

**INTRODUCTION OF ELECTRONIC NOTICES OF VARIATIONS TO LICENCES FOR ALL FISHING VESSELS IN ENGLAND**

IA No: 1369

Lead department or agency: Department for Environment, Food and Rural Affairs

Other departments or agencies: Marine Management Organisation; Centre for Environment, Fisheries and Aquaculture Science

**Impact Assessment (IA)**

Date: 27 October 2011

Stage: Consultation

Source of intervention: Domestic

Type of measure: Secondary legislation

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**Summary: Intervention and Options**

RPC: GREEN

**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, One-Out?	Measure qualifies as
£0.56m	£0m	£0m	Yes	Out

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

EU legislation requires all commercial fishing vessels to have a valid fishing licence and authorisation. In England, this licence is currently issued in paper format and must be produced on request to Enforcement Officers during inspection. During the quota year, numerous variations to these licences are produced and issued in paper format. In 2010 there were 669 variations issued in total. Each variation can affect up to 3,000 recipients at the same time. This is a costly, resource intensive and time consuming process for the Marine Management Organisation (MMO), taking several days to complete. It is also time consuming for fishermen who must ensure that they keep the paper licence on board the vessel up to date. Government intervention is necessary to ensure that a more efficient method is adopted. This will ensure compliance with EU regulations, which aim to protect fish stocks and the marine environment through sustainable management of the fishery.

**What are the policy objectives and the intended effects?**

The objective is to introduce electronic notices of variation to all fishing vessel licences in England by publishing the notices on the MMO website. This would ensure a more effective procedure including better communication of information by both Government and vessel owners. The electronic notification system would address the current inefficient and burdensome process common to the paper systems, as fishermen will be notified immediately via email or sms text alerts of any changes to be made to their licence. The varied licences will be available to be viewed on the MMO website, where anyone can download or print them off, as they do not contain personal information.

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

Three options have been considered: **Option 1:** Do Nothing: Continuing with current system where port offices produce and send out hard copies of licences and notices of variations to nominees. This is a burdensome process as administrative staff must mail-merge and print out licence pages, schedules and variations for each vessel including copies for records. **Option 2:** To develop a fully electronic licence system with a dedicated individual secure area on a website for each licence nominee to access their licences and variations. For this option, licence holders/nominees would be required to have individual email accounts. **Option 3:** Our preferred option is to introduce electronic notices of variation only for all English fishing vessels. These will be notified in advance via email or sms text message alerts and available for viewing on the MMO website. (The front page of the licence will still be issued as a paper document and must be presented for on board inspection.) This option would remove the administrative burden and duplication of resources. It would improve operational efficiency for Government whilst simplifying arrangements for industry. Option 3 is the preferred option as the Devolved Administrations are unable to commit to introducing a fully electronic system (Option 2) at present due to the current lack of staff resources required to carry out this work. The option is supported by industry. We are applying for a waiver from the Moratorium on the grounds this is a simplification measure.

**Will the policy be reviewed? It will be reviewed. If applicable, set review date: 10/2014**

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/No	Large Yes/No
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)	Traded: 0		Non-traded: 0		

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

Signed by the responsible Minister:

*Richard Benyon* Date: 9/12/2011

# Summary: Analysis & Evidence

# Policy Option 2

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £0.64m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0.13m	£0.02m	£0.30m

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

- IT costs: There would be one-off capital costs of £131K to the Government for developing the IT system<sup>1</sup>.
- Maintenance costs: The Government would incur ongoing maintenance costs of £20K annually. There would be no change to the administrative cost of preparing variations and no impact on the number of variations.
- Total present value of monetised costs discounted over 10 years is estimated to be £0.30m.

