicing every three years, the overall benefits are estimated to be £100,845 per year (rounded to £0.1million in IA calculator). See Annex 3 for explanation of calculations.

Question to Consultees

Q5. Are the estimated costs identified an accurate assessment of the costs and benefits of the proposed Workboat code? Please submit any further evidence to substantiate these figures

5.7 Non-monetised costs and benefits of Option 1, the proposed Workboat Code

5.7.1 Double the size of fuel tanks (Cat 4 – 6 and restricted Cat 3 workboats) - Non-monetised cost

The proposed Workboat Code will increase the size of fuel tanks for workboats operating in certain areas. Increasing the size of a fuel tank on new build workboats would be subsumed within the design and build costs of the boat and is therefore difficult to monetise as discussed in section 5.3. The NWA consider that this cost would be negligible.

Based on the figures shown in section 5.2 this change may affect approximately 167 workboats over the next 10 years; approximately 17 workboats each year.

For existing vessels wanting to newly certify as a workboat there may be an additional cost to change the vessel to the new requirements depending on the existing vessel construction. The NWA estimate that this may affect around 10 existing vessels each year. The use of portable tanks would be outlawed so consideration of this cost will be against the potential increase in earnings, therefore it has not been possible to monetise this cost.

5.7.2 Updating references for standards (all workboats) - Non-monetised cost

The proposed Workboat Code better defines and updates the standards for equipment such as lifesaving appliances, firefighting equipment and batteries. For new build workboats this cost would fall within the design and build costs of the boat and is therefore difficult to monetise as discussed in section 5.3.

Based on the figures shown in section 5.2 this change may affect approximately 1017 workboats over the next 10 years; approximately 102 workboats each year.

Any additional costs to existing vessels wanting to newly certify as a workboat, estimated to be 10 per year, will only be incurred when the existing equipment needs to be replaced. It is common practice for surveyors to accept existing equipment if it remains fit for purpose and will only be upgraded when the equipment has reached the end of its lifespan since only the latest manufactured items are likely to be available. The NWA considers there would be no increased costs to replace equipment on any well specified vessels and for any other vessels the costs would be negligible as the equipment would be ready to be replaced.

[10] SOLAS refers to the requirements for liferafts under the International Convention for the Safety of Life at Sea.

[11] Standards as stated under the International Organization for Standardization.

5.7.3 Requirement for Category 0 – 2 workboats to carry a Radar - Non-monetised cost

In addition to the requirement to carry radar reflectors, the proposed Workboat Code introduces the requirement for all Category 0 to 2 workboats to install a radar system. The average cost of a radar system is £5,000.

Based on the figures shown in section 5.2 this change may affect approximately 665 workboats over the next 10 years; approximately 67 workboats each year. The NWA has indicated that all operators already specify the installation of radar in their workboats at the design stage and costs will be incorporated then as discussed in section 5.3.

Therefore the only additional cost may be incurred for any existing vessels wanting to newly certify under the Workboat Code, where the vessel does not already have radar installed. The NWA estimates around 10 vessels may be affected each year and has indicated that this cost will be negligible.

5.7.4 Electronic Chart System, ECS (Category 0 – 2 workboats operating at high speeds only) - Non-monetised cost

It has been recommended as best practice by the NWA for all Category 0 to 2 workboats operating at high speed, especially those operating round windfarms, to carry an ECS. The average cost of an ECS is £10,000. The NWA has indicated that all operators of these high speed workboats already specify the installation of ECS in their workboats at the design stage and the costs subsumed within the build costs as discussed in section 5.3.

The NWA considers that this will affect 20 per cent of 665 new build workboats; approximately 133 new build workboats over the next 10 years, 13 workboats each year.

Therefore the only additional cost may be incurred for any existing vessels wanting to newly certify under the Workboat Code, where the vessel does not already have ECS installed. The NWA estimates around 10 vessels may be affected each year and has indicated that this will be negligible.

