

Title: Merchant Shipping (Maritime Labour Convention)(Survey and Certification) Regulations 2013 ("the 2013 Regulations") IA No: DfT00193 Lead department or agency: Maritime and Coastguard Agency (MCA) Other departments or agencies: Department for Transport	Impact Assessment (IA)				
	Date: 25/06/2013				
	Stage: Final				
	Source of intervention: International				
	Type of measure: Secondary legislation				
Contact for enquiries: Julie Carlton					
Tel: 023 8032 9246					
Summary: Intervention and Options					
RPC: RPC Opinion Status					

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	
-6.13m	-£4.71m	£0.5m	No	NA	

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

There is currently no effective international framework for enforcing minimum standards for living and working conditions on ships. Employment conditions for seafarers vary across the world, with some seafarers working under unacceptable conditions and some shipowners operating substandard ships, thus gaining a competitive advantage. The ILO Maritime Labour Convention (2006) aims to provide comprehensive rights for seafarers that are globally applicable and uniformly enforced. Government intervention is necessary to provide a statutory framework for consistently enforcing the MLC on both UK ships and non-UK ships visiting UK ports.

What are the policy objectives and the intended effects?

The purpose of the Regulations is to introduce survey, certification and inspection for seafarers' living and working conditions, as part of the UK's implementation of the MLC. Once implementation is complete, the UK will be able to ratify the MLC and thus promote an international level playing field for "decent work" for seafarers. The regulations will enable the Maritime and Coastguard Agency (MCA) to provide UK ships with MLC certification, which will facilitate inspections in ports of countries that have ratified the MLC; and to enforce MLC standards on non-UK registered ships calling at UK ports. They also introduce seafarer complaints procedures. Specific objectives for survey and certification can be found in the Evidence Base.

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

This is one of a package of measures required to enable the UK to ratify the MLC. Doing nothing is not therefore considered to be an appropriate course of action. If the UK did not ratify the MLC, UK ships would not be able to obtain MLC certification, limiting their ability to operate effectively, and MCA could not effectively address poor seafarer living and working conditions on non-UK ships in UK ports. The preferred policy option is therefore to introduce the 2013 Regulations (Policy Option 1) which would make the minimum changes to existing legislation to implement the provisions of the MLC on survey and certification (Regulation 5.1 of the MLC on the Flag State Role) and port state control (Regulation 5.2 of the MLC. No further measures have been deemed to be necessary and so only one Policy Option has been considered in this impact assessment.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 08/2018						
Does implementation go beyond minimum EU requirements?			N/A			
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: NA		Non-traded: NA	

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister: _____ **Simon Burns** _____ Date: 24/07/2013

Summary: Analysis & Evidence

Policy Option 1

Description: Introduce the 2013 Regulations to bring UK legislation into line with Regulations 5.1 and 5.2 of Title 5 of the MLC.

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -15.05m	High: -£0.54m	Best Estimate: -£6.13

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	NQ	NA	£0.31	£2.81
High	NQ		£1.94	£16.80
Best Estimate	NQ		£0.93	£8.15

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

1) The costs to business of MCA fees for MLC inspections and certificates for UK registered ships that it has been possible to monetise are estimated at around £0.54m [range £0.15m to £1.18m] per year on average. 2) The costs to the MCA that it has been possible to monetise are estimated at around £0.39m [range £0.16m to £0.76m] per year. But, the overall financial costs to government of MCA's role will not necessarily rise, as MCA is required to absorb the extra work within existing resources.

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

These include 1) Subsistence costs associated with MLC inspections. 2) Operational and staffing costs to UK shipowners while a survey or inspection is being undertaken. 3) Cost to business of preparing documentation for survey and inspection. 4) Potential costs of compliance with MLC standards for non-UK registered ships calling at UK ports. Due to limitations in the available evidence base, the scale of these costs, and the extent to which these costs would represent a cost to the UK, is very uncertain.

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ	NA	£0.20m	£1.75m
High	NQ		£0.26m	£2.27m
Best Estimate	NQ		£0.23m	£2.02m

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

MCA is estimated to save around £0.2 to £0.3 million per year. This is the non-recoverable cost to the MCA of current ILO 178 inspections, which are being replaced by MLC inspections.

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

The benefits from these Regulations are largely dependent on UK ratification of the MLC. Provided that the UK ratifies the MLC, the key benefits of the MLC Survey and Certification regime are as follows: 1) UK registered ships could benefit from a reduction in the risk of delays when calling at ports of MLC-ratifying states, and from their improved competitive position internationally as a consequence of international standards being raised. 2) Seafarers on both UK and non-UK ships could benefit from the improved enforcement of minimum international standards for living and working conditions.

Key assumptions/sensitivities/risks	Discount rate (%)	3.50
1) Due to the limitations of the available evidence base, a range of assumptions have had to be made, and it has not been possible to monetise some of the costs and benefits. 2) The estimates are very sensitive to the data used and the assumptions that have had to be made. 3) The extent that the estimated monetised costs to the UK registered ships would represent a cost to the UK is uncertain. 4) Further details of assumptions made are given in the Evidence Base.		

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £0.5m	Benefits: £0	Net: £0.54m	No	NA

Evidence Base (for summary sheets)

1. TITLE OF PROPOSAL

The Merchant Shipping (Maritime Labour Convention) (Survey and Certification) Regulations 2013 (“the 2013 Regulations”)

1a. CONSULTATION ON THE PROPOSALS

Like all Conventions of the International Labour Organisation, the Maritime Labour Convention, 2006 was drawn up on a tripartite basis in negotiations between shipowner organisations, seafarer organisations and governments, and the UK took a leading role in all three delegations. The MCA has continued to work closely with its social partners on the implementation of the Convention, through a tripartite working group – see Annex 4.

The impact assessment for these proposals, issued as part of the public consultation package, invited additional evidence on the costs and benefits of the 2013 Regulations. 183 organisations and companies were directly notified of the consultation exercise, including the UK Chamber of Shipping which represents a broad cross section of UK shipping companies in all sectors, and other trade associations such as the British Marine Federation and the International Marine Contractors Association. Four written responses were received from significant players in the industry. The responses on specific aspects of the proposals are included in the costs section below, but in summary no evidence was provided of costs or benefits arising from the requirements which MCA had not foreseen. No quantified evidence of costs or benefits was provided.

2. PROBLEM UNDER CONSIDERATION

Employment conditions for seafarers vary across the world, with some seafarers working under unacceptable conditions. Ship owners, who operate substandard ships, can gain a competitive advantage over their international counterparts. In particular, ILO (2012) suggests that “seafarers often have to work under unacceptable conditions, to the detriment of their well-being, health and safety and the safety of the ships on which they work.” In addition, ILO (2012) suggests that flag States and shipowners which provide seafarers with decent conditions of work “face unfair competition in that they pay the price of being undercut by shipowners which operate substandard ships.”

The existing ILO Convention on living and working conditions for seafarers (ILO 178) applies only to vessels of 500GT and over, requiring flag state inspections every 3 years. There is no certification regime and no port state control provision. As a result, there is no internationally recognised inspection regime or certification for living and working conditions for seafarers, and therefore little effective enforcement internationally of existing Conventions, for example on payment of wages, repatriation and shipowner liability for medical care.

3. RATIONALE FOR INTERVENTION

Given the international nature of the shipping industry, it is considered that effective international standards are needed to address the issues and risks that have been raised in Section 2, and to provide decent working conditions and a level playing field for ships of different flags. This is why the MLC has been developed in the ILO by government, employer and seafarer representatives as a global instrument to address these. The MLC aims to provide minimum rights for all seafarers that are globally applicable and uniformly enforced, including on payment of wages. It was adopted in the ILO by a record vote of 314 in favour and none against (two countries abstained for reasons unrelated to the substance of the MLC). The ratification criteria to bring the Convention into force internationally were met on 20 August 2012, and the MLC will therefore come into force internationally on 20 August 2013. It is expected to be widely ratified.

The Government’s social partners, the shipping industry and the seafarers’ Trades Unions (see Annex 4 of this impact assessment), are pressing for ratification of the MLC in the UK and have written to Ministers explaining their reasons for supporting it and the importance of prompt ratification by the UK to

UK shipping operators (see Annex 6). Ratification of the MLC in the UK requires a package of new legislation to be introduced to implement some of the provisions of the MLC in UK law, including the provisions of the MLC regarding payment of wages. Doing nothing is therefore not considered to be an appropriate course of action.

Widespread ratification of the MLC, including the provisions of survey and certification and the improved mechanisms introduced by the Convention could improve the consistency of living and working conditions between ships of different flags, and could help to ensure that all seafarers including UK nationals have a reasonable expectation of “decent work” on ships of any flag where they work. The 2013 Regulations would bring existing legislation for UK registered vessels into line with the minimum global standards for survey and certification provided for in the MLC.

In addition, once the UK has ratified the MLC, the 2013 Regulations would allow the UK to enforce international minimum global standards on these issues for seafarers on non-UK registered vessels visiting UK ports on a “no more favourable treatment” basis.

As things currently stand, ship owners who operate substandard ships have no incentive to improve working conditions for their seafarers. Doing so would mean they would lose competitive advantage, and there is no effective enforcement internationally.

The Maritime Labour Convention, 2006 (“the MLC”) introduces for the first time an effective enforcement regime applying to all ships regardless of size, and all seafarers. The UK cannot play its part in that enforcement without legislation to provide it the powers to survey, certificate and inspect seafarer living and working conditions on ships.

In addition, a further driver for Government intervention is that, regardless of whether the UK ratifies the MLC, UK registered ships would still be subject to the provisions of the MLC on a ‘no more favourable treatment’ basis when visiting foreign ports in countries that have ratified the MLC. This means that UK registered ships operating internationally would be required to comply with the standards of the MLC when visiting ports in ratifying countries whether the UK has implemented the MLC or not.

The ILO Guidelines on Port State Control state that possession of a valid Maritime Labour Certificate should be considered as *prima facie* evidence that the ship complies with the MLC. MLC certification is only available through a vessel’s flag state administration, hence non-ratification of the MLC in the UK would be expected to put UK Registered ships at a disadvantage as they would lack MLC certification which is a deficiency under the MLC even if they are otherwise in compliance with the MLC standards.

Under the ILO Guidelines on Port State Control, failure to hold such a certificate, and the accompanying documentation, would give the Port State sufficient reason to subject the vessel to a more detailed inspection – although if conditions on board are found to be good then the inspection may not need to be extensive (this would be at the discretion of the PSC officer). Part of the documentation is a record of the national legislation applying to the vessel concerned. Where there is no documentation, the Port State Control inspectors may apply inappropriate standards from their own national interpretation of the MLC standards – particularly where the MLC standards are expressed in general terms.

The 2013 Regulations would allow the UK to issue certification to UK ships, demonstrating that they comply with MLC standards (contained in other regulations). Provided that the UK ratifies the MLC, those certificates should be considered by a port State control inspector in any ratifying country as *prima facie* evidence that the ship complies with the MLC. The absence of an MLC certificate could potentially subject UK registered ships to longer delays in port than they would otherwise face as port states verify compliance with the MLC through port state control procedures.

The 2013 Regulations are therefore required to enable UK shipowners to benefit from certification under the MLC.

In the context of MCA work, the term “survey” is used where a certificate is to be issued, when the work is chargeable to the ship owner, and “inspection” is used where there is no certificate, and MCA does not charge for this work. However, the MLC only uses the term “inspection”. In this IA, therefore, the terms are used interchangeably, depending on whether the reference is to MLC requirements or UK practice.

4. POLICY OBJECTIVES

To bring UK legislation into line with the requirements of the MLC related to compliance and enforcement of UK flag state responsibilities (applicable to UK registered ships) and port state responsibilities (applicable to non-UK registered ships.) The policy objectives are to enable the UK to ratify the MLC in order to:

- Secure decent working and living conditions for seafarers on UK registered ships and globally,
- Promote a more level competitive playing field for international shipping by enforcing these standards on non-UK registered vessels that call at UK ports.
- Enable the MCA to issue MLC certification to UK registered vessels, reducing the potential for UK flagged vessels to experience delays in foreign ports in countries that have ratified the MLC, as explained in section 3, provided that the UK has ratified the MLC.

In particular, the 2013 Regulations are intended to:

- a) Bring UK legislation into line with the requirements of the MLC on:
 - (i) survey and certification (Regulation 5.1 of the MLC on the Flag State Role); and
 - (ii) on board and on shore complaints procedures for seafarers for alleged breaches of the MLC;to enable UK ratification of the MLC; and
- b) Enable the UK to enforce MLC standards on ships of other flags calling at its ports (Regulation 5.2 of the MLC) once the UK has ratified the MLC. Since the MLC provides that ships of non-ratifying countries should have “no more favourable treatment” in the ports of ratifying countries, this would remove the competitive advantage to ships owners of flagging affected vessels (i.e. vessels operating into UK ports) with a non-ratifying country.