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

- Time costs: Fishermen would need to complete an online application form and enter the relevant information needed such as personal details, vessel information etc to apply for a fishing licence. This may also require new skills from some fishermen.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	£0.11m	£0.95m

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

- Postage savings: For the MMO, there would be potential savings of up to £30K<sup>2</sup> per annum on postage of new licences (£725 p.a.) and notices of variations of existing licenses (£29,675 p.a.) The cost savings to fishers (on postage and packaging) of requesting new licences and returning completed forms to the MMO would total £144.<sup>3</sup>
- Other admin savings: Current staff salary costs,<sup>4</sup> including overheads, which would be saved by introducing this system are estimated at £79,273.
- Total present value of monetised benefits discounted over 10 years is estimated to be £0.95m

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

- Increased efficiency: Fishing licences, authorisations, and variations would now be in a simple and convenient format. Additionally, any keying in errors that may arise in the clerical system when Port Office staff transpose licence requests into the Government database should be eliminated.
- Access to information: There would also be electronic access to records of fishing licences and variations
- Time saving: Fishermen would be able to complete licence forms online without needing to travel to port offices

#### Key assumptions/sensitivities/risks

Discount rate (%)

3.5

- It is assumed that all vessel owners and their nominees either have existing IT equipment and internet connections as part of normal business practice or would acquire them.
- There would be no change to the cost of preparing variations and no impact on the number of variations.
- It is estimated that currently each licence application takes up to half an hour for admin staff to process.

### BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	Yes	OUT

<sup>1</sup> Based on E-log books IA info by software development company SHEEL. Section 9 refers

<sup>2</sup> Figure based on information provided by MMO District Offices

<sup>3</sup> Information provided by MMO

<sup>4</sup> Staff salary costs taken from Defra Ready Reckoner at National rate for 2010, including overheads, except accommodation overheads

# Summary: Analysis & Evidence

# Policy Option 3

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 2012	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £0.56m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£0.01m	£0.02m	£0.19m

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

- IT costs: One-off capital costs of £7-10K to the Government for adding extra data fields to the existing Citrix database to capture email addresses and telephone numbers, and to create a new mail merge procedure.<sup>5</sup>
- Maintenance costs: The Government would incur ongoing maintenance costs of £20K annually.
- Ongoing costs to Government of sending text alerts of the variations at 7p per alert amounts to £468.3 per annum.
- Total present value of monetised costs discounted over 10 years is estimated to be £0.19m.

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

- Time costs: For fishermen who do not have access to a mobile telephone or laptop, and have not provided details of a nominee for alerts (less than 1%) there may be travel time and costs involved in checking their variations at their local library or MMO Port Office. Some fishermen may be able to put into port on a fishing trip at no extra cost to check the variations at the Port Office.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	0	£0.09m	£0.75m

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

- Postage: For the MMO, there would be potential savings of up to £29,675 p.a.<sup>6</sup> per annum on and notices of variations. Unlike in Option 2, new licences would still be issued manually.
- Other admin savings: The total annual cost of staff savings in the variations process are estimated at 57,065 per annum.<sup>7</sup>
- Total present value of monetised benefits discounted over 10 years is estimated to be £0.75m

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

- Efficiency saving: For fishers, apart from the front 2 pages of the licence, (which is the proof that the vessel is authorised to fish commercially for sea fish) there would no longer be a requirement to carry paper variations.

Key assumptions/sensitivities/risks Discount rate (%) 3.5

- All fishermen who do not have access to a mobile telephone or laptop, and have not provided details of a nominee for alerts (less than 1%) are able to check their variations at their local library or MMO Port Office
- There would be no change to the administrative cost of preparing variations or on the number of variations.
- We envisage that there would be an updating process carried out by the MMO to enhance the existing licence systems as well as set up a text messaging system. Any technology to be used by the Government would have to be sufficiently capable of holding and maintaining information for onward transmission and receipt and be able to keep records of sending and delivery of email and text messages.

### BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:				In scope of OIOO?	Measure qualifies as		
Costs:	0	Benefits:	0	Net:	0	Yes	Out

<sup>5</sup> Based on E-log books IA info by software development company SHEEL. Section 9 refers

<sup>6</sup> Figure based on information provided by MMO District Offices

<sup>7</sup> All staff salaries calculated from Defra Ready Reckoner

# Evidence Base (for summary sheets)

## 1 Introduction

1.1 This IA relates to the amendment of the Sea Fishing (Licences and Notices) Regulations 1994. Amending this Regulation would enable the Government to publish notices of variation for sea fisheries licences and the variations electronically on the Marine Management Organisation (MMO) website. This would replace the previous system of issuing them by hand or post. The Regulations would be amended to simplify the communication of notices of variation and increase the options of who can receive them.