5.7.5 Large size anchors (category 0 – 2 workboats) – Non-monetised cost

The proposed Workboat Code introduces the requirement for larger anchors which are more compatible with the size, displacement and the type and nature of the work and environment in which it is likely to place.

Based on the figures shown in section 5.2 this change may affect approximately 665 workboats over the next 10 years; approximately 67 workboats each year.

The NWA has indicated the cost of a larger anchor and a larger windlass can range from £250 to £3,000 dependent on the size of the workboat. These costs would also be subsumed within the design and construction costs of a new build workboat as discussed in section 5.3 and much of the workboat industry are fitting these larger anchors already.

Therefore the only additional cost may be incurred for any existing vessels wanting to newly certify under the Workboat Code. The NWA estimates this may affect 10 vessels each year and has indicated that this will be negligible and only undertaken where there would be an increase in earning potential.

5.7.6 Maritime Labour Convention (MLC) crew accommodation requirements (Category 0 – 1 workboats operating internationally) – Non-monetised cost

The Maritime Labour Convention, 2006, has introduced new crew accommodation requirements for ships operating on international voyages. The IA for these new requirements, DfT00030, considered the costs and benefits for this but did not specifically cover its application to workboats. This is because the international crew accommodation requirements are best suitable for larger ships and it is not always practical to build workboats with crew accommodation to these standards. The proposed Workboat Code offers substantially equivalent standards which are pragmatic to the size of vessel and area of operation. This will minimise any port state difficulties when operating overseas.

These standards will only apply to new build workboats and the NWA anticipate that around 60 per cent of new workboats each year will be affected. Based on the figures in section 5.2 this equates to approximately 92 workboats in the next 10 years: approximately 7 each year. Whilst the MLC crew accommodation standards will make a significant impact on the design and construction of a workboat, the costs will again be subsumed within the build costs as discussed in section 5.3.

The NWA considers it unlikely that any existing vessels wishing to certify under the proposed Workboat Code would opt to make any substantial changes to the vessel unless there was a significant benefit to be achieved through an increase in earnings. This may affect around 10 vessels per year.

5.7.7 Familiarisation costs – Non-monetised cost

It is possible that some businesses may incur familiarisation costs in order to understand the introduction of the Workboat Code. However, a draft of the workboat code has been in operation as a guidance document since June 2014 and industry have already begun building to the revised standards whilst the Code and its impacts are finalised.

There may be a cost to any owners of existing vessels wishing to certify as a workboat but an owner will only do this upon consideration of the earning potential. This may affect 10 vessels per year and

Question to Consultees

Q6. Please provide any evidence to establish the individual costs of the additional requirements for larger fuel tanks, updating of references, radar, ECS, anchors, MLC-equivalent crew accommodation requirements and familiarisation costs, as discussed in sections 5.7.1 to 5.7.7.

therefore familiarisation costs are expected to be insignificant at this stage.

5.7.8 Double the size of fuel tanks (Category 4 – 6 and restricted Category 3 workboats) - Non-monetised benefit

An increase in the size of fuel tanks is being introduced to recognise that this is already happening by default with operators using portable fuel tanks and to address the inherently greater operational risk for carrying these portable tanks. The cost to do this is discussed in section 5.7.1.

The increase in the amount of fuel carried will allow these vessels to operate at a greater range and increase the potential earnings of a workboat. Based on the figures shown in section 5.2 this change may affect approximately 167 workboats over the next 10 years; approximately 17 workboats each year. It is difficult to monetise the increase in earning potential based on the discussion in section 5.3.

5.7.9 Alternative standard for multihull damage stability (Category 1 and 2 workboats) – Non-monetised benefit

An alternative standard for damage stability has been introduced into the proposed Workboat Code to recognise the much increased level of damage stability in the design of multihull vessels since the publication of the Brown Code in 1998. In practice there is little difference in the build but it effectively means that the same vessel built under the Brown Code would be certified for a lower category than is the case under the alternative standard.