The 2013 Regulations, in conjunction with the other Regulations required to give effect to the MLC in the UK, will provide a stronger framework for the enforcement of decent standards of work as well as raising the profile of such issues with both shipowners and seafarers.

A country which has ratified the MLC is able to issue Maritime Labour Certificates to its ships, which will facilitate inspection in the ports of ratifying countries, so supporting their shipping industry. Ratifying countries are also able to enforce the same standards for payment of wages on ships of other flags calling at its ports, since the MLC provides that ships of non-ratifying countries should receive “no more favourable treatment” in the ports of ratifying countries. The 2013 Regulations will give the UK this power. This would remove the competitive advantage to shipowners operating into UK ports of flagging with a non-ratifying country.

5. DESCRIPTION OF POLICY OPTIONS

5.1. Do nothing

Existing UK legislation is not currently in compliance with the MLC in respect of survey and certification requirements. A 'Do nothing' Option would not achieve the policy objectives that are outlined above.

The Do Nothing scenario represents what would happen if the Government did not take any action. Under the Do Nothing scenario, the MLC will come into force in August internationally regardless of whether the UK is ready or not.

In particular, regardless of whether the UK ratifies the MLC, UK registered vessels would still be subject to the provisions of the MLC on a “no more favourable treatment” basis when operating in foreign ports in countries that have ratified the MLC. This could result in UK registered vessels being delayed due to inspections to check their compliance with the MLC. Holding the appropriate MLC certification would reduce the potential for UK flagged vessels to experience delays in foreign ports in countries that have ratified the MLC.

The costs to UK shipping arising from these delays have been discussed with the Tripartite Working Group advising the MCA on implementation of the MLC. It is not possible to quantify in a meaningful way either the extent of delays (which would vary depending on ports of call and the trading schedule of the ship) or the cost that would be incurred as a result (which would depend on a large number of factors, including the nature of the shipping contract, the cargo carried, port fees etc). However, Annex 6 makes clear the importance to the UK shipping industry of avoiding this risk.

The risks of not ratifying the MLC are summarised at the end of Annex 3 of this impact assessment.

A 'Do nothing' Option is not therefore considered to be an appropriate course of action as the UK government's social partners, the shipping industry and the seafarers' Trades Unions, support prompt ratification of the MLC.

Only one policy option has therefore been considered in this impact assessment.

5.2. Policy Option 1: To introduce the 2013 Regulations in order to implement the minimum mandatory requirements of the MLC in respect of compliance and enforcement.

In particular, the 2013 Regulations would:

- (a) Introduce a survey and certification regime on seafarer living and working conditions for UK ships of 500GT and over operating on international voyages, in line with the requirements of the MLC, on survey and certification (Regulation 5.1 of the MLC (2013 Regulations 7 to 9)). The 2013 Regulations would apply to sea-going UK ships to which the MLC applies, wherever they may be;
- (b) Provide for the appointment of a recognised authority other than the UK authorities to undertake these surveys and the issue of MLC certificates where appropriate (This could include another maritime administration, or a classification society.)
- (c) Introduce an inspection regime for other ships under 500GT or not engaged on international voyages which are subject to the MLC;
- (d) Provide for issue of interim certificates to such ships in specified circumstances (regulation 10)
- (e) Enable the Secretary of State to survey ships registered in other States and to issue certificates with respect to such ships, at the request of the Flag State of that ship (regulation 10 of the 2013 Regulations);
- (f) Specify conditions for the validity of a Maritime Labour Certificate (regulation 12)
- (g) Make provision for documentation relating to the survey and certification of UK ships, including Declaration of Maritime Labour Compliance (DMLC) Part 1, issued by the flag state to specify the relevant requirements for the ship under the MLC, and DMLC Part 2 prepared by the shipowner which sets out how the ship complies and will continue to comply with those requirements (regulation 13 and 14);
- (h) Require UK shipowners to put in place complaints procedures for seafarers as regards alleged breaches of the requirements of the MLC and for those complaints to be resolved fairly, effectively and expeditiously (regulation 15);
- (i) Make provision for a seafarer to make a complaint to the MCA as regards alleged breaches of the requirements of the MLC, and for the MCA to treat such complaints confidentially;
- (j) Make provision for UK inspection of ships of other flags calling at UK ports, to ensure that they comply with the MLC (regulation 18).

The regulations would also revoke

- (i) section 33 of the Merchant Shipping Act 1995, which provides for a superintendent to investigate a dispute over wages brought to them by employer and seaman; and
- (ii) section 44 of the Merchant Shipping Act on complaints about food and water.

Both of these will be superseded by (h) and (i) above.

This policy option fulfils all policy objectives and is the preferred option.

6. COSTS AND BENEFITS OF 2013 REGULATIONS (OPTION 1)

6.1 Background

6.1.1 Survey and certification of ships.

UK legislation already exists for survey and certification of UK vessels which apply international standards for construction of the ship, equipment, emergency provision, pollution prevention and safe

management of the ship (e.g. under the Safety of Life At Sea and Prevention of Marine Pollution Conventions) but these do not impact on seafarers' living and working conditions, which will be the target of the MLC Survey and Certification regime. The existing survey and certification legislation would remain in force, and the new regime will fall in with existing practices and procedures which are well known to the industry. Where practical, MLC survey and inspection will be conducted at the same time as other statutory inspections to minimise the costs to shipowners and to the MCA, while doing the minimum necessary to implement the MLC.

In this impact assessment, the terms "flag" and "register" are used interchangeably to refer to the UK ship register (UKSR); the terms "ship" and "vessel" refer to a ship as defined in the Glossary (see Annex 5 of this impact assessment) which falls within the scope of the MLC and its requirements; and the term "MLC inspection" refers to ILO inspections carried out as part of the MLC survey and inspection regime that would be introduced under the 2013 Regulations.

In addition, the following definitions are used in this impact assessment:

- An "existing" ship is defined as a ship already registered to the UK flag on the date that the MLC comes into force.
- A "new" ship is defined as any ship which joins the UK flag after the date on which the MLC comes into force. A New Ship may be a ship previously registered to another flag which is transferring to the UK flag (defined as a "transfer") or it may be newly-constructed and registering for the first time with the UK flag (defined as a "new-build").

6.1.2 Comparison against the Do Nothing scenario

The 'Do Nothing' scenario represents what would happen if the Government did not take any action. Under the 'Do Nothing' scenario, the MLC will come into force in August internationally regardless of whether the UK is ready or not.

A large number of nations have already ratified and many more are expected to have done so by then. Being a Convention with worldwide application, and given that any UK ships visiting ports in ratifying countries (which are expected to be most countries within a fairly short timescale) will have to be compliant, its effects will be virtually impossible to escape for ships wishing to trade internationally.

Therefore, MCA expects that a proportion of any additional costs of complying with the minimum mandatory requirements of the MLC would have been incurred under the 'Do Nothing' scenario, but UK ships would not have the benefit of a Maritime Labour Certificate as "prima facie" evidence of compliance with the MLC. Ships would therefore be liable to detailed inspection with potential costly delays. The UK Chamber of Shipping has said that the costs they will face in terms of delays to schedules, and the risk that shippers will choose to place their cargoes with MLC-certificated ships to avoid the risk of delays, are of a different order to the costs of compliance with the UK regulations implementing the MLC.

A report commissioned from Oxford Economics by the MCA¹ shows that the statutory survey costs for three typical ships which will be subject to the MLC survey regime amount to no more than 0.5 per cent of the operating cost of the vessel - excluding the cost of fuel which may be up to 60 per cent of the total operating cost.

However the likelihood of these costs arising is uncertain. Given these uncertainties, this impact assessment assesses the additional costs to business of complying with the 2013 Regulations, relative to the requirements of existing UK legislation or existing industry practice as applicable. These costs are outlined on the summary sheets. However, as discussed above, we do not know the extent to which these costs are truly additional costs of the proposed Regulations.

6.2. Overall approach to the assessment of costs and benefits

This impact assessment considers the specific costs and benefits that may arise from changes introduced by the 2013 Regulations, as set out in Section 5.2 above. Costs and benefits arising from regulations introducing other aspects of UK implementation of the MLC are considered in separate impact assessments.

For the purposes of this impact assessment, the costs and benefits of the 2013 Regulations (Option 1) have been monetised to the extent that this is possible. Given the limitations of the available evidence

¹ Oxford Economics: "Independent Economic Advice on the Impacts of Increasing MCA Fees", January 2013

base, it has not been possible to monetise some of the costs and benefits of the 2013 Regulations (Option 1). Where it has not been possible to monetise a cost or benefit, a full qualitative description of the cost or benefit has been provided.

The Impact Assessment issued for public consultation invited consultees to submit additional evidence on the costs and benefits of the proposed regulations. Relevant responses on specific aspects of the proposals are included below but in summary no evidence was provided on costs or benefits arising from the requirements which MCA has not foreseen. Some concerns were also raised which can be addressed through improved guidance, rather than substantive changes to the requirements. No quantified evidence of costs or benefits was provided.

In addition to comments on the changes proposed, several responses highlighted concerns about the practical application of the 2013 Regulations. Most of these comments will be addressed in guidance.

The MLC will come into force on 20 August 2013. The period between 20 August 2012 (when the 30th country ratified the Convention) and 20 August 2013 is a transitional period. Although the Convention is not in force until 20 August 2013, by that date all ships to which the Convention applies are expected to comply with its provisions, which include the requirement to have in force a Maritime Labour Certificate issued by the flag state. To allow the UK to issue as many certificates to as many compliant UK ships as possible by 20 August 2013, it will be necessary to bring the Regulations into force as soon as possible, and before 20 August 2013. During that period, the MLC standards in other UK implementing Regulations are not in force, and could not be enforced by MCA on UK ships or foreign ships. However, in order to obtain certification, shipowners are effectively required by the MLC to comply with those standards before 20 August 2013.

The timing of when exactly the 2013 Regulations would be brought into force is uncertain. So, for the purposes of this impact assessment, it has been assumed that the 2013 Regulations will enter into force on 20 August 2013. A 10 year appraisal period has been used in this impact assessment. The appraisal period therefore runs from 20 August 2013 to 19 August 2023, and is split into 10 appraisal years. For example, the first appraisal year (Year 1) runs from 20 August 2013 to 19 August 2014

6.3. Costs of the 2013 Regulations (Option 1)

6.3.1 Introduction

The following costs of the proposals have been identified in this impact assessment:

- (Monetised) Costs to business of MCA fees and surveyor subsistence cost for MLC inspections and certificates for UK registered ships of 500GT and over that operate on international voyages (Section 6.3.3)
- (Monetised) Cost to MCA of MLC inspections not fully recovered from business (Section 6.3.4)
- (Monetised) Cost to MCA of non-chargeable MLC inspections of UK Registered Ships less than 500GT that operate on international voyages (Section 6.3.4)
- (Non-Monetised) Cost to the MCA of investigating seafarer complaints (Section 6.3.5.1)
- (Non-monetised) Cost of training for MCA staff (Section 6.3.5.2)
- (Non-monetised) Familiarisation and administrative costs to business (Section 6.3.6)
- (Non-monetised) Operational costs to business of MLC survey and inspections (Section 6.3.7.1)
- (Non-monetised) Costs to business of preparation and maintenance of Declaration of Maritime Labour Compliance (DMLC) Part 2 (Section 6.3.7.2)
- (Non-monetised) Costs to business of bringing complaints procedures into line with MLC standards and of possible increase in number of complaints from seafarers (Section 6.3.7.3.)
- (Non-monetised) Cost to business of inspections for UK ships under 200GT operating internationally (Section 6.3.7.4)
- (Non-monetised) Cost to MCA and business associated with inspections of non-UK registered ships that call at UK ports (Section 6.3.8)

Where the costs have been monetised, it has only been possible to produce illustrative estimates of these costs. It should be noted that these illustrative estimates are very sensitive to the data used and the assumptions that have had to be made. Therefore, there are large uncertainties around these estimates. For example, there are considerable uncertainties surrounding how the number of UK registered ships will change each year going forward.

The consultation invited consultees to submit additional evidence on the costs and benefits of the proposed regulations. No quantified evidence of costs or benefits was provided.