### 1.2 Benefits

In addition to the annual real time and resource savings to the MMO due to electronic transmission of information, the simplification of this system would save time for fishers and reduce the regulatory burden of compliance with EU requirements.

## 2 Background Information and Problem under Consideration

2.1 There is an EU obligation that all commercial fishing vessels must be issued with a fishing licence and a fishing authorisation. The main purpose of having a fishing licence on board vessels is to provide demonstrable proof to an inspector that the vessel concerned has a valid fishing licence/entitlement, as required by EU legislation. The overall purpose of licensing is to protect stocks by limiting and regulating the fishing fleet. At the beginning of each licence round, vessels are issued with a complete (paper) licence including all of its constituent parts e.g. vessel details, conditions, licence schedule (limitation to the authority), and notes.

2.2 In England, the complete licences and authorisations are issued biennially in paper format by MMO Port Office staff. During the quota year, licences are varied numerous times and the production and issuing of these paper notices of variation can be resource intensive and extremely time consuming for members of staff, as it can take them several days to complete the process.

2.3 There are currently around 2,948<sup>8</sup> licensed fishing vessels in England. In 2010 there were 160 variations issued to 10 metres and under licence holders and 509 variations issued to over 10 metres licence holders. One licence variation can affect up to 3,000 recipients at the same time.

2.4 The provisions to grant licences and issue notices of variations are set out in The Sea Fishing (Licences and Notices) Regulations 1994 No. 2813. The Regulation is now being reviewed by UK Fisheries Administrations to take account of current industry practices and allow for electronic publication of fishing licence notices of variation, a means of communication not envisaged when the current Regulation came into force. The current practice is to post the notices of variation and the variations to the licence nominee. The proposed changes would increase the options of who can receive the alerts or notices by allowing them to be sent to the owner, the charterer, and the nominee. The Government would also remove the option of sending variations in paper format.

## 3 Rationale for Government Intervention

3.1 As stated above, fishing licences and variations are currently issued in paper format. Production of these documents is both time consuming and resource intensive for the MMO. Annually, it is estimated that the total staff costs for processing licence applications and issuing licence variations amounts to £79,273. For licence variations' work alone, the total annual staff costs amount to £57,065. The latter represents 6 months' full time work of one EO and one AO at £43,570<sup>9</sup> including operational costs (minus accommodation costs) to produce notices of variation and the variations themselves; also the HEO supervisory costs for issuing variations (including operational costs as above) which represent 25% of the HEO role and amount to £13,494. There are additional costs to the MMO on postage and packaging (for variations only) estimated at £29,675 annually<sup>10</sup>. Added to staff costs, this totals £86,740 in annual costs for licence variations work.

3.2 The introduction of electronic notices of variation (the preferred Policy Option 3) would reduce the administrative burden on Government and increase efficiency in the transmission of information. MMO staff would avoid the duplication process that comes with production of the various paper licensing documents for fishing vessels. Impacts on business are estimated to be minimal.

3.3 If an electronic system of licence variation is to be introduced, then amendments would have to be made to the Sea Fishing (Licences and Notices Order) 1994, to address current anomalies and allow for publication of notices of variation on the MMO website. Quick Government intervention is required to make it a more cost effective option.

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<sup>8</sup> Information provided by the MMO

<sup>9</sup> Figures have been taken from Defra Ready Reckoner for London rate AO, EO and HEO for 2010/11.

<sup>10</sup> As one licence variation can affect up to 3,000 recipients at the same time, the MMO bases the postage cost on the figure of approximately 60,000 letters of variation.

## 4 Consultation

### Within Government

4.1 There has been ongoing discussion between UK Fisheries Administrations. A small working group of representatives from each administration has been set up since December 2010 to steer the implementation of electronic licence variations for all fishing vessels in the UK.

### Public Consultation

4.2 Defra officials have had informal discussions with representatives from the fishing industry on the introduction of electronic notification of licence variations. In particular, the idea of notices being communicated electronically was welcomed as was reducing the paper burden on industry. As with any change made to existing processes, there were general concerns about receipt and transmission of information. Overall, representatives felt that the practice of using a nominee to access information on behalf of the vessel owner or charterer would overcome any perceived difficulties. Once enhancements have been made to the existing licensing system, the MMO will send a letter to all vessel owners in England to inform them about proposals to introduce electronic notices of variations for all fishing vessels.