This vastly increases the through life earning capacity of a workboat that for example would be certified as Category 1, operating up to 150 miles at sea, instead of Category 2, up to 60 miles at sea. Most new build multihulls will already be built to this alternative standard however it is the choice of the owner to use this alternative design which would allow them to increase their income by being able to operate at a greater range. The NWA has indicated that most of the existing multihull workboats are windfarm boats (approximately 200 existing UK owned multihull windfarm boats with a further 10 multihull workboats operating as survey vessels) and these are mainly built under MGN 280. As discussed in section 5.2 the SVD does not differentiate vessels built under MGN 280 which are operating as workboats and therefore it is not possible to estimate how many workboats this change may affect over the next 10 years.

The NWA has indicated that the day rate difference would be in the order of £150 – 200 per day – with a potential increase in revenue of £1 million over the life of the vessel.

5.7.10 Compass adjustments (all workboats) – Non-monetised benefit

The existing Brown Code required a magnetic compass to be swung (adjusted) every two years. The proposed Workboat Code relaxes this requirement when a record of compass errors is kept and therefore only needs to be adjusted when damage has occurred or when excessive deviations are recorded.

Due to improvements in technology etc there has been a decline in the number of certified compass adjusters available to do this work. This means workboats owners may need to travel further afield to have a compass swung. The NWA estimates that the relaxation of requiring a compass to be swung may save owners approximately £800, on time and travel, per compass every two years.

It is difficult to monetise the overall saving because the number of workboats keeping records of compass errors will be unknown. In addition, the proposed Workboat Code introduces the option for a workboat to carry a Transmitting Magnetic Heading Device (TMHD) as a recognised acceptable alternative to a compass. A THMD may incorporate the capability to measure magnetic deviation. Again the number of owners who will choose this option is unknown and the NWA believe that owners who wish to fit this as an alternative will include this in the design of the workboat.

Question to Consultees

Q7. Please provide any evidence, or your anticipated monetary estimates, of the individual benefits of the additional advantages of larger fuel tanks, alternative standards for multihull damage stability and compass adjustments as discussed in sections 5.7.8 to 5.7.10.

5.7.11 International recognition of the proposed Workboat Code – Non-monetised benefit

The number of contracts which have been lost due to the standards in MGN 280 being considered lower is unknown. If a workboat operating under the old standards did not comply with the up-to-date Tenderer or Flag state's requirements it would simply not get on the tender list.

Separating these specific standards for workboats from the other Codes of Practice will provide clarification of the standards for other Flag States and it is expected that the Workboat Code will once again become the world leading standard. The proposed Workboat Code will facilitate growth overseas and the benefit of this can only be monetised on the additional number of contract won by UK operators. It is difficult to qualify this impact until the proposed Workboat Code has been in operation for some time.

Likewise, the value of any contract would be commercially sensitive and dependent on many external factors such as general economic conditions prevalent at the time, therefore, it will also not possible to monetise the benefit.

Question to Consultees

Q8. Please provide an estimate of the number of contracts lost, and profit or revenue lost due to workboats operating under the old Brown Code and MGN 280?

5.7.12 Safety – Non-monetised benefit

It is not possible to quantify the safety benefits of the proposed Workboat Code, due to the lack of available data. However, there will be non-monetised safety benefits resulting from the updates to the Code. For instance, the proposed Workboat Code increases the size of fuel tanks in order to outlaw the use of portable fuel tanks which are an obvious fire hazard.

5.8 Summary of net impacts of Option 1, the proposed Workboat Code

The Net Present Value of the impacts of Option 1 over the 10 year appraisal period are estimated to be -£0.12 million. For Business the Net Present Value is estimated to be around -£0.12 million over the 10 year appraisal period The EANCB (based on 2009 prices) is £0.01 million.