For the purpose of this Impact Assessment, the illustrative estimates of the costs to business of MCA fees for MLC inspections and certificates for UK registered ships of 500GT and over that operate on international voyages are used as a proxy for the costs to UK businesses and are shown on the 'Summary: Intervention and Options' and 'Summary: Analysis and Evidence' sheets.

However, it should be noted that UK registered ships are not necessarily UK owned, and UK registered ships do not necessarily operate to and from UK ports. The costs to the owners and operators of UK registered ships would only represent a cost to the UK where these costs fall on UK entities (e.g. UK businesses or consumers). Although any shipowner wanting to flag their ship to the UK must have a presence in the UK, the company may be structured in such a way that a proportion of the costs fall on parts of the business that are overseas. MCA does not have this sort of commercial information about companies.

Thus, the estimates presented in this impact assessment are indicative of the potential costs to the UK, and the extent to which they would fall upon UK entities is uncertain.

The consultation invited consultees to submit additional evidence on the costs and benefits of the proposed regulations. No quantified evidence of costs or benefits was provided.

6.3.2 Background on vessel categories affected by MLC Survey and Certification Regime

Data extracted from the United Kingdom Ship Register (UKSR) in April 2013 shows that 1081 UK ships were registered at that time.

Table 1: Vessel categories affected by MLC Survey and Certification Regime and number of Existing Ships in each category

Vessel Category	International or Domestic Voyages ¹	Initial MLC inspection	Maritime Labour Certificate of compliance	Ongoing MLC inspections twice every 5 years	Survey & inspection costs fall upon	Number of ships on UKSR at April 2013
Less than 500GT	International ²	✓	x ³	✓	MCA	99
	Domestic	Not required to participate in the MLC Survey & Inspection Regime				208
500GT and over	International	✓	✓	✓	Shipowners	667
	Domestic	Not required to participate in the MLC Survey & Inspection Regime				107
Total number of ships on UKSR at April 2013						1081
Total number of ships affected						766

¹Because of lack of evidence on the actual area of operation of ships on the UK register, vessels are categorised based on their certification or vessel type. For the purposes of this IA, international voyages are counted as those extending beyond 60 nm of UK sheltered waters, and domestic voyages are counted as those operate entirely within 60nm of UK sheltered waters. Under this definition, ships on domestic voyages are exempt from the intended MLC survey & inspection regime.

² Inspection costs for these have to be borne by the MCA not by industry.

³ It is expected that most ships in this category would voluntarily apply for a Maritime Labour Certificate of compliance due to the benefits possession of a Certificate has in the port state control process. The costs of voluntary certification would fall upon shipowners but does not count as a regulatory cost, since it is incurred voluntarily.

The survey and inspection requirements placed on ships from the MLC regime varies by vessel category and the nature of voyages that they make. This is illustrated in Table 1.

There were 774 ships within the 500GT and over category on the UKSR in April 2013. Amongst these, the 667 ships that operate international voyages would require both regular MLC inspections and a

Maritime Labour Certificate of compliance in addition to other existing inspections. The split of these ships between different vessel types is as follows.

Table 2: Further details on UK registered ships of 500GT and over that operate on international voyages

Vessel Types	Number of ships on UKSR at April 2013
Cruise ships	4
Other passenger ships	3
Large yachts (500GT and over)	8
Bulk carriers	37
Cargo vessels	615
Total	667

The remaining 107 ships operate on domestic voyages, and will therefore be outside scope for the intended MLC survey and certification regime. Ships operating on domestic voyages would still be subject to regular inspection of living and working conditions, which would exist in the Do Nothing scenario, so there would be no additional costs to the MCA or shipowners in relation to these ships under the 2013 Regulations (Option 1).

307 ships are less than 500GT. Of these, 208 operate within 60 nautical miles (nm) of the UK on domestic voyages and are hence outside scope for the MLC survey and certification regime. The remaining 99 ships require MLC inspections but will not be required to hold a Maritime Labour Certificate of compliance. The costs of inspecting these ships would fall on the MCA, because MCA does not charge for inspections unless a certificate is issued. In addition, it is expected that most of the 99 ships would be likely to voluntarily seek full certification as this will facilitate any inspection in a foreign port. For any ship that trades internationally, the convenience of holding a Maritime Labour Certificate when calling at ports outside of the UK is thought to be worth the relatively small cost of obtaining the certificate, especially given that the ship would be subject to MLC inspections by ratifying port states. The costs of MLC certification would fall upon shipowners. This potential cost has not been quantified as it is not a requirement brought about by the 2013 Regulations.

There will be other vessels of this size which are not registered but are operating commercially. The vast majority of these will be operating under MCA’s Small Commercial Vessel Codes, and are subject to regular inspections for compliance with those Codes. For vessels subject to the MLC (because of their area of operation), we intend to incorporate inspection of MLC items within that existing inspection regime.

6.3.3 Monetised costs to business of MCA fees for MLC inspections and certificates for UK registered ships of 500GT and over that operate on international voyages

6.3.3.1 Background

Existing Ships

The UK would need to conduct an “initial MLC Inspection”, and approve and issue a Maritime Labour Certificate of compliance (referred to as an “Maritime Labour Certificate” below) to all existing UK registered ships of 500GT and over which operate internationally. The “initial MLC Inspection” and issuance of “Maritime Labour Certificate” would need to be repeated every five years.

All ships would also need to undergo an “Intermediate MLC inspection” between 2 and 3 years after the date of the full inspection in each five year period, in order to ensure continuing compliance with MLC standards.

This 5-year cycle would continue for the remainder of a ship’s life whilst registered to the UK flag, and is in keeping with the rest of the certificate standards for international shipping.

The impacts on existing UK registered ships would depend on whether “initial MLC Inspections” and “Intermediate MLC Inspections” are combined with the survey regime for the International Safety Management Code (ISM Code).

The ISM Code is an existing SOLAS (International Convention for the Safety of Life at Sea) requirement for all operators of ships of 500GT and over trading internationally. This looks at processes in place for the continued safe operation of each ship including the human element. Integral to its application is an

initial inspection followed by an intermediate inspection between 2 and 3 years later and then a renewal inspection at 5 years with the same cycle repeated thereafter.

There is a 30% overlap between the requirements of the ISM Code and those of the MLC. Therefore, the MCA's working assumption is that "initial MLC Inspections" and "Intermediate MLC Inspections" would take 30% less time when they are combined with the ISM survey. This has been borne out by the inspections carried out to date.

In addition, ships may be located anywhere in the world when their inspection becomes due, and so an MCA surveyor may need to be flown out to the ship in order to conduct the inspection. Shipowners are liable to cover the associated travel and subsistence costs. However, conducting an ISM survey and a MLC inspection simultaneously would result in only one visit to the ship. Surveyor travel and subsistence costs are an existing cost faced by ship operators for ISM surveys, but the additional time spent on MLC inspections will incur additional subsistence costs. So, it is assumed that there would be no additional surveyor travel costs where an ISM survey and an MLC inspection are conducted simultaneously, while additional subsistence costs do apply and are included in the cost estimates for MLC inspections.

The MCA's aim is to dovetail the MLC inspection cycle to the existing ISM time frame. Where the MLC and ISM inspection cycles are not currently in alignment, future MLC or ISM inspections would need to be undertaken earlier than they would otherwise have been in order to enable MLC inspections and ISM surveys to be conducted simultaneously. It is assumed that a business would only choose to do this if it would reduce their overall costs by reducing the travel and subsistence costs associated with these inspections. However, given the uncertainties involved, it has not been possible to determine how their overall costs would be affected, so it has not been possible to take this into account in the analysis below. Furthermore, there is a risk that combining the surveys is not always possible or practicable.

In the cost estimates presented on the summary sheets of this impact assessment, a range of assumptions have been made to reflect the uncertainty regarding the proportion of MLC inspections that would be conducted simultaneously with ISM surveys. For the purposes of this analysis, where an MLC inspection is assumed to be conducted simultaneously with an ISM survey, it is assumed that no changes have had to be made to the timing of these inspections in order to bring the MLC and ISM inspection cycles into alignment.

- The low estimates assume that 100% of MLC inspections would be conducted simultaneously with ISM surveys.
- The high estimates of the costs assume that 0% of MLC inspections would be conducted simultaneously with ISM surveys.
- The best estimates assume that MLC inspections would be conducted simultaneously with ISM surveys for 50% of vessels (the mid-point of this range²).

The consultation invited consultees to submit additional evidence on the costs and benefits of the proposed regulations. No quantified evidence of costs or benefits was provided.

New Ships

The 2013 Regulations would also impact on new ships that join the UK flag.

Currently, when a ship registers ("flags-in") with the UK, either as a transfer or as a new-build, a "general inspection" is conducted to establish broad compliance with current regulations. The general inspection would be extended to include an "Interim MLC Inspection" under the 2013 Regulations, which would result in a 6-month certificate of MLC compliance (referred to as an "Interim Maritime Labour Certificate" below).

The MLC allows for the issue of interim certificates because it is not expected that a full initial inspection would be possible when a ship first flags in. If the ship has transferred from another flag, the shipowner will not have been able to prepare a Declaration of Maritime Labour Compliance, Part 2 to demonstrate compliance with the relevant national legislation of its new flag. On a new build, there would be no records to demonstrate that the systems put in place to ensure continuing compliance with MLC requirements, are operational and effective.

² The IA Toolkit states that "In the absence of information on the distribution of costs and benefits, use the mid-point of the range." (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/31608/11-1112-impact-assessment-toolkit.pdf)

For the “Interim MLC Inspection”, surveyor travel costs would be borne by the shipowner. However, this cost exists in the Do Nothing scenario as shipowners currently incur surveyor travel costs when conducting general inspections. As a result, where a surveyor travels for an interim inspection, it is assumed that the travel costs would not be due to the additional requirements brought about by the MLC.

Ships would then undergo an “initial MLC Inspection” leading to a 5 year “Maritime Labour Certificate”, which would then be renewed with ongoing MLC inspections as part of the 5-year inspection cycle.

It is assumed that the length of time required for the “Interim MLC Inspection” would vary depending on whether or not they transfer from an MLC ratifying flag state.

In the cost estimates presented on the summary sheets of this impact assessment, the low estimates assume that 100% of transfers are from an MLC ratifying flag state, and the high estimates of the costs assume that 0% of transfers are from an MLC ratifying flag state (i.e. 100% of transfers come from non-MLC ratifying flag states). In the absence of any evidence on the most likely breakdown, the best estimates assume that 50% of transfers come from each (the mid-point of this range¹).

The same assumptions as for existing ships are made regarding the proportion of “initial MLC Inspections” and “intermediate MLC Inspections” that are combined with ISM surveys.

The consultation invited consultees to propose alternative assumptions for new ships and to provide supporting evidence. No alternative assumptions or supporting evidence was provided.

6.3.3.2 Number of vessels affected

On the basis of the data in Table 1, the number of UK registered ships of 500GT and over that operate on international voyages is assumed to be 667 when the 2013 Regulations enter into force. Furthermore, these ships are assumed to be split between different vessel types as per Table 2.

Around 86% of UK registered ships of 500GT and over that join and leave the UK flag each year are assumed to operate internationally. This is based on the data for existing ships in Table 1.

Based on data on the total number of ships of 500GT and over that joined and left the UK flag in the period between 2003 and 2012 (the latest year when a full year’s data is available), Table 3 presents the assumptions that have been made regarding the number of ships of 500GT and over that operate internationally which join and leave the UK flag each year under both the Do Nothing scenario and the 2013 Regulations (i.e. the number of ships which join and leave the UK flag each year is assumed to be the same under both the Do Nothing scenario and the 2013 Regulations). However, it should be noted that the UK flag has recently experienced a period of growth as a result of various contributory factors, some of which cannot be repeated in future, such as changes to the UK tonnage tax regime. Furthermore, the implications of UK ratification of the MLC and other future policy changes are uncertain. There is therefore considerable uncertainty around these assumptions.

The consultation invited consultees to propose alternative assumptions for new ships and to provide supporting evidence. No alternative assumptions or supporting evidence was provided.

Table 3: Number of UK registered ships of 500GT and over that operate internationally which join and leave the UK flag each year

	Number of vessels that join the UK flag each year	Number of vessels that leave the UK flag each year
Low Scenario	49 (Average per year in three lowest years between 2003 and 2012)	56 (Average per year in three highest years between 2003 and 2012)
Best estimates	72 (Average per year between 2003 and 2012)	67 (Average per year between 2003 and 2012)
High Scenario	104 (Average per year in three highest years between 2003 and 2012)	76 (Average per year in three lowest years between 2003 and 2012)

For both joiners and leavers, the proportion of ships in each vessel type (e.g. Cruise ships, Other passenger ships, etc) is assumed to be the same as for existing ships. This is based on the data in Table 2.