## 5 Policy Options

5.1 Three options have been considered for this proposal:

### Do Nothing - Option 1

5.2 Continue to apply existing arrangements where the MMO sends out paper copies of notices of variations. This is a cumbersome process and would not improve the timeliness and efficiency of the system nor would it reduce costs to Government. Continuing with these arrangements would leave England behind other UK Fisheries Administrations in developing an electronic licence variation system.

### Individual Secure areas on a server (Full Electronic Licence Systems) – Option 2

5.3 There are 155 12–14.99 metre fishing vessels in England. From 1 January 2012, these vessels will be required by law to use electronic logbooks to record and report their catch data. This means that these vessels would need to have their own secure area on a website with a valid email and password to access the e-logs system. These secure areas could be utilised, as necessary, as a depository for each individual vessel's current licence. However, because the EU does not require vessels below this capacity to complete e-logs for their catch data, secure areas would have to be set up for the remaining nearly 2,631 vessels which are less than 12 metres. The costs of setting up and maintaining these secure areas would be relatively high, as discussed in the next section, and this option would rely too heavily on all licence holders being able to provide email addresses. Financial costs are not the only prohibitive factor, rather the current lack of staff resources necessary to develop and implement a fully electronic system. This system could not be introduced in England alone but there is no commitment at present from the Devolved Administrations to introducing this system on a pan UK level due to lack of such resources. However, this does not rule out returning to this option at a later stage when we are able to schedule these resources.

### Electronic Notices of Variation – Option 3

5.4 The new notices of variation would be communicated through a notice published on the MMO website. When a new variation is created, MMO HQ would upload the information onto the website and licence holders and/or their nominees would be notified via sms texts or email about the new changes. These alerts would advise them that their licence had been varied and that they needed to access the MMO website to view the notices of variation. They would also be able to view this information as soon as it were updated.

5.5 As with current practice, the notice of variation would summarise the changes being made. These notices of variations would be published on a specified day each month. This would enable those owners or nominees without email addresses or mobile telephone numbers to make arrangements to access the MMO website on the published day to check whether their licence had been varied. In the first two to three months of introducing the proposal, the MMO would continue to issue paper notices of variations and the variations themselves in tandem with the electronic alerts, to familiarise vessel owners or their nominees with the new publication process. A new licence condition would be introduced placing the onus on licence holders/nominees to check the MMO website for a variation to their licences.

5.6 Under this regime, fishermen would be responsible for keeping their licence up to date. This could be done in a number of ways, by:

- Printing a copy of the relevant web page;
- Making a note of the changes; or
- Calling into one of MMO's Port Offices for the latest single page summary.

5.7 Those who have not provided their email addresses or mobile telephone numbers or appointed a nominee would be expected to get access to the website from their local libraries, internet cafe or MMO Port Office.

## 6 Costs and Benefits by Main Affected Groups

6.1 The new measure would affect the MMO and all licensed fishing vessels in England which are involved in commercial fishing. Present value figures are discounted at the HM Treasury discount rate in real terms of 3.5% over ten years starting from 2012, when costs are first incurred.

### Costs

#### Option 1: Do Nothing

6.2 Continuing to apply existing arrangements where MMO admin staff manually produce, print, and send out paper copies of licence variations to all fishing vessels.

6.3 In 2010 there were 160 variations issued to 10 metres and under licence holders and 509 variations issued to over 10 metres licence holders, which is considered by the MMO to be representative of a typical year. This process can be resource intensive depending on the number of licences to be varied and the estimated costs for postage and stationery alone in 2010 was in the region of £29,675.<sup>11</sup>

6.4 We estimate that the staff time currently involved in issuing new licences and the licence variations work amounts to the following: The variations process involves 1,400 hours or 195 days in total which is the equivalent of 6 months work for one EO and one AO also 25% of HEO time to supervise this work, at a total estimated cost of £57,065.<sup>12</sup> Issuing new licences involves 10% of the time of one AO and one EO over a year or 20% over 6 months, also 25% of HEO time in a supervisory and general advisory capacity at a total cost of £22,208. This brings the total annual staff salaries costs to £79,273. These calculations include overheads with the exception of accommodation costs.