Table 5: Benefits and Costs of Option 1 from January 2015 to December 2024 (£s, 2015 prices) (Not Discounted)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
a) Business Benefits (£)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
b) Business Costs (£)	0.4	0.4	0.3	-	-	-	-	-	-	-
Business NPV (£) (a-b)	-0.3	-0.3	-0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1

6. Rationale and evidence that justify the level of analysis used in the IA (proportionality approach)

The proposed Workboat Code has been led by industry. The whole sector has been engaged throughout the development of the revision to the construction and safety standards, and operational arrangements.

Information regarding the number of potential new build workboats affected has been taken from the MCA's SVD and the figures uplifted in line with the NWA advice, however, this data is limited. To establish more exact figures is considered to be disproportionate to the impacts of the proposed Workboat Code and would require a substantial amount of work from 13 CAs to search through over 6600 files.

It has not been possible to establish accurate figures on the number of existing vessels which have newly certified as workboats over the last 10 years. The UK Ship Register database would require the manual search of potentially over 10,000 records and this is considered disproportionate to the scale of impacts of this proposal.

The cost for the additional equipment, cost to build and earning potentials have been provide direct from industry operators, surveyors and ship builders.

The NWA has stated that their members welcomed the revision of the Code and when questioned none thought that the additional requirements would present any problems or any unnecessary cash disadvantages.

This level of analysis undertaken is in line with the depth of available information.

7. Risks and assumptions

7.1 Risks on implementing the proposed changes

No risks have been identified with implementing the proposed Workboat Code. Industry has driven this change to enable them to remain competitive within this rapidly growing sector. The cost to implement the revised safety standards is considered minimal in the scale of the costs to build a workboat.

7.2 Risks of doing nothing

The harmonised MGN 280 standards is widely viewed as a lesser standard than the original Brown Code, which is also out of date. By doing nothing Government would be ignoring the needs of industry which in turn would put the industry at risk of losing further contracts both in the UK, the EU and worldwide.

7.3 Risks and assumptions in relation to the monetary analysis

There is a minimal degree of risk associated with the analysis of the costs and benefits of the impacts associated with Option 1, introduction of the proposed Workboat Code under the existing legislation, given the assumptions made throughout this impact assessment.

However, there is an assumption that the number of workboats will increase by 25 per cent over the next 10 years, which is the same as the previous 10 year period (2005-2014). The training, liferaft and servicing costs are provided by the NWA.

The estimates of the costs and benefits that are presented in this IA are sensitive to the data sources used in this analysis and the assumptions that have been made. The estimated costs are based on a limited amount of information provided by the NWA. Consequently, there are uncertainties around these estimates. Due to limited availability of evidence, it has not been possible to reliably estimate low and high estimates, and therefore only central estimates have been provided based on the information provided by NWA. Therefore, these estimates have been used for purely illustrative purposes and should be interpreted as indicative estimates of the order of magnitude. We do not believe that the residual uncertainty surrounding the impacts presented in the IA could be significantly reduced without incurring disproportionate costs. However, we will use the responses to the consultation to gather more information on the costs and benefits. We will also check if any respondents disagree with our expectations.

8. Direct costs and benefits to business calculations (following OITO methodology)

This proposal is within scope of One In, Two Out as it is domestic in origin and concerns regulation affecting business. The Best estimate of the Net Cost to business (Present Value) over the 10 year appraisal period is around -£0.12 million. On the basis of the OITO methodology, the Best estimate of the Equivalent Annual Net Cost to business per year (EANCB) is estimated at around £0.01 million per year.

It has not been possible to monetise many of the benefits to industry, especially with regards to improving the competitiveness of UK workboat owners and the increase in the potential earnings by allowing greater operational capacity, as discussed in section 5.7. Therefore the monetised costs outweigh the monetised benefits in this IA and represent an IN to business. However it should be noted that industry has led the development of the proposed Workboat Code and fully support the changes. One such letter of support is included at Annex 4.