Of the ships that join the UK flag each year, the proportion of new-builds is assumed to be 61% and the proportion of transfers is assumed to be 39%. These are the average percentages for all ships that joined the UK flag between 2007 and 2012 (data is not available for earlier years).

The ships that leave the UK flag each year are assumed to be distributed between existing ships and each age group of new ships (e.g. new ships that joined the UK flag in Year 1, new ships that joined the UK flag in Year 2, etc) in line with their respective shares of the total number of ships of 500GT and over that operate internationally that were registered on the UK flag at the start of the year. For example, at the start of Year 2, it is assumed that there would be 672 ships on the UK flag for the Best estimates, comprising 600 existing ships and 72 new ships that joined the UK flag during Year 1. As existing ships account for around 89% of the total and new ships that joined in Year 1 account for around 11% of the total, and it is assumed that the 67 ships would leave the UK flag during Year 2 for the Best estimates, it is therefore assumed that around 60 existing ships and around 7 of the new ships that joined in Year 1 would leave the UK flag during Year 2 for the Best estimates.

On the basis of the above assumptions, Table 4 presents the Best estimates of how the number of UK registered ships of 500GT and over that operate on international voyages will change over the 10 year appraisal period.

Table 4: Estimated number ships of 500GT and over that operate on international voyages that are registered on the UK flag at the start of the year (Best estimates)

Year	Existing Ships	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	New Ships that joined in	Total registered on the UK flag at start of the year
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
1	667											667
2	600	72										672
3	540	65	72									678
4	487	59	65	72								683
5	439	53	59	65	72							689
6	397	48	53	59	65	72						694
7	359	43	48	53	59	65	72					700
8	324	39	43	48	53	59	65	72				705
9	294	35	39	44	48	53	59	65	72			710
10	266	32	36	39	44	48	54	59	65	72		716

The estimates for the Low Scenario and High Scenario are presented in Annex 7.

6.3.3.3 Estimated number of MLC inspections of UK registered ships of 500GT and over that operate on international voyages

The MLC will come into force in August 2013. As part of the shipowners' preparation for implementation of the MLC, a number of ships will already have been surveyed by MCA before that date, on a voluntary basis.

For the purposes of this analysis, the following assumptions have been made in order to estimate the number of MLC inspections of UK registered ships of 500GT and over that operate on international voyages that will be undertaken each year during the appraisal period. It has been necessary to use ranges of assumptions in a number of instances. This is due to the uncertainty relating to ships which are assumed to leave the UK flag each year. For example, in Year 1, it is uncertain whether "initial MLC Inspections" will be undertaken and "Maritime Labour Certificates" will be issued for existing ships which are assumed to leave the UK flag during Year 1.

- 1. Based on MCA inspection plans, it is assumed that shipowners will voluntarily submit 149 existing ships for their first "initial MLC Inspections" before the entry into force of the 2013 Regulations. The main reasons for shipowner to do this are to ensure that they are prepared for coming into force, and to allow the MLC inspection to be carried out alongside other statutory inspections, which provides a cost saving for the shipowner. As this will be a sunk cost, this is not counted as a cost of the 2013 Regulations.
- 2. In Year 1, it is assumed that the following existing ships will have their first "initial MLC Inspection" undertaken if required and be issued with "Maritime Labour Certificates":

- High Scenario: All existing ships registered on the UK flag at the start of Year 1 (i.e. including those ships that will leave the UK flag during Year 1).
 - Low Scenario: All existing ships registered on the UK flag at the end of Year (i.e. not including those ships that will leave the UK flag during Year 1³).
 - Best estimates: The mid-point of the range between the High Scenario and Low Scenario.
- 3. In a given appraisal year, it is assumed that both an “interim MLC inspection” and a first “initial MLC inspection” will be undertaken, and a “Maritime Labour Certificate” will be issued, for all new ships that join the UK flag during the appraisal year.
 - 4. From Year 2 onwards, it is assumed that the following ships will have an “Intermediate MLC Inspection” undertaken in a given appraisal year:
 - High Scenario: All ships registered on the UK flag at the start of the appraisal year which had an “initial MLC Inspection” 2 appraisal years previously.
 - Low Scenario: All ships registered on the UK flag at the end of the appraisal year which had an “initial MLC Inspection” 2 appraisal years previously.
 - Best estimates: The mid-point of the range between the High Scenario and Low Scenario.
 - 5. From Year 5 onwards, it is assumed that the following ships will have an “Intermediate MLC Inspection” undertaken and be issued with a “Maritime Labour Certificate” in a given appraisal year:
 - High Scenario: All ships registered on the UK flag at the start of the appraisal year which had an “initial MLC Inspection” 5 appraisal years previously.
 - Low Scenario: All ships registered on the UK flag at the end of the appraisal year which had an “initial MLC Inspection” 5 appraisal years previously.
 - Best estimates: The mid-point of the range between the High Scenario and Low Scenario.

On the basis of the assumptions in this section and Section 6.3.3.2, Table 5 and Table 6 present the Best estimates of the number of MLC inspections that will be undertaken and the number of Maritime Labour Certificates that will be issued for existing and new UK registered ships of 500GT and over that operate on international voyages during the 10 year appraisal period respectively.

Table 5: Estimated number of MLC inspections and Maritime Labour Certificates issued for existing UK registered ships of 500GT and over that operate on international voyages (Best estimates)

	Initial MLC Inspections	Maritime Labour Certificates issued	Intermediate MLC Inspections
Year 1	492	641	
Year 2			127
Year 3			399
Year 4			
Year 5	93	93	
Year 6	293	293	
Year 7			76
Year 8			240
Year 9			
Year 10	57	57	

Table 6: Estimated number of MLC inspections and Maritime Labour Certificates issued for new UK registered ships of 500GT and over that operate on international voyages (Best estimates)

	Interim MLC Inspections	Initial MLC Inspection / Maritime Labour Certificates issued	Intermediate MLC Inspections
Year 1	72	72	0

³ This is assumed to include some of the 149 existing ships that it is assumed will receive their first “initial MLC Inspections” before the entry into force of the proposed Regulations in proportion to their share of the total number of existing ships at the start of the year.

Year 2	72	72	0
Year 3	72	72	62
Year 4	72	72	62
Year 5	72	72	62
Year 6	72	118	62
Year 7	72	118	62
Year 8	72	118	100
Year 9	72	118	100
Year 10	72	118	100

The estimates for the Low Scenario and High Scenario are presented in Annex 7.

6.3.3.4 Fees for conducting “initial MLC Inspections” of UK registered ships of 500GT and over trading internationally (excluding the cost of surveyor travel)

The fees for “initial MLC Inspection” undertaken for MLC certification would depend on the type and size of ship to be surveyed. For “initial MLC Inspections” that are not conducted simultaneously with ISM surveys, the MCA’s working assumptions regarding the length of time taken to survey ships of different categories, and the resultant costs per ship, are presented in Table 7 below. These assumptions are based on trial surveys that were carried out by the MCA, charged at the current MCA survey rate of £94 per hour⁴, plus £7.89 per hour for subsistence cost⁵. Early trials conducted both by MCA surveyors and Classification Society surveyors indicate that survey time for a smaller cargo ship with a crew of 6 can take up to 8 hours to complete while at the other end of the spectrum a very large passenger ship will take 2½ days (i.e. 20 hours). These assumptions have been borne out by MCA experience of the voluntary inspection of ships currently underway (see point 1 in Section 6.3.3.3). Since over a hundred such surveys have now been completed, these estimates are considered robust. For MLC surveys that are conducted simultaneously with ISM surveys, the MCA’s working assumptions are 70% of the amounts presented in Table 4. This is because the MCA’s working assumption is that an MLC survey would take 30% less time when it is combined with the ISM survey.

The MCA’s working assumptions are used for the Best estimates. However, the length of time it takes to survey a ship would vary, depending on the number of seafarers on board and whether they are all employed under similar employment agreements or a variety of different agreements; also as the MLC becomes embedded in shipboard systems, the time taken for inspection may reduce slightly. Therefore these assumptions are increased by 25% in the high scenario and decreased by 25% in the low scenario to attempt to capture the uncertainty surrounding these assumptions.

Table 7: Central assumptions for “Initial MLC Inspections” not conducted simultaneously with ISM surveys

Vessel Type	Initial MLC Inspection	
	Hours	Cost Per Vessel (at £101.89 per hour)
Cruise ships	20	£2,038
Other passenger ships	12	£1,223
Large yachts	8	£815
Bulk carriers	10	£1,019
Cargo vessels	8	£815

On the basis of the breakdown of existing ships between different vessel types presented in Table 2 and the assumptions above, the Best estimates used in this IA are that the average cost per vessel is around £836 for “Initial MLC Inspections” not conducted simultaneously with ISM surveys and around £585 for “initial MLC Inspections” conducted simultaneously with ISM surveys.

These ships will be subject to a five-year inspection cycle of “Initial MLC Inspections”. The same costs are assumed for each “initial MLC Inspection” as for the first “initial MLC Inspection”.

⁴ <http://www.dft.gov.uk/mca/mcga07-home/shipsandcargoes/mcga-ukshipregister/mcga-ukshipregister-merchantships/mcga-ukshipregister-feesandcosts.htm>

⁵ Source: MCA - £7.89 per hour is the average subsistence claimed across all MCA inspections and surveys in the period October 2012 – March 2013. It is calculated relative to time actually spent on surveys and inspections and does not apply to travel time.

6.3.3.5 Fees for approving and issuing Maritime Labour Certificates to UK registered ships of 500GT and over trading internationally

Completion of a Maritime Labour Certificate involves

- (i) producing a Declaration of Maritime Labour Compliance (DMLC) Part 1 which is a declaration by the Flag State (Part I) of the MLC regulations applying to the ship; and
- (ii) checking the Shipowner's DMLC Part 2, which is a declaration of the procedures in place to ensure continuing compliance with those regulations,

before confirmation by the MCA. The cost of approving a certificate is estimated at £282 per certificate, assuming 3 hours for the process by the UK Flag Administration (MCA) at the current MCA survey rate of £94 per hour. The cost of issuing a Maritime Labour Certificate is estimated at £94 per certificate, assuming 1 hour of a surveyor's time to complete at the current MCA survey rate of £94 per hour. This is based on trial certifications conducted by MCA. The estimated cost to approve and issue a certificate is thus approximately £376 per ship. It is assumed that each ship would incur this cost every 5 years. This is shown in Table 8 below. (This work takes place at the office and no subsistence cost is added.)

Table 8: Assumptions for approving and issuing Maritime Labour Certificates

Vessel Category	Approving and Issuing Maritime Labour Certificates	
	Hours	Cost Per Vessel (at £94 per hour)
All ships	4	£376

6.3.3.6. Fees for “Intermediate MLC Inspections” of UK registered ships of 500GT and over trading internationally (excluding the cost of surveyor travel)

The cost of an “Intermediate MLC Inspection” for each vessel category has been estimated by assuming that the “Intermediate MLC Inspection” would take approximately half the time of the “Initial MLC Inspection” (see 6.3.3.4) because it would involve checking against a known benchmark. Therefore, the Best estimates used in this IA are that the average cost per vessel is around £418 for “Intermediate MLC Inspections” not conducted simultaneously with ISM surveys and around £292 for “Intermediate MLC Inspections” conducted simultaneously with ISM surveys.

6.3.3.7 Fees for “Interim MLC Inspections” (excluding the cost of surveyor travel and subsistence)

For a transfer, issuing an “Interim Maritime Labour Certificate” is estimated to cost £204, assuming it would take around two hours of an MCA surveyor's time at the current MCA survey rate of £94 per hour plus £7.89 per hour subsistence cost to ascertain broad compliance with the MLC and to initiate procedures leading to full MLC certification, regardless of vessel category. For new-builds, plan approval for MLC requirements is assumed to add a further 2 hours to the “Interim MLC Inspection” at the current MCA survey rate £94 per hour plus £7.89 per hour subsistence cost. The cost per ship is therefore assumed to be £408. It is assumed that ships transferring from non-MLC ratifying countries would also require four-hour long inspections; this is necessary to ensure that the shipowners can comply with the standards of the MLC, where there is no history of previous compliance. These central assumptions are used for the Best estimates and are shown in Table 9 below, but are increased by 25% in the high scenario and decreased by 25% in the low scenario to attempt to capture the uncertainty surrounding these assumptions.