#### Option 2: Individual Secure Areas on a Server (Full Electronic Licence System)

6.5 Whilst this option would reduce the administrative burden on Government and industry, vessel owners would need to have access to a secure section of the web server in order to apply for and receive their fishing licence and authorisations. As explained below, this option would be relatively expensive to set up as it would mean either developing a new licensing system or making adjustments to the existing server currently used for E-sales and E-logs to accommodate the E-Licensing systems. Moreover, the staff resources necessary to develop and implement such a system are currently unavailable and for this reason we do not have a commitment at present from the Devolved Administrations to introducing such a system.

6.6 There are currently around 2,948<sup>13</sup> licensed fishing vessels in England. If this option is chosen, all these vessels would be required to have an individual secure area on a server as fishing licences are renewed biennially and licences are varied several times in a year. It is estimated that there would be one-off capital costs of £131K to develop the IT system.<sup>14</sup>

6.7 In addition to the development/adjustment of the IT system, there would be annual IT maintenance costs of around £20K, independently of the option selected.<sup>15</sup>

6.8 There would be a small time cost for fishermen, who would need to complete an online application form and enter the relevant information needed such as personal details and vessel information to apply for a fishing licence. This may also require new skills from some fishermen. The Registry of Seamen and Shipping (with which vessels must register before applying for a licence) notifies the MMO (not vessel owners directly) of any technical changes in the vessel affecting the capacity of the vessel and hence the validity of the licence, however it could be required under this system that vessel owners inform the MMO of changes of mobile or email address by making the necessary changes in the Government's database themselves.

6.9 The total present value of monetised costs for Option 2 discounted over 10 years is estimated to be £0.30m.

#### Option 3: Electronic Notices of Variation

6.10 Although this option would require minimal infrastructure to effect the change, there is likely to be a one-off cost to the Government in the region of £7-10K for CEFAS to add extra fields to the current licensing system to capture email addresses and mobile telephone numbers as well as to create a new mail merge procedure that would automatically send out alert messages.

6.11 In addition to the adjustment of the IT system, there would be annual IT maintenance costs of around £20K.

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<sup>11</sup> Information provided by the MMO

<sup>12</sup> Estimate based on assessments used in the E-sales IA and confirmed by the MMO

<sup>13</sup> Information provided by the MMO

<sup>14</sup> Based on E-log books impact assessment information provided by software development company SHEEL. Section 9 refers

<sup>15</sup> Information supplied by the MMO that Cefas charge £20k to host any database on its site (CITRIX) which would be an ongoing annual fee.

6.12 The new system would generate notices of variation on the MMO website, and electronically send alerts by email or text messages. The ongoing costs to Government of sending text alerts of the variations at £468.3 per annum would be less than the current annual spend of up to £30K on postage and packing and nearly £79,273 in staff salaries.

6.13 There would be nil or minimal costs to fishermen for receiving electronic alerts since we believe that they or their nominee would have a mobile or computer to receive the messages. When they do not have these technologies, (an estimated 1% or 29 fishers have no mobile phone) they can visit the local library or the local MMO Office to check their variations and/or get a print out. The journey time and cost may vary considerably depending on where they live or fish, but may be minimal. There would therefore be negligible costs to fishermen from the introduction of electronic notices of notification. There should be no costs to fishermen in providing information on e-mail addresses and phone numbers because this information can be obtained when the MMO contacts vessels owners in England. For fishers, it is anticipated that most would reply by email at nil cost. There are a variety of cost-free options open to the estimated 10%<sup>16</sup> without email accounts, such as attaching the information to landing reports at the Port Office, or visiting their local library, hence any costs would be minimal.

6.14 Notices of variation would be published on the MMO website and would not require additional electronic systems to be commissioned by providers. By using existing and everyday tools, it is possible to implement a more effective information service at minimal cost.

6.15 To avoid running the old and new systems in tandem for more than the 3 month transition period, it would be the responsibility of those licence holders who are unable to supply email addresses or mobile telephone numbers to visit the MMO website to check whether or not their current licence has been varied. This means that all licence holders or an agent acting on their behalf would need to have access at some stage during the week to a computer and internet. It is estimated that it would take no more than 5 minutes to view the notices of variation and the varied pages.