9. Wider impacts

9.1 Equality Impact Assessment

The MCA considers that there is no effect, positive or negative, on outcomes for persons in relation to their age, disability, gender assignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. However, the MCA considers that the very nature of the workboat industry and the practical arrangements of workboats means that the needs of a disabled person may not be readily met and may present physical barriers which would prevent them from working on board.

9.2 Small and Micro Business Assessment

The majority of companies in the UK Workboat industry are micro, small and medium sized businesses. Key representative bodies of the workboat industry the NWA, the British Marine Federation (BMF)) and the Professional Boatman's Association (PBA)) were active in the Working Group to ensure that the revised standards remain proportionate to industry needs.

There is no reliable data available to give an exact estimate of the number of businesses in the workboat industry. The Single Vessel Database (SVD) information collated by the MCA lists a company name for 467 of the 650 workboats that are currently certified and that there are 236 companies in total owning these 467 workboats. However, there are 183 without owner details and, as discussed in section 5.2, the NWA estimates a further 25% of MGN 280 vessels are also operating as workboats.

The SVD data does not show the ownership details of every workboat currently certificated; where the information is available 89% own one to three workboats and, of those, 80% own one workboat. It does not necessarily equate that a single workboat owner will operate a small workboat or work within the smaller areas of operation, nor that only small workboats operate in closer to shore and larger workboats operate further afield. The data shows that whilst it is common for larger workboats to operate in Category 0 – 2 areas they are as likely to work in Category 3 to 6 depending on where the work they are contacted to do requires. Likewise, it can't be assumed that small and micro businesses, with only one workboat, will not compete for contracts abroad.

The NWA estimate that the three representative bodies (NWA, BMF and PBA) represent around 85% SMEs; the NWA membership alone has a breakdown of 29% - micro business, 37% - small business and 31% - medium enterprises. It is understood that the breakdown of businesses represented by BMF and the PBA is similar to this. Whilst several members of the Working Group are themselves small owner operators or small boat builders, views of the independent micro businesses were also sought through the Certifying Authorities (CAs), the surveyors of workboats. The majority of CAs were present at meetings and presented views from those owners whose boats they surveyed, as well as providing their views as the CAs.

Therefore, although the views of every individual workboat owner may not have been captured, it is considered that the revised standards remain proportionate and the proposed Workboat Code has the overall support of industry.

Voluntary application of the Workboat Code to micro and small businesses was considered but this was not taken further because of the high percentage of businesses in the industry that are micro and small businesses, and on the grounds of safety of both the crew and passengers, and the safety of other craft

and installations workboats interact with. For example, the requirement for crew to be trained to use radar and electronic chart systems which ensures workboats can navigate safely through the waters they operate in. It is currently common practice for one crewman to teach another the equipment on the bridge, with no formal training being provided. The MAIB investigation into the Windcat 9 collision in 2013[5] is only one example where this has been highlighted and a factor in the incident. If the Workboat Code was applied voluntarily there would be no mandatory requirement in place for formal training and the MCA, as the Regulator, and the industry would not be addressing serious concerns to safety.

Given these circumstances, and the reason standards are being revised on the grounds of safety and to reflect up-to-date technology, as discussed in section 2.2, it is difficult to assess the full impact on small and micro business in particular. However, the NWA believes the financial implications to be negligible.

Question to Consultees

Q9. Is the information provided in the Small and Micro Business Assessment an accurate reflection of the workboat industry? Please submit any further evidence to substantiate this assessment

Q10. How does the proposed Workboat Code impact you as a small business? Please provide any further evidence to substantiate the impact to your business, noting the size of business, the number of employees and the number of workboats you operate

9.3 Competition Assessment

One of the main drivers for revising the standards of construction and operation of Workboats is to allow the UK workboat industry to compete with those from other countries in this fast growing maritime sector, both in the UK and abroad.