Table 9: Central assumptions for Interim MLC Inspections

Vessel Category	Interim MLC Inspections	
	Hours	Cost Per Vessel (at £101.89 per hour)
New-builds	4	£408
Transfers from MLC ratifying countries	2	£204
Transfers from non-MLC ratifying countries	4	£408

6.3.3.8 Surveyor travel costs

Where surveyor travel costs are incurred (i.e. for MLC inspections that are not conducted simultaneously with ISM surveys), the following assumptions are made, based on MCA experience of ship survey and inspections:

- 70% of ships are assumed to be surveyed in an overseas port, 30% are assumed to be surveyed in a UK port
- Of those ships surveyed overseas, 40% are assumed to be long haul destinations and 60% European destinations
- Based on MCA experience from other types of survey, long haul travel is assumed to require 3 surveyor days, European travel is assumed to require 2 surveyor days and UK travel is assumed to require an average of 2 surveyor hours.
- A day is assumed to be charged for 8 hours work, except in the UK where a cap of 4 hours travelling time is applied, and some ships will be well within that travelling distance, so an average of 2 hours is applied. A cap of 10 hours each way (i.e. 20 hours in total) is also applied for overseas travel.⁶
- Travel time is charged at the same rate as a survey i.e. the current MCA rate of £94 per hour. Based on the subsistence cost data provided by the MCA, average subsistence cost can only be calculated per hour spent on actual surveys/inspections and does therefore not apply to travel time.
- Transport costs are estimated to be £700 for long haul destinations, £150 for European destinations and £70 for UK destinations.

On the basis of the above assumptions, the average surveyor travel costs per ship are estimated to be £1,494. This is shown in Table 10 below.

Table 10: Assumptions regarding surveyor travel costs

	Proportion of Inspections	Hours	Cost of Travel Time (at £94 per hour)	Transport Costs	Total Cost per ship
Long haul destinations	28% (70% * 40%)	20	£1880	£700 (Return Airfare)	£2580
European destinations	42% (70% * 60%)	16	£1504	£150 (Return Airfare)	£1654
UK destinations	30%	2	£188	£70 (Travel)	£258
Average					£1,494

6.3.3.9 Estimated costs

The estimates presented in this section are for the cost of surveyor time and surveyor travel and subsistence costs only, and exclude other costs to shipowners that it has not been possible to monetise. (See sections 6.3.6 to 6.3.8 below.)

The key differences between the assumptions for each scenario are summarised in Table 11 below.

Table 11: Key Assumptions

	Best estimates	High Scenario	Low Scenario
MLC inspections conducted simultaneously with ISM surveys (%)	50%	0%	100%
Number of ships joining the UK flag each year	Average	High	Low
Number of ships leaving the UK flag each year	Average	Low	High
Time taken for MLC inspections (compared to Best estimates) (%)	N/A	+25%	-25%
Ships that undertake an MLC inspection if	50%	100%	0%

⁶ <http://www.dft.gov.uk/mca/mcga07-home/shipsandcargoes/mcga-ukshipregister/mcga-ukshipregister-merchantships/mcga-ukshipregister-feesandcosts.htm>

required in the year they leave the UK flag (%)			
Transfers from MLC ratifying states (%)	50%	0%	100%

On the basis of the assumptions that have been made, Table 12 and Table 13 present the Best estimates of the costs to business of MLC inspections and Maritime Labour Certificates for existing and new UK registered ships of 500GT and over that operate on international voyages during the 10 year appraisal period respectively.

Table 12: Estimated cost to business of MLC inspections and Maritime Labour Certificates for existing UK registered ships of 500GT and over that operate on international voyages (Best estimates) (£ Million)

	Initial MLC Inspections	Maritime Labour Certificates issued	Intermediate MLC Inspections	Total
Year 1	0.72	0.24		0.96
Year 2			0.14	0.14
Year 3			0.44	0.44
Year 4				0.00
Year 5	0.14	0.04		0.17
Year 6	0.43	0.11		0.54
Year 7			0.08	0.08
Year 8			0.26	0.26
Year 9				0.00
Year 10	0.08	0.02		0.10
Total	1.36	0.40	0.93	2.70
Total (PV)	1.26	0.38	0.82	2.46

Table 13: Estimated cost to business of MLC inspections and Maritime Labour Certificates for new UK registered ships of 500GT and over that operate on international voyages (Best estimates) (£ Million)

	Interim MLC Inspections	Initial MLC Inspections/ Maritime Labour Certificates issued	Intermediate MLC Inspections	Total
Year 1	0.03	0.13	0	0.16
Year 2	0.03	0.13	0	0.16
Year 3	0.03	0.13	0.07	0.23
Year 4	0.03	0.13	0.07	0.23
Year 5	0.03	0.13	0.07	0.23
Year 6	0.03	0.22	0.07	0.31
Year 7	0.03	0.22	0.07	0.31
Year 8	0.03	0.22	0.11	0.35
Year 9	0.03	0.22	0.11	0.35
Year 10	0.03	0.22	0.11	0.35
Total	0.27	1.75	0.67	2.68
Total (PV)	0.23	1.47	0.55	2.25

Equivalent tables for the Low Scenario and High Scenario are presented in Annex 7.

Table 14 summarises the estimates of the cost to business for the Low Scenario, High Scenario and Best estimates. This shows that the average cost to business is estimated at around £0.15 to £1.18 million, with a Best estimate of around £0.54 million; and that the present value of the total cost to business over the 10 year appraisal period is estimated at around £1.36 to £10.22 million, with a Best estimate of around £4.71 million.

Table 14: Total estimated cost to business of MLC inspections and Maritime Labour Certificates for UK registered ships of 500GT and over that operate on international voyages (Best estimates) (£ Million)

	Low Scenario	High Scenario	Best Estimates
Year 1	0.47	1.92	1.11

Year 2	0.08	0.63	0.30
Year 3	0.14	1.43	0.67
Year 4	0.06	0.55	0.23
Year 5	0.12	0.87	0.40
Year 6	0.26	1.81	0.85
Year 7	0.09	0.97	0.40
Year 8	0.12	1.55	0.62
Year 9	0.08	0.93	0.35
Year 10	0.10	1.17	0.46
Average per Year	0.15	1.18	0.54
Total	1.53	11.84	5.38
Total (PV)	1.36	10.22	4.71

6.3.4 Monetised Costs to MCA

This section presents the estimates of the costs to the MCA that it has been possible to monetise. These estimates are presented on the 'Summary: Analysis & Evidence' sheet. However, it should be noted that the costs to MCA that have been estimated in this impact assessment do not necessarily represent estimates of the increase in the overall financial costs to government of MCA's role compared to the Do Nothing scenario, as MCA is required to absorb the extra work within existing resources. In particular, it should be noted that other surveyor activities may have to be curtailed or re-prioritised in order to release sufficient surveyor resources to accommodate the inspection and certification work required by the MLC, which would involve the loss of the benefits associated with the activities that have to be curtailed or re-prioritised, rather than an increase in the overall financial costs to government of MCA's role. In contrast, where the extra inspection and certification work required by the MLC is funded by efficiency savings that would be achievable under the Do Nothing scenario, the financial costs to the MCA of undertaking this work would represent additional financial costs to government compared to the Do Nothing scenario.

6.3.4.1 Costs not recovered from industry in relation to MLC inspections and Maritime Labour Certificates for UK registered ships of 500GT and over that operate on international voyages

The MCA have recently analysed the costs they incur through survey and inspection activities and have found that the £94 per hour currently charged to industry does not fully cover their costs. The actual cost to the MCA has been estimated at approximately £147 per surveyor hour in 2011/12. For the purposes of this impact assessment, this estimate has been converted to 2012/13 prices using the GDP deflator⁷, giving an estimate of around £151 per surveyor hour in 2012/13 prices. The difference of around £57 between the estimated actual cost (around £151 per surveyor hour) and the rate currently charged to industry (£94 per surveyor hour) has to be borne by the MCA. Therefore any additional survey activities the MCA have to undertake will incur additional costs to them.

In order to estimate the costs not recovered from industry in relation to MLC inspections and Maritime Labour Certificates for UK registered ships of 500GT and over that operate on international voyages, the analysis has adopted the same assumptions as in Section 6.3.3.

Table 15 summarises the estimates of the cost to the MCA for the Low Scenario, High Scenario and Best estimates. This shows that the average cost to the MCA is estimated at around £0.09 to £0.62 million, with a Best estimate of around £0.29 million; and that the present value of the total cost to the MCA over the 10 year appraisal period is estimated at around £0.78 to £5.34 million, with a Best estimate of around £2.51 million.

Table 15: Estimated costs not recovered from industry in relation to MLC inspections and Maritime Labour Certificates for UK registered ships of 500GT and over that operate on international voyages (£ Million)

	Low Scenario	High Scenario	Best Estimates
Year 1	0.28	1.02	0.60
Year 2	0.04	0.33	0.16
Year 3	0.08	0.73	0.35
Year 4	0.03	0.29	0.12

⁷ http://www.hm-treasury.gov.uk/data_gdp_fig.htm

Year 5	0.07	0.46	0.21
Year 6	0.15	0.95	0.46
Year 7	0.05	0.51	0.21
Year 8	0.07	0.80	0.32
Year 9	0.05	0.49	0.19
Year 10	0.06	0.61	0.24
Average per Year	0.09	0.62	0.29
Total	0.88	6.19	2.86
Total (PV)	0.78	5.34	2.51

6.3.4.2 Monetised Costs to MCA of non-chargeable MLC inspections of UK Registered Ships less than 500GT that operate on international voyages

As noted in Section 6.3.2, the intended MLC survey and inspection regime would require ships less than 500GT that operate on international voyages to be subject to regime of inspections twice in every five years and at least every 3 years, similar to ships of 500GT and over that operate on international voyages, except that these ships would not require Maritime Labour Certificates. To distinguish such ships, this IA refers to these inspections as “non-chargeable MLC inspections”. The MCA is not able to charge for conducting inspections of ships which do not require a Maritime Labour Certificate, so the costs of conducting inspections of these ships would fall upon the MCA. To estimate the cost to the MCA, the cost to the MCA is assumed to be around £151 per surveyor hour (see Section 6.3.4.1) plus £7.89 subsistence cost, which is not included in the £151 estimate but also arises for these inspections, in total around £159 per hour.

For transfers, it is assumed that an “Interim MLC Inspection” would be carried out alongside a general flagging in inspection, and so the travel costs would not be due to the additional requirements brought about by the MLC. The same applies for surveyor travel costs for new-builds, which would be borne by the shipowner but which would also exist in the Do Nothing scenario.

6.3.4.2. Number of vessels affected

On the basis of the data in Table 1, the number of UK registered ships less than 500GT that operate on international voyages is assumed to be 99 when the 2013 Regulations enter into force.

Around 8% of UK registered ships less than 500GT that join and leave the UK flag each year are assumed to operate internationally. This is based on the data for existing ships in Table 1.

Based on data on the number of ships that have joined the UK flag in the period between 2003 and 2012 (the latest year when a full year’s data is available), Table 16 presents the assumptions that have been made regarding the number of ships less than 500GT that operate internationally which join and leave the UK flag each year. For the reasons outlined in Section 6.3.3.2, there is considerable uncertainty surrounding these assumptions.

Table 16: Number of UK registered ships less than 500GT that operate internationally which join and leave the UK flag each year

	Number of vessels that join the UK flag each year	Number of vessels that leave the UK flag each year
Low Scenario	3.3 (Average per year in three lowest years between 2003 and 2012)	4.3 (Average per year in three highest years between 2003 and 2012)
Best estimates	5.8 (Average per year between 2003 and 2012)	6.5 (Average per year between 2003 and 2012)
High Scenario	8.1 (Average per year in three highest years between 2003 and 2012)	8.8 (Average per year in three lowest years between 2003 and 2012)

As has been assumed for ships of 500GT and over that operate internationally in Section 6.3.3, it is assumed the proportion of the ships that join the UK flag each year that are new-builds is assumed to be 61% and the proportion that are transfers is assumed to be 39% (see Section 6.3.3.2); and the proportion of transfers from an MLC ratifying flag state is assumed to be between 0% and 100%, with a Best estimate of 50% (see Section 6.3.3.1).

The ships that leave the UK flag each year are assumed to be distributed between existing ships and each age group of new ships (e.g. new ships that joined the UK flag in Year 1) in line with their respective shares of the total number of ships less than 500GT that operate internationally that were registered on the UK flag at the start of the year.

On the basis of the above assumptions, Table 17 presents the Best estimates of how the number of UK registered ships less than 500GT that operate on international voyages will change over the 10 year appraisal period.