6.16 The total present value of monetised costs for Option 3 discounted over 10 years is estimated to be £0.19m.

## **Benefits**

### Option 1: Do Nothing

6.17 The current arrangements of maintaining the current paper system are functional but not efficient. The time currently spent by the Port Office staff to issue notices of variations can be utilised to carry out other administrative duties.

### Option 2: Individual Secure Areas on a Server

6.18 The benefits of this option are based on the assumption that everybody in the industry would have access to an existing IT system. Taking this route would ensure maximum efficiency and improvement in the services offered to the fishing industry by providing easy access to guidance and the ability to apply for licences online. The latter would result in up to £30,400 savings annually by the MMO on postage of licences and notices of variations. (New licence issue at 50p for each of an average of 200 new registrations per year costs a total of £100. Over 2,000 licences are renewed 2 yearly at a cost of £1,250 which is £625 annually. The overall annual total for new licence postage and packing at £725 added to the £29,675 for the variations costs totals £30,400.)

6.19 The fishing industry would now become a paperless enterprise as everything would be in electronic format. Fishermen would save time travelling to the local MMO Port Offices to get copies of notices, variations and licences. It would lessen their administrative burden and save the postage and packaging costs of requesting and returning completed licence request forms to the MMO, which average a total of £144 a year.

6.20 Current staff salary costs,<sup>17</sup> including overheads, which would be saved by introducing this system (with the exception of accommodation overheads), are for the licence variations work and issue of new licences. The total annual cost of staff savings in the variations process which would be saved is £79,273.

6.21 There would be efficiency benefits as fishing licences, authorisations, and variations would now be in a simple and convenient format. Additionally, any keying in errors that may arise in the clerical system when Port Office staff transpose licence requests into the Government database should be eliminated. This measure would also be in line with Fisheries Departments' simplification measures since there are precedents for the introduction of electronic communication with sales notes and logbooks.

6.22 There may also be time savings to fishermen as they would now be able to complete licence forms online without needing to travel to port offices

6.23 The total present value of monetised benefits for Option 2 discounted over 10 years is estimated to be £0.95m. The net present value (NPV) of Option 2 is therefore estimated to be £0.64m.

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<sup>16</sup> Approximately 290 fishers

<sup>17</sup> Staff salary costs taken from Defra Ready Reckoner at National rate for 2010, including overheads, except accommodation overheads

### Option 3: Electronic Notices of Variation

6.24 Electronic notices of variation would provide a more efficient and speedier means of communicating information. This change would reduce the current significant administrative burden on the fishing industry and provide savings for the MMO. There would no longer be a requirement for vessel owners to carry hard copies of any variations made to the licence on board their vessels, as they would be able to receive electronic alerts for notices of variations via emails or sms text messages while at sea. Enforcement officers would only have a critical interest in ensuring licence holders complied with the requirement that the first two pages of fishing licences are on board vessels. Enforcement officers would also have access to the electronic variations whilst at sea.

6.25 There would be potential savings to the MMO of up to £29,675 per year on postage costs. In 2010, 160 variations were issued to 10 metres and under licence holders and 509 variations issued to over 10 metres licence holders (total English vessels number 2,948) at an average postage and packing cost of 50p.<sup>18</sup> There would also be an annual saving to the MMO of nearly £57,065 in staff costs for the variation process, which is set out below:

We have estimated that the variation process takes up to 6 months work of AO and EO time:

- 6 months salary for an AO at national level with overheads = £19,746.5
- 6 months salary for an EO at national level with overheads = £23,824
- 25% HEO supervisory role at national level with overheads =£13,494

6.26 Simplification of the paper process by the move to electronic variations would reduce inaccuracies and make time available for port office staff to perform other duties. As with Option 2, the new measure would offer a simple and convenient (24/7) access to the system. It would also reduce the amount of paper work that owners and nominees have to deal with.

6.27 For fishers, apart from the front 2 pages of the licence, (which is the proof that the vessel is authorised to fish commercially for sea fish) there would no longer be a requirement to carry paper variations during fishing activities which would save time, reduce bureaucracy and simplify the process of compliance. Fishers would also be free to choose how to keep the information.

