

Electronic Registration of Ships

Department for Transport - Maritime and Coastguard Agency

RPC rating: validated

Description of proposal

The proposal gives ship owners an option to register their ships electronically under the UK flag. Currently, physical copies of new applications, annual renewals or changes to the original application must be posted to the Maritime and Coastguard Agency (MCA). The regulator considers this to be inefficient and proposes to introduce an electronic registration system in order to reduce costs for both the MCA and ship owners. Use of the new system will be optional and ship owners will still be able to register by post.

Impacts of proposal

The introduction of the new system would affect ship owners (users of the system) and the MCA.

Costs

The MCA would have to cover the cost of building and operating the system. According to the IA, costs and benefits to the MCA will be passed on to the ship owners in the form of increased (or reduced) fees; therefore, they are included in the BIT score calculations.

The IA presents low, central and high cost scenarios corresponding to 20%, 40% and 80% of ship owners registering electronically. The MCA uses the value of the one bid received from nine potential suppliers of the software and the costs of their own staff time to produce their estimates. The undiscounted 10-year costs to the MCA are summarised in the table below, where “cost to build” is the software development cost and “software costs” relate to the recurring cost of supporting the system.

Undiscounted	Low	Central	High
Cost to Build	£713,986	£713,986	£713,986
Software Costs	£788,000	£1,038,000	£1,288,000
Costs to Users	£0	£0	£0
Total Costs	£1,501,986	£1,751,986	£2,001,986

The IA acknowledges that there might be some familiarisation costs to businesses who will need to adapt to the new system but considers the cost to be negligible. As this is unlikely to have a material impact on the EANDCB, the Department does not quantify it.

Benefits

Both ship owners and the MCA would benefit from the system.

Benefits to applicants include: a less time-consuming registration process; lower postage costs; and a reduction in business lost due to delays in the paper-based process.

The reduction in registration time (time before the ship can be used) is the largest benefit to users; valuing this in opportunity cost terms involved the most complex calculations. The IA makes clear that providing an accurate estimate of this cost was challenging and relied on a number of assumptions. The approach outlined in the IA appears cautious and reasonable.

The table below summarises all benefits presented in the IA.

Undiscounted	Low	Central	High
Benefits to MCA*	£474,405	£948,811	£1,897,622
Benefits to Users	£888,753	£10,200,633	£48,303,489
<i>Time Savings</i>	£65,576	£262,302	£786,907
<i>Stamp Savings</i>	£33,466	£66,931	£133,862
<i>Opportunity Cost</i>	£789,712	£9,871,400	£47,382,720
Total Benefits	£1,363,159	£11,149,444	£50,201,111

* Time Savings

Electronic registration would reduce MCA processing time. This will result in (undiscounted) cost savings of £474,000, £949,000 and 1,898,000 in the low, central and high scenarios respectively. These estimates are based on internal staff costs and administrative data on applications management.

The IA states that other non-monetised benefits are likely to be negligible and does not quantify them.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of -£0.9 million. This will be a qualifying regulatory provision that will score under the Business Impact Target.

Quality of submission

The analysis presented in the IA is very thorough; the IA describes the calculations clearly and briefly. The Department clearly sets out all relevant costs and benefits, as well as the approach and assumptions used in estimating them. Considering the relative complexity of the calculations involved, the overall quality of the IA is high.

The IA would benefit from an improved presentation of the data. For example, the table on the top of page 7 shows in its last row “opportunity cost per day” rather than “per year” as stated in the text. Also, it should have been clearer that the total benefits table on page 7 shows estimates for a ten year period.

The clarity of the IA would have been improved had discounted estimates of costs and benefits been used consistently throughout the document. Given that the headline figures reported in the summary section of the IA are always discounted, the assessment would have been more accessible if all estimates used in the main body of the document had been discounted too.

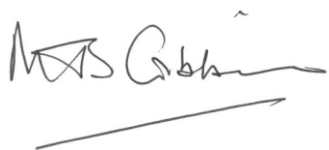
Departmental assessment

Classification	Qualifying regulatory provision (OUT)
Equivalent annual net cost to business (EANCB)	-£0.9 million
Business net present value	£8.22 million

RPC assessment

Classification	Qualifying regulatory provision (OUT)
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EANCB – RPC validated ¹	-£0.9 million
Business Impact Target (BIT) Score ¹	-£4.5 million



Michael Gibbons CBE, Chairman

¹ For reporting purposes, the RPC validates EANCB and BIT score figures to the nearest £100,000.