Table 17: Estimated number of ships less than 500GT that operate on international voyages that are registered on the UK flag at the start of the year (Best estimates)

Year	Existing Ships	New Ships that joined in Year 1	New Ships that joined in Year 2	New Ships that joined in Year 3	New Ships that joined in Year 4	New Ships that joined in Year 5	New Ships that joined in Year 6	New Ships that joined in Year 7	New Ships that joined in Year 8	New Ships that joined in Year 9	New Ships that joined in Year 10	Total registered on the UK flag at start of the year
1	99											99
2	92	6										98
3	86	5	6									97
4	80	5	5	6								96
5	75	5	5	5	6							96
6	69	4	5	5	5	6						95
7	65	4	4	5	5	5	6					94
8	60	4	4	4	5	5	5	6				93
9	56	4	4	4	4	5	5	5	6			93
10	52	3	4	4	4	4	5	5	5	6		92

The estimates for the Low Scenario and High Scenario are presented in Annex 7.

6.3.4.3 Estimated number of inspections of UK registered ships less than 500GT that operate on international voyages

For the purposes of this analysis, the following assumptions have been made in order to estimate the number of MLC inspections of UK registered ships less than 500GT operating on international voyages that will be undertaken each year during the appraisal period.

- In Year 1, it is assumed that the first “non-chargeable MLC inspection” will be undertaken for all existing ships that are registered on the UK flag at the start of the year.
- In a given appraisal year, it is assumed that both the “Interim MLC inspection” and the first “non-chargeable MLC inspection” will be undertaken for all new ships that join the UK flag during the appraisal year.
- For ships registered on the UK flag at the beginning of an appraisal year, it is assumed that a “non-chargeable MLC inspection” will be undertaken during the appraisal year if it is 2 appraisal years since their first “non-chargeable MLC inspection”, 3 appraisal years since their second “non-chargeable MLC inspection”, 2 years since their third “non-chargeable MLC inspection”, etc.

On the basis of the assumptions in this section and Section 6.3.4.2, Table 16 presents the Best estimates of the number of MLC inspections that will be undertaken for UK registered ships less than 500GT that operate on international voyages during the 10 year appraisal period.

Table 18: Estimated number of MLC inspections undertaken for UK registered ships less than 500GT that operate on international voyages (Best estimates)

	Non-Chargeable MLC Inspections for Existing Ships	Interim MLC Inspections for New Ships	Non-Chargeable MLC Inspections for New Ships
Year 1	99	6	6
Year 2		6	6
Year 3	86	6	11
Year 4		6	11
Year 5		6	11
Year 6	69	6	16

Year 7		6	16
Year 8	60	6	19
Year 9		6	19
Year 10		6	19

The estimates for the Low Scenario and High Scenario are presented in Annex 7.

6.3.4.4 Costs for conducting “non-chargeable MLC inspections” of UK registered ships less than 500GT that operate internationally (excluding the cost of surveyor travel)

It is assumed that, on average, MLC inspections of ships in this category would take around five hours for initial and intermediate inspections. This is based on the MCA’s experience of 7 years of ILO inspection work.

This assumption is used for the Best estimates. However, the time taken is increased by 25% in the high scenario and decreased by 25% in the low scenario to attempt to capture the uncertainty surrounding these assumptions.

A cost of around £151 plus £7.89 subsistence cost per surveyor hour is assumed (see Section 6.3.4.1).

On the basis of these assumptions, the cost per ship is estimated in the range of around £596 to around £993, with a Best estimate of around £794.

6.3.4.5 Costs for “Interim MLC Inspections”

It is assumed that “Interim MLC Inspections” will take the same amount of time as for ships of 500GT and over (see Table 9, Section 6.3.3.7).

A cost of around £151 plus £7.89 subsistence cost per surveyor hour is assumed (see Section 6.3.4.1).

On the basis of these assumptions and the assumptions in Section 6.3.4.2, the average cost of an “Interim MLC Inspection” per ship is estimated in the range of around £384 to around £793 with a Best estimate of around £573.

6.3.4.6 Surveyor travel costs

It is assumed that survey travel costs would be additional for all “non-chargeable MLC inspections”.

Surveyor travel costs are assumed to be the same as for ships of 500GT and over, and are therefore assumed to be around £1494 per “non-chargeable MLC inspection” (see Section 6.3.3.8).

6.3.4.7 Estimated costs

The estimates presented in this section are for the cost of surveyor time and surveyor travel and subsistence costs only, and are not necessarily based on whole numbers of new ships joining in any one year.

The key differences between the assumptions for each scenario are summarised in Table 17 below.

Table 19: Key Assumptions

	Best estimates	High Scenario	Low Scenario
Number of ships joining the UK flag each year	Average	High	Low
Number of ships leaving the UK flag each year	Average	Low	High
Time taken for MLC inspections (compared to Best estimates) (%)	N/A	+25%	-25%
Transfers from MLC ratifying states (%)	50%	0%	100%

On the basis of the above assumptions, Table 18 summarise the estimates of the costs to the MCA of MLC inspections for UK registered ships less than 500GT that operate on international voyages for the Low Scenario, High Scenario and Best estimates. This shows that the present value of the total cost to the MCA over the 10 year appraisal period is estimated at around £0.66 to £1.23 million, with a Best estimate of around £0.93 million.

Table 20: Estimated cost of MLC inspections for UK registered ships less than 500GT that operate on international voyages (£ Million)

	Low Scenario	High Scenario	Best Estimates
Year 1	0.21	0.27	0.24
Year 2	0.01	0.03	0.02
Year 3	0.18	0.27	0.23
Year 4	0.01	0.05	0.03
Year 5	0.01	0.05	0.03
Year 6	0.14	0.26	0.20
Year 7	0.02	0.06	0.04
Year 8	0.11	0.26	0.19
Year 9	0.02	0.08	0.05
Year 10	0.01	0.08	0.05
Average per Year	0.07	0.14	0.11
Total	0.74	1.41	1.06
Total (PV)	0.66	1.23	0.93

6.3.5 Other Non-Monetised Costs to the MCA

6.3.5.1 Cost of investigating seafarer complaints

All UK flag ships are currently required to have in place an on-board complaints procedure which is available to all its seafarers should they wish to complain about any aspect of their living and working conditions. Under the MLC, the UK would need to have in place similar on-shore complaints procedures for seafarers from visiting foreign ships. MCA's experience over the previous 7 years of ILO inspections suggests that for a straightforward complaint approximately 2.5 surveyor days may be required to investigate. If it is assumed that 20 hours would be required to investigate each seafarer complaint relating to the MLC, and that pay costs would be £33.50 per hour in 2012/13 prices for a member of staff at the MS1 grade⁸, the cost of an MS1 investigating a seafarer complaint is estimated to comprise pay costs of around £670, plus any other variable costs, such as any travel costs, which are uncertain at this stage. For example, the nature of the complaint will determine how it needs to be dealt with, such as whether it can be dealt with by contacting the company or whether it is necessary to visit the ship. The costs would also vary if the complaint is investigated by a member of staff at another grade. On the basis of MCA's experience over the previous 7 years of ILO inspections, five complaints might be received per year. However, the extent of the number of complaints received by MCA might change following the introduction of the MLC is uncertain. Due to the considerable uncertainty surrounding this cost, it has not been monetised in this impact assessment.

This in part replaces an obsolete provision in s33 of the Merchant Shipping Act 1995, which will be revoked by the 2013 Regulations, which deals with investigation of disputes about payment of wages where requested by both parties. As the provision has fallen into disuse, the fact that one aspect of the new requirement is already in existing legislation is unlikely to have any impact on MCA's costs.

6.3.5.2 Cost of training for MCA staff

MCA surveyors would need to be trained in the application of the MLC, the inspection requirements and certification processes. The majority of training has already been done. Once the UK has ratified the MLC, the MCA will continue to train its surveyors to conduct MLC inspections as part of the continuing training programme for new and existing surveyors. However, these costs will be offset by stopping the training required for inspection under the current ILO Conventions, primarily ILO 178. So, it is assumed that there will be no new costs to MCA for training staff.

6.3.6 Familiarisation and administrative costs to business

There have already been a number of events publicising the changes resulting from the MLC as a whole. In addition, the MCA will publish information about the proposed changes. The MCA has consulted/discussed with social partners (industry and Unions) through tri-partite Working Group

⁸ This is the average pay costs per hour for the MS1 Grade in 2012/13 prices. Pay costs taken into account in these estimates include wages, pensions and national insurance.

meetings, and other contacts outside that group, to gather data for this Impact Assessment, and there have been a number of events publicising the changes resulting from the MLC as a whole. Indeed, the MLC itself has been available for public scrutiny since 2006. These actions will minimise the costs for shipowners and seafarers of becoming familiar with the new requirements of the 2013 Regulations, the residual cost of which is not considered to be significant.

Shipowners may deal with the need for their staff to familiarise themselves with the MLC requirements by providing training. There are a number of options, ranging from in-house solutions, software-based training which can be purchased from commercial training providers, as well as training courses run by both MCA and commercial providers. The MCA has already run sessions for which it charged, on a cost-recovery basis, £265 per delegate. Third party solutions are currently available which cost up to £1500 per delegate. As it is impossible to estimate how many shipowners would provide training and in what form that training would take, it has not been possible to quantify these potential costs.

The consultation invited consultees to submit additional evidence of the familiarisation and administrative costs to business. No evidence of the familiarisation and administrative costs to business was submitted. The Impact Assessment invited consultees to propose alternative assumptions for new ships and to provide supporting evidence. No alternative assumptions or supporting evidence was provided.

6.3.7 Other non-monetised costs to business

6.3.7.1 Operational costs to shipowners of survey and inspection

In addition to the fees paid to MCA for survey and certification of ships (where applicable), there are operational costs to shipowners associated with a survey or inspection, which may delay the ship's departure, or take up staff time that could otherwise be spent on other work. In the Do Nothing scenario, ships over 500GT are currently inspected twice in five years under ILO 178, one of the Conventions which will be replaced by the MLC. Although an ILO 178 inspection is not as wide-ranging as an MLC inspection, this means that the operational cost of MLC inspections to ships over 500GT is not all an additional cost. It is not possible to quantify the additional costs due to the wide range of scenarios in which survey and inspection might take place, the management structures on board, and different company procedures during survey and inspection.

The consultation invited consultees to submit additional evidence on the additional costs relating to staff time to support an MLC inspection compared to that for an ILO 178 inspection and other operational costs. No evidence on the additional costs relating to staff time was provided. The Chamber of Shipping has however commented that such administrative costs are likely to be small in comparison with the operational costs to UK ships if the UK does not ratify the Convention (see section 6.1.2).

6.3.7.2 Preparation and maintenance of Declaration of Maritime Labour Compliance (DMLC) Part 2

Shipowners of ships over 500GT operating internationally will incur costs in preparing a DMLC Part 2, which provides information both for seafarers and for the surveyor on the systems the shipowner has in place to ensure that the ship complies, and continues to comply, with the requirements of UK regulations on the MLC. Ships flagging into the UK from a ratifying country will need to amend their DMLC Part 2 to reflect UK regulations. Existing ships and ships flagging in from a non-ratifying country will need to produce a new DMLC Part 2.

It is not possible to quantify these costs because:

- Different shipowners may structure their DMLC Part 2 in different ways.
- In many cases, the DMLC Part 2 will draw on, or refer to, other documentation on board, such as the ship's safety management system, Human Resources manuals and desk instructions, and so will be relatively straightforward to prepare and keep up to date. MCA has no evidence for how many UK shipowners already have some of this documentation in place, and whether it already contains sufficient information to demonstrate compliance with the MLC.
- Some shipowners may prefer to produce more detailed DMLC Part 2, either because existing documentation is not available, or for other reasons e.g. transparency for seafarers on board.
- The cost of amending the DMLC Part 2 when transferring to the UK flag from another flag will vary depending on how closely the legislation of the two countries aligns.
- MCA has no evidence for how regularly on-board procedures change and require the updating of documentation.

The Impact Assessment invited consultees to submit additional evidence on the costs of preparing and/or maintaining a DMLC Part 2. No evidence on the costs of preparing and /or maintaining a DMLC Part 2 was provided. The Chamber of Shipping has however commented that such administrative costs are likely to be small in comparison with the operational costs to UK ships if the UK does not ratify the Convention (see section 6.1.2).

6.3.7.3 Costs to business of on-board complaints procedure

Under existing ILO Conventions, all UK flag ships are currently required to have in place an on-board complaints procedure which is available to all its seafarers should they wish to complain about any aspect of their living and working conditions. The MLC gives more specific requirements for complaints procedures, and some shipowners may incur some costs in bringing their written procedures for complaints into line in with the MLC standard; for example, the procedure must provide for a seafarer to be accompanied when making a complaint. The extent of such changes will vary between shipowners. The costs of making such documentary changes are therefore uncertain and cannot be monetised. However, they are not expected to be significant.