6.28 The total present value of benefits for Option 3 discounted over 10 years is estimated to be £0.75m. The net present value (NPV) of Option 2 is therefore estimated to be £0.56m.

6.29 Estimates of costs and benefits are based upon only 2010 data. While this is expected to be representative of an average year, we have conducted sensitivity analysis to assess the impacts of the options if the number of applications and variations changes in future. Scenarios where applications and variations are 50% higher and 50% lower than in 2010 are applied to the analysis. All of the benefits of the policy options are assumed to vary in proportion to the number of applications and variations. For example, if variations are increased by 50%, it is assumed that the process will take 9 months work of AO and EO time instead of 6 months. The IT development and maintenance costs for both options are assumed to be fixed regardless of the amount of variations and applications; however the text costs for option 3 are assumed to vary.

6.30 If applications and variations were on average 50% higher than 2010, then the NPV would be £1.11m for Option 2 and £0.93m for Option 3. If applications and variations were on average 50% lower than in 2010, then the NPV would be £0.17m for Option 2 and £0.19m for Option 3. Therefore in both cases the NPV of both options is still positive.

6.31 The costs and benefits of both Options are set out in the following table (present value figures are rounded to the nearest £10,000):

	Costs	(£)	Benefits	(£)
<b>Option 1: Do Nothing</b>		0		0
<b>Option 2</b>	Develop the IT system (one-off cost)	131,000	Saving on postage	30,400
	IT maintenance	20,000	Savings to fishermen (postage)	144
			MMO staff savings	79,273
	Present value	300,000	Present value	950,000
			<b>Net Present Value</b>	<b>640,000</b>
<b>Option 3</b>	IT changes (one off cost)	10,000	MMO staff savings	57,065
	Text costs	468	Savings on postage	29,675
	IT maintenance	20,000		
	Present value	190,000	Present value	750,000
			<b>Net Present Value</b>	<b>560,000</b>

<sup>18</sup> One licence variation can affect up to 3,000 recipients at the same time, the MMO bases the postage cost on the figure of approximately 60,000 letters of variation.

## **7 Enforcement, Sanctions and Monitoring**

7.1 Enforcement of this new measure will be undertaken by MMO Enforcement Officers. Whilst there would be no change in enforcement costs, the MMO would continue to carry out the monitoring required to ensure that vessels comply with their licence conditions as they would be able to check variations whilst at sea.

## **8 Risks and Assumptions**

### Risks

8.1 Option 1 poses no immediate risks as current arrangements are functional and meet industry's needs. However, failure to move forward to electronic notification by maintaining the status quo would put undue pressure on MMO resources.

8.2 With the dedicated individual secure area and the use of electronic notices of variation (Options 2 and 3), there would be an obligation on the vessel owner/nominee to review the current status of their fishing licence on the website on a specific day each month. However they could view this information as soon as it is placed on the website. We expect the vessel owner or nominee to be aware within that time frame of any change to the conditions associated with their licences or notifications.

### Assumptions

8.3 The main assumptions which have been made for all options are:

- All fishermen who do not have access to a mobile telephone or laptop, and have not provided details of a nominee for alerts (less than 1%) are able to check their variations at their local library or MMO Port Office
- Government technology would have sufficient capacity to transmit and keep information;
- Vessel owners or nominees would check the MMO websites regularly for any changes that have been made.

## **9 Evidence Base**

9.1 For the purpose of this impact assessment, information regarding MMO staff salary (EO and AO) has been taken from Defra Ready Reckoner for national rate since Defra and MMO staff are on the same pay scale. For the IT software development of the individual secure area on a server (full e-licensing system), the estimated costs used in this impact assessment are based on the E-log books impact assessment. The information in that impact assessment was provided by a software development company who took part in the SHEEL (Secure Harmonised European Electronic Logbook) project. The cost of enhancing the existing licensing system to accommodate electronic notices of variation has been provided by CEFAS. The MMO IT Unit has confirmed that these figures are relevant and up to date.

## **10 One-In, One-Out (OIOO) Impacts**

10.1 This measure is within scope of the OIOO rule as it involves a regulatory change which will impact on business.

10.2 We consider this measure can be classified as an OUT because it imposes zero net costs to businesses, whilst reducing the administrative and regulatory burden on business of complying with EU requirements. This simplification measure is supported by industry.