Whilst limited evidence is available, workboat owners have found it increasingly difficult to win contracts in foreign markets where the administration no longer readily accepts the UK's existing standards, as discussed in section 2.1. There has been an indication that the proposed Workboat Code will be recognised by other Flag States and this, alongside the recent introduction of a specific STCW certificate for those working on these vessels, will facilitate UK operators winning such contracts. Section 5.3.2 of the Impact Assessment discusses the impact on potential earnings.

9.4 Environmental Assessment

It is considered that there are no environmental impacts.

9.5 Family Test:

It is considered that there are no significant impacts on families.

10. Summary and preferred option with description of implementation plan

Under the preferred option to revise the existing standards, the scope for gaining more contracts is greatly increased. Non-UK Administrations and foreign contractors are becoming more reluctant to recognise workboats built to either the outdated Brown Code or the equivalent MGN 280. The proposed Workboat Code would bring the standards back in line with the progression of the industry and it will again become the world leading standard.

The MCA will continue to administer and enforce the proposed Workboat Code and the revision is unlikely to cause any great variation in MCA workload. Industry, CAs and MCA surveyors will have to become familiarised with the new standards although all have been involved in the development of the revised Brown Code so this should be minimal.

Regular meetings have been established through the NWA to discuss issues surrounding their specific sector. These meetings will provide a continual review of the revised standards and therefore will be well placed to raise any unforeseen problems which may arise from this revision.

Annex 1: Industry Working Group

The following organisations participated in the Industry Working Group that drafted this Code, under the co-ordination of the UK National Workboat Association:

BMT Nigel Gee
British Marine Federation
British Sub-Aqua Club
Bureau Veritas
Canals and Rivers Trust
DNV-GL
International Institute of Marine Surveyors
International Jack-Up Barge Owners Association
Lloyd's Register
Maritime and Coastguard Agency
Mecal
National Workboat Association
Port of London Authority
Professional Boatman's Association
Royal Yachting Association
Society of Consulting Marine Engineers and Ship Surveyors
UK Maritime Pilot's Association
Yacht Designers and Surveyors Association

Annex 2: Areas of Operation

Area Category 6 - to sea, within 3 miles of a nominated departure point(s) named in the certificate and never more than 3 miles from land, in favourable weather and daylight;

Area Category 5 – within 3 miles of land and not more than 3 miles radius from either the point of departure to sea or the seaward boundary of protected waters (see definition of "protected waters") in favourable weather;

Area Category 4 - Up to 20 miles from a safe haven, in favourable weather and in daylight;

Area Category 3 - Up to 20 miles from a safe haven;

Area Category 2 - Up to 60 miles from a safe haven;

Area Category 1 - Up to 150 miles from a safe haven;

Area Category 0 – Unrestricted service.

Depending on the nature of the vessel and its use, a vessel may be restricted to less than the above specified limits. Such a restriction should be recorded on the Small Work Boat Certificate for the vessel and should be limited to operations within Area Categories 3, 4, 5 and 6 only.

Annex 3: Calculation of annual benefits.

This saving is divided into two parts:

1) The lifeboat costs (SOLAS vs ISO)
2) The savings costs (Annually vs 3 years)

1) Liferaft costs

Cost of ISO: £600
Cost of SOLAS: £1600

The difference equates to a £1000 saving. Section 5.6.1 states the measure will impact 81 boats p/year. Thus, £1000 * 81 = **£81,000 saving per year.**

2) Service Costs

ISO liferafts require servicing every 3 years, whereas SOLAS require annual servicing. A service costs £350.

As ISO service is every 3 years, the following calculations were done:

ISO service: (£350/3.333) * 81 = £8505
SOLAS service: (£350) * 81 = £28,350

The difference between the two service costs is: **£19,845 saving per year.**

Therefore, adding the 1) and 2) together gets the total saving which is **£100,845 per year**. This figure is rounded to **£0.1million** in the Impact Assessment Calculator.