There is also a risk that the introduction of the MLC, by providing more information about seafarer's entitlements and about the complaints procedures, will encourage seafarers to raise complaints which may turn out to be unfounded. This could introduce additional costs. However, the requirement for a complaints procedure onboard and for a clear statement by shipowners in the DMLC Part 2 of how they ensure that their ships comply with MLC standards will help to minimise these costs, by providing evidence for both the seafarer and the shipowner of systems on board, against which such complaints can be tested. Any increase in complaints is expected to be short-lived, and numbers are expected to settle once the MLC procedures are embedded on UK ships. This mirrors the pattern of enquiries and complaints to MCA following the publication of information about other new standards affecting seafarers. Any costs from this impact are therefore uncertain and cannot be monetised.

The consultation invited consultees to submit additional evidence on the costs of the complaints procedure. No evidence on these costs was provided. The Chamber of Shipping has however commented that such administrative costs are likely to be small in comparison with the operational costs to UK ships if the UK does not ratify the Convention (see section 6.1.2).

6.3.7.4 Cost to business of inspections for UK ships under 200GT operating internationally

Ships under 200GT do not require a Maritime Labour Certificate, but any ship to which the MLC applies is subject to inspections at least every three years. MCA is not proposing to apply the MLC inspection regime on vessels operating no more than 60 miles from a UK safe haven on domestic voyages.

There are 105 vessels on the UK Ship Register which are under 200GT, and many other unregistered commercial vessels of this size. MCA does not have accurate data on how these vessels are used, and therefore it is not possible to quantify the number of vessels which may require 3-yearly inspections.

52 of these are large yachts which will fall under MCA survey and have been included in section 6.3.4. The remaining 53 vessels are assumed to operate under the MCA's Small Commercial Vessel Codes (SCV), which are subject to regular survey by certifying authorities, and the MCA proposes to delegate MLC inspections of such vessels to the certifying authorities as an extension of the existing survey regime. Costs will be minimised by advocating that the on-board inspection by certifying authorities is supplemented by self-certification by the master or owner of the vessel. Details of the regime are still under discussion with the industry and with certifying authorities.

There is likely to be an increase in the survey fee to take account of the additional work for certifying authorities, although this is not expected to be significant (we estimate an additional 2 hours on the vessel, plus 2 hours in the office, on top of the current average survey time of 8 hours, based on MCA experience of conducting SCV surveys as a certifying authority). The time required for inspection will be kept to a minimum by providing checklists for surveyors. This will involve mainly documentary checks – for example, that seafarers have appropriate certification, that hours of rest records are kept, that there is a complaints procedure, etc. There is no statutory fee for survey by certifying authorities, and the advertised fees are only for issue of certificates. Survey fees vary according to the size and location of the vessel, and the preparation that the owner has done prior to the inspection. It is not therefore possible to estimate the additional cost to business of the increased fee.

Consultees were invited to submit additional evidence on the cost to business of inspection for UK ships under 200GT operating internationally. No evidence on these costs was provided. No responses were received to the consultation from the small commercial vessel sector.

6.3.8 Potential costs of inspecting non-UK registered ships that call at UK ports

6.3.8.1 Costs to the MCA of inspecting non-UK registered ships that call at UK ports

If the UK ratifies the MLC (by introducing all of the necessary implementing Regulations), the “no-more favourable treatment” clause would give the UK the right, but not the obligation, to inspect foreign-flagged ships to MLC standards. The UK would therefore have the right to require that any foreign-flagged ship calling at a UK port must comply with all MLC requirements. These requirements would be in addition to the existing requirements which the UK already inspects ships against under the Paris MoU Port State Control regime.

In the Do Nothing scenario, ships are subject to port state control inspection for the ILO Merchant Shipping (Minimum Standards) Convention (ILO 147) which covers a number of the same issues as MLC (e.g. health and safety, crew accommodation, food and catering). ILO 147 will be revoked when the MLC comes into force, and therefore the MCA consider that there is no significant extra cost in conducting MLC inspections through Port State Control.

If a ship is flagged with an MLC-ratifying State, and carries valid MLC documentation, this is accepted as *prima facie* evidence of compliance by the flag state, and no further inspection may be required. Lack of MLC documentation or any deficiency may trigger a more detailed inspection of the ship by the port state inspector, which may incur a costly delay to the ship.

Any deficiencies found during a port state control inspection may be dealt with through well-established enforcement procedures used for any UK merchant shipping legislation – including improvement or prohibition notices. In the case of serious or recurring deficiencies, the port state may detain the ship, in which case a rectification plan will be agreed between the port state inspector and the ship.

These procedures are intended to provide an incentive to all shipowners to ensure that ships comply with MLC. It is expected that it would be in the interests of most MLC-ratifying states to enforce MLC standards on foreign ships calling at their ports, as this supports domestically-registered ships by promoting the more level competitive playing field which the MLC aims to achieve.

Whilst deficiencies may be more likely to be found as a result of the additional requirements brought about by MLC in addition to those of the existing Paris MoU Port State Control regime, there are well-established port state control procedures that will be put into place. Therefore, where enforcement measures are required, these will not impose new burdens on MCA, or significant new costs. Where detention of a foreign-flagged ship was necessary in order to enforce an MLC-specific requirement, then there may be costs chargeable to the shipowner. However, as illustrated, it is considered that no new enforcement costs would be likely to arise beyond existing PSC costs. Therefore, no significant costs for MLC enforcement have been quantified in this impact assessment.

There is limited MCA resource for port state control and limited time available when ships are in port, and MLC is one of a number of Conventions which are covered in a port state control inspection. The MLC inspection will replace current inspection under ILO 147. Existing, well established enforcement procedures will be used. So for MCA extra time on one ship for MLC will not add significantly to the overall resource; whereas for an individual ship any delay is costly because it could interrupt a trading schedule.

6.3.8.2 Costs to the owners and operators of non-UK registered ships calling at UK ports

A non-UK-flagged ship could be operated by a UK business. As discussed above, the UK would have the right to inspect non-UK registered ships calling at ports in the UK against MLC compliance requirements. This includes all of the standards mandated for different categories of ships.

There could potentially be costs to the owners and operators of non-UK registered ships calling at a UK ports.

Those which are registered with a MLC-ratifying state will initially be required to produce MLC documentation. Valid documentation is accepted as *prima facie* evidence of compliance with the MLC, and provided there are no other grounds for doubt, no further inspection may be required. In such cases, the cost to the shipowner is therefore minimal.

Non-UK ships that are registered to a non-MLC ratifying state, will not be in possession of MLC documentation, and are therefore subject to more detailed inspection. Any deficiency would require enforcement or rectification measures as described in Section 6.3.8.1, incurring the costs of compliance and of any ensuing delays to the ship.

However, while any ship which does not have MLC documentation is subject to a more detailed inspection by the port state, the extent that the 2013 Regulations would contribute to such costs is uncertain. It is likely that wide ratification of MLC would provide shipbuilders and shipowners with the incentives to build and operate MLC-compliant ships. The additional costs to the owners and operators of non-UK registered vessels of building MLC-compliant ships would arise as a result of the incentives created by wider MLC ratification to which UK ratification of MLC would only contribute marginally. The same incentives would drive shipowners to implement MLC-compliant practices, such as Seafarer Employment Agreements.

Furthermore, such costs would only represent a cost to the UK if they fall on UK entities (e.g. UK businesses or consumers).

Therefore, it is not possible to quantify the additional costs to the UK as a result of the impacts of the 2013 Regulations on non-UK registered ships that call at UK ports.

6.3.9 Summary of Monetised Costs

The estimates of the costs which it has been possible to monetise in this impact assessment are summarised in Table 21. The present value of the Best estimates of the monetised costs over the ten year appraisal period is around £8.15 million.

Table 21 – Summary of the Monetised Costs (Best estimates, £m)

	Average Annual	Total (Present value)
Cost to industry		
- Costs to business of MCA fees for MLC inspections	£0.54m	£4.71m
Cost to the MCA		
- costs of inspections not recovered from industry	£0.29m	£2.51m
- Cost to MCA of non-chargeable MLC inspections	£0.11m	£0.93m
Total monetised costs	£0.93m	£8.15m

The estimates for the Low Scenario and High Scenario are presented in Table 22 and Table 23 below.

Table 22 – Summary of the Monetised Costs (Low Scenario, £m)

	Average Annual	Total (Present value)
Cost to industry		
- Costs to business of MCA fees for MLC inspections	£0.15m	£1.36m
Cost to the MCA		
- costs of inspections not recovered from industry	£0.09m	£0.78m
- Cost to MCA of non-chargeable MLC inspections	£0.07m	£0.66m
Total monetised costs	£0.31m	£2.81m

Table 23 – Summary of the Monetised Costs (High Scenario, £m)

	Average Annual	Total (Present value)
Cost to industry		
- Costs to business of MCA fees for MLC inspections	£1.18m	£10.22m
Cost to the MCA		
- costs of inspections not recovered from industry	£0.62m	£5.34m
- Cost to MCA of non-chargeable MLC inspections	£0.14m	£1.23m
Total monetised costs	£1.94m	£16.8m

6.4 Benefits of the 2013 Regulations (Option 1)

The consultation invited consultees to provide additional evidence on the benefits to shipowners of UK registered ships including on the benefits associated with the MLC certification. No evidence was provided.

6.4.1. Benefits to Shipowners and Seafarers

The benefits from these Regulations are largely dependent on UK ratification of the MLC. Provided that the UK ratifies the MLC, the main beneficiaries of the MLC Survey and Certification regime would be:

- (a) shipowners of UK registered ships, which, provided that the UK has ratified the MLC, would benefit from the system of MLC certification when calling at ports of MLC-ratifying states other than the UK, and from their improved competitive position internationally as a consequence of international standards being raised;
- (b) seafarers on both UK and non-UK ships who will benefit from the improved enforcement of minimum international standards and greater transparency as regards living and working conditions.

The benefits of improved enforcement and transparency under these Regulations relate closely to the benefits of the Convention as a whole. See Annex 3 for a fuller explanation.

The competitive benefits that implementation of the MLC will bring to UK shipowners are discussed in section 10.2. These have been forcefully conveyed by UK industry in a letter to the then Better Regulation Minister, attached at Annex 6 to this IA, which states: "The shipping industry believes that the compliance costs [of the MLC] are manageable. By contrast, the costs to the UK shipping of not ratifying the MLC will be considerably higher. UK ships will be subject to detailed port state control inspections in other countries, without the flexibility that UK implementation will bring, and the UK will miss an opportunity to be seen as a leading advocate of decent living and working conditions for all seafarers. Until we ratify, the UK will also be denied the use of our own port state control procedures to ensure that ships visiting these islands comply with the standards of the MLC, and do not gain competitive advantage by ignoring them."

The cost to UK shipping arising from delays for port state inspections have been discussed with the Tripartite Working Group advising the MCA on implementation of the MLC. From those discussions it is clear that it is not possible to quantify in a meaningful way either the extent of delays (which would vary depending on ports of call and the trading schedule of the ship) or the cost that would be incurred as a result (which would depend on a large number of factors, including the nature of the shipping contract, the cargo carried, port fees etc). However, the joint industry letter at Annex 6 makes clear the importance to the UK shipping industry of avoiding this risk.

The benefits of the specific MLC requirements (e.g. on crew accommodation) are discussed in the impact assessments of the relevant implementing Regulations. A qualitative description of the potential benefits to UK registered ships as a result of UK ratification of the MLC is presented in Annex 3 of this impact assessment. These benefits have been considered in Annex 3 of this impact assessment because they are a result of UK ratification of MLC, and not solely due to the 2013 Regulations (which implement the MLC Survey and Inspection regime in the UK). Without all the other implementing regulations, the UK would not be able to ratify the MLC, which would mean that MLC certification of UK registered ships would not be possible.

6.4.2. Benefits to MCA

The MLC survey and inspection requirements would replace existing but much more limited provisions contained in ILO Convention No 178 (on the Inspection of Seafarers' Living and Working Conditions) which the UK ratified in July 2003. These inspections are carried out every 3 years on UK ships of 500GT and over. MCA will benefit from being able to charge for inspection and certification of seafarer living and working conditions under the MLC for ships of 500GT and over operating internationally, and for any ships under 500GT which request certification.

The number of ILO 178 inspections undertaken by the MCA was 270 in 2012, 314 in 2011 and 350 in 2010. For the purposes of this IA, it is assumed that there would be between 270 and 350 inspections per year under the Do Nothing scenario, with a Best estimate of around 311 (the average per year in this period).

It is assumed that each inspection would take five surveyor hours. This is based on 7 years experience of carrying out ILO inspections. A cost of around £151 per surveyor hour is assumed (see Section 6.3.4.1).

On the basis of these assumptions, the benefits to the MCA are estimated at around £0.20 to £0.26 million per year, with a Best estimate of around £0.23 per year. Over ten years, the present value of this saving is estimated at around £1.75 to £2.27 million, with a Best estimate of around £2.02 million.

MCA will also benefit from clearer standards and improved powers of enforcement of seafarer living and working conditions, which will simplify its role in this area.

7. RATIONALE AND EVIDENCE THAT JUSTIFY THE LEVEL OF ANALYSIS IN THIS IA

The MLC was developed on a tripartite basis and is strongly supported by UK shipowner and seafarer representative organisations, which also support the prompt ratification of the MLC. Discussions on the proposals for implementing the MLC provisions for survey and certification at the MLC Tripartite Working Group have been non-controversial, since the MLC provisions, and therefore these regulations, reflecting current well-understood practices.

The proposals also impose the minimum requirements needed to comply with the MLC, and take advantage of the flexibility provided in respect of application (through the exclusion of vessels operating within 60 miles of a UK safe haven on domestic voyages). Every effort has been made to minimise costs through linking the survey to existing ISM inspections for ships of 500GT and over, and to the existing inspection regime for small commercial vessels.

Further analysis of the impacts is not therefore considered necessary.

8. RISKS

The 2013 Regulations need to be implemented in order to allow the UK to ratify the MLC. The risks of ratifying the MLC, and of not ratifying the MLC, are explored in Annex 3 of this impact assessment.

The estimated costs to business are sensitive to the assumption that MCA survey rates remain constant at £94 per hour throughout the appraisal period. If the survey rates were to change, the cost estimates presented here would not be an accurate reflection of the cost to industry..

9. REDUCING REGULATION POLICY

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

As these requirements are international and the proposals do not gold plate the requirement (i.e. not going beyond the minimum necessary), the measure is outside the scope of OITO.

Even though this is outside the scope of OITO, EANCB has been calculated as follows:

Table 24

	£m per year
Cost to industry (see table 21)	
- Average annual costs to business of MCA fees for MLC inspections, 2012 prices	0.54

GDP deflators at market prices ⁹		EANCB Cost to business per year, £m
2012	100.00	0.54
2009	93.75	0.50

⁹ Using HM-Treasury's GDP deflator:
http://www.hm-treasury.gov.uk/data_gdp_fig.htm

9.2 Copy out

In preparing the regulations, Government policy on “copy out” has been applied as a means of transposing international legal requirements wherever possible. However, the Convention was not always drafted in a manner which facilitates this approach, and further elaboration is required in some cases. Particular difficulties are:

- Requirements which are set by reference to existing “national laws, regulations and other measures”, and
- Provisions which require the Member to determine a particular standard in consultation with shipowner and seafarer representative organisations.

In addition, where existing UK legislation is considered to meet Convention standards, changes to adopt the language of the Convention have not always been made to avoid costs to business from dealing with unnecessary changes.

9.3 Alternatives to regulations

Introducing the proposals without recourse to legislation has been considered but would not enable the UK to enforce the requirements of the Convention effectively.

9.4 Review clauses

The proposed Regulations include a clause which requires a Ministerial review five years after they are made and every five years thereafter in line with the “review policy” on introducing international obligations.

The basis of this review will be the “Article 22 report” required by the International Labour Organisation (ILO). Parties to the Maritime Labour Convention, 2006 will be required to submit a report to the ILO, under Article 22 of the ILO Constitution, providing evidence of effective implementation of the Convention. Preparing for this review will enable the UK to establish effectiveness of the policy (enforcement action taken) and identify any necessary amendments to UK legislation or to the Convention.

The review will examine UK MLC inspection reports and any enforcement action taken under the regulations, and the port state control record of UK ships in non-UK ports, and the results of MCA investigations will be analysed.

A continuously reducing number of serious breaches and deficiencies in UK MLC inspections and Port State inspections and complaints to MCA would demonstrate that the regulations were improving standards on ships.

Successful resolution of complaints would also demonstrate that the regulations were having a positive impact.

10. SPECIFIC IMPACT TESTS

10.1. Equalities Assessment

The 2013 Regulations would benefit equally all seafarers working on UK sea-going vessels to which the 2013 Regulations would apply, irrespective of their age, ethnic origin, gender, nationality, race, sexual orientation or disability. The MLC is based on the fundamental rights and principles of workers (Article III):

- (a) freedom of association and the effective recognition of the right to collective bargaining;
- (b) the elimination of all forms of forced or compulsory labour;

- (c) the effective abolition of child labour; and
- (d) the elimination of discrimination in respect of employment and occupation.

The Regulations are therefore considered to have no adverse impact as regards statutory equality.

The consultation invited consultees to submit additional evidence on the potential of the proposed Regulations to impact on equality. No evidence was provided.

10.2 Competition Assessment

The 2013 Regulations would primarily bring existing UK legislation into line with the requirements of the MLC. The MLC aims to provide a benchmark for the decent employment of seafarers globally, and it is expected that the MLC will be very widely implemented internationally.

By introducing a set of minimum standards that apply internationally, the MLC should promote a more level competitive playing field internationally and reduce the ability of ship operators to gain a competitive advantage through poor treatment of seafarers.

It is likely that this would reduce the competitiveness of ship operators that are currently less compliant with the requirements of the MLC and improve the competitiveness of ship operators that are currently more compliant with the requirement of the MLC. However, the magnitude of this impact is uncertain.

Since UK legislation on living and working conditions for seafarers was substantially compliant with an estimated 85% of the MLC prior to the MLC being adopted, it is expected that UK shipowners will benefit from improved competitiveness as shipowners on non-UK flags with lower standards are required to comply with MLC standards.

By enabling the ratification of the MLC in the UK, it is possible that the 2013 Regulations could have an impact on competition. The precise impact would depend on how the 2013 Regulations affect relative costs.

Ratification of the convention would allow the MCA to issue MLC certification, which would ensure that UK flagged vessels are not subject to unnecessary delays when visiting ships in ports of ratifying states. This will ensure that UK-flagged ships remain attractive to shippers, and do not lose trade to MLC-certificated ships of other flags. This should ensure that UK flagged vessels do not suffer a competitive disadvantage as a result of the introduction of the MLC globally.

The consultation invited consultees to supply additional evidence on the potential for the 2013 Regulations to impact on competition. No evidence was provided.

10.3 Small Firms Impact Test

It is appropriate that the working conditions for all workers should be underpinned by common minimum standards regardless of the size of the company for which they work. Any costs arising from the 2013 Regulations would inevitably have the greatest impact on small firms with a small turnover. As the MLC sets minimum standards for “decent work”, it does not generally make concessions in those standards. The UK is making use of any flexibility in the MLC designed for smaller vessels or likely to apply to small companies.

There is no scope in the MLC for disapplication of the 2013 Regulations to micro-businesses or SMEs. Indeed one of the principles behind the MLC was that it should be universally applicable.

However, the MLC includes a provision for vessels under 200GT which operate only on domestic voyages to be subject to alternative national legislation dealing with the same issues (This is not a disapplication of the Convention, but means that the detailed provisions of the Convention may be adapted to be suitable for small, domestic ships). In the UK, these standards are included in the Small Commercial Vessel Codes. It has been agreed with seafarer and shipowner representatives that these vessels should not be subject to a specific MLC inspection regime. Many other vessels under 200GT which operate internationally are likely to operate under the Small Commercial Vessel Codes, which have their own inspection and certification regime. It is proposed that this regime should be amended to comply with the MLC. This is intended to minimise the impact of additional inspections on these businesses, while doing the minimum necessary to implement the MLC.

In addition, the MLC does not apply to ships operating “in inland waters, or in waters within or closely adjacent to sheltered waters or waters where port regulations apply” (Article II(i)), and allows the flag state to determine the extent of those sheltered and adjacent waters. The UK has determined, in consultation with its social partners that ships operating exclusively within 60 nautical miles (nm) of a

safe haven in the UK, on domestic voyages, fall under that disapplication (see regulation 5(e)(ii) of the 2013 Regulations), since those employed in the United Kingdom are protected by UK employment law and are less vulnerable. Ships operating within these limits will not be subject to survey and inspection under the MLC. Such vessels will not be impacted by the proposals under discussion and are therefore excluded from this IA.

The MCA has discussed the implications of the MLC with the Domestic Passenger Ship Steering Group and the National Work Boat Association, who represent the majority of small firms operating vessels that would be affected by the 2013 Regulations.

MCA's consultees on the proposed Regulations include small, medium and large businesses, In addition a number of consultees including the UK Chamber of Shipping, RYA and BMF have small business members, and a number of the specific consultees would be classified as small or medium enterprises.

The consultation invited consultees to supply additional evidence on the potential impacts of the proposed regulations on small firms and micro businesses. No evidence was provided.

10.4 Human Rights

The 2013 Regulations would implement provisions of the MLC which requires respect for the following fundamental rights and principles of workers (Article III):

- (a) freedom of association and the effective recognition of the right to collective bargaining;
- (b) the elimination of all forms of forced or compulsory labour;
- (c) the effective abolition of child labour; and
- (d) the elimination of discrimination in respect of employment and occupation.

There are no Human Rights compatibility issues arising from the 2013 Regulations.

10.5 Justice System

The main enforcement mechanism for these 2013 Regulations would be through the inspection and certification of UK ships under the MLC by MCA surveyors. However, the Regulations will introduce offences and penalties. These offences and penalties are in line with the penalties in place for corresponding offences in existing Regulations. The MCA will review these offences and penalties with the Ministry of Justice later this year to ensure a consistent approach in all sets of regulations implementing the MLC.

10.6 Greenhouse Gas Emissions

As the measure follows existing enforcement regimes for international shipping, it is not expected to affect maritime transport volumes. Therefore, no change in greenhouse gas emissions is expected.

11. SUMMARY AND PREFERRED OPTION

The proposals would implement in UK legislation the minimum legislative provisions to allow the UK to survey, inspect and issue certificates to UK ships in accordance with Title 5 of the MLC, and to enforce MLC standards on non-UK ships calling at UK ports. This will help to ensure a level playing field for UK shipowners and those of other flags operating around the UK in respect of living and working conditions for seafarers, and is a key element of the legislation required to allow the UK to ratify the MLC.

Taking into account the considerations above, introducing the 2013 Regulations (Option 1) is therefore the preferred option.

12. IMPLEMENTATION PLAN

The 2013 Regulations are part of a package of Regulations that are required to allow the UK to ratify the MLC. The MLC will come into force internationally on 20 August 2013.

A Merchant Shipping Notice would be published to accompany the 2013 Regulations which would explain the provisions and give guidance on their practical interpretation. Information would also be available on the MCA website.

The primary enforcement mechanism for the 2013 Regulations would be through Flag State inspections for issue or renewal of a Maritime Labour Certificate. MCA surveyors would check the provisions contained in the shipowners' declaration of maritime labour compliance Part II and in seafarer employment agreements as part of the inspection of UK ships. Further details about the 2013 Regulations would be set out in an accompanying Marine Guidance Note.

Furthermore, shipowners would need to have published procedures to deal with seafarers' complaints about their working and living conditions and seafarers would also have the right to complain to an MCA surveyor in the UK or to any port state control officer in other countries, if they are not receiving their entitlements.

References

No.	Legislation or publication
1	Maritime Labour Convention, 2006 http://www.ilo.org/global/standards/maritime-labour-convention/WCMS_090250/lang--en/index.htm
2	The Merchant Shipping Act 1995
3	The Merchant Shipping (Seamen's Wages and Accounts) Regulations 1972(as amended)
4	The Merchant Shipping (Seamen's Allotments) Regulations 1972
5	ILO (2001) The impact of seafarers' living and working conditions of changes in the structure of the shipping industry. Report JMC/29/2001/3 http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_PUBL_9221122379_EN/lang--en/index.htm
6	European Commission (2006) Communication from the Commission under Article 138(2) of the EC Treaty on the strengthening of maritime labour standards. http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2006:0287:FIN:EN:PDF
7	ILO (2012) Maritime Labour Convention, 2006: Frequently asked questions. http://www.ilo.org/global/standards/maritime-labour-convention/WCMS_177371/lang--en/index.htm
8	ILO (2011) Advantages of the Maritime Labour Convention, 2006. http://www.ilo.org/global/standards/maritime-labour-convention/WCMS_153450/lang--en/index.htm

Annexes 2 to 7 are in separate documents.