10.3 For example, the new measure would offer a simple and convenient (24/7) access to the system. It would reduce the amount of paper work that businesses have to deal with. This means that, for fishers, apart from the front 2 pages of the licence, (which is the proof that the vessel is authorised to fish commercially for sea fish), there would no longer be a requirement to carry paper variations during fishing activities which would save time, reduce bureaucracy and simplify the process of compliance. Fishers would also be free to choose how to keep the information.

## **11 Wider Impacts**

11.1 If implemented, option 2 would involve 100% electronic licensing even if the vessel owner or nominee does not have the appropriate IT equipment. This could place an additional burden on those vessel owners or nominees to purchase the necessary equipment, a burden which owners who already have one will not face. Option 2 however is not the preferred option due to the high set up costs it would involve for the Government and the lack of commitment, at present, from the Devolved Administrations on implementing a fully electronic licensing system. The preferred option (3) allows vessel owners or nominees who do not have the necessary IT equipment to receive alerts via mobile telephones to check the MMO website when their licences have been varied. They would also be able to check their variations at a local library or go to the local MMO office to check and get printed copies of their variations. This option therefore places no new discriminatory financial burden on vessel owners. Another potential impact of Option 2 would be on enforcement, as the lack of paper licences may present difficulties for on board inspections. Finally, the implementation of either options would have an impact on MMO staff resourcing but it is envisaged that these staff resources would be deployed elsewhere.

## 12 **Summary and Preferred Option**

12.1 There is a strong case to introduce electronic notices of variation (Option 3) as it is supported by industry and more efficient than the existing burdensome paper process. This will mirror the system already in place in Scotland and it is ensure that England does not lag behind. There is currently no commitment from the Devolved Administrations on implementing a fully electronic UK licensing system (Option 2). Besides the considerable financial cost for the Government to set up a fully electronic system (Option 2), the staff resources necessary to do so are currently unavailable.

12.2 There are additional concerns that a full 100% electronic licence system via a dedicated individual secure area on a server may disadvantage those vessel owners who are not IT literate or do not have the required equipment to process their licences online and make the necessary adjustments. The preferred option is therefore option 3 which allows vessel owners to receive electronic notices of variations via email or texts. Quick Government intervention is required to make it a more cost effective option.

## 13 **Description of Implementation Plan and Post Implementation Review**

13.1 The proposed date for the Regulation to come into force is 01/04/2012. In seeking to ensure a smooth transition to the new process, it is our intention to phase the system in over a 3 month period to allow vessels to familiarise themselves with the process. Implementation of this measure will be closely monitored by the MMO.

13.2 Defra will carry out a review of the scheme within three years of the scheme being implemented to ensure it is operating in a reasonable and proportionate manner.

# Annexes

## Annex 1: Post Implementation Review (PIR) Plan

### Basis of the review:

There will be a formal review of the new scheme in October 2014. The review will look at the effectiveness of the new electronic system and whether it meets the reduction in administrative burden objective.

### Review objective:

The objective is to check whether the electronic system has been successful, that is whether it is being implemented effectively and to what extent the expected benefits of simplification are being derived by industry and the MMO.

### Review approach and rationale:

We cannot at this stage confirm the precise approach that will be taken with the review but it can be assumed that a full review (appropriate to high impact policies) will not be required. As the main objective of introducing electronic notices of variation is to have an efficient and cost effective system, the review will look at whether we have achieved this objective or to what extent success criteria have been met. It would also examine information collected during monitoring in order to assess whether there have been any unintended consequences.

### Baseline:

Currently fishing permits and notices of variation are issued in paper format. Electronic notices of variation will ensure a more effective information service at minimal cost.

### Success criteria:

This will be on the basis that timely and relevant information is being received immediately by vessel owners or their nominees. There will be administrative burden reduction and cost savings for the MMO and industry that can be measured.

### Monitoring information arrangements:

The MMO will have the overall responsibility for monitoring and administering the scheme and this will be done as part of wider standard routine activities.

## Annex 2 – Specific Impact Tests

### 1. Race/Disability/Gender Equality

The introduction of electronic notices of variation will be available to all owners of fishing vessels in England. There are no limitations on the grounds of race, disability, or gender.

### 2. Small Firms Impact

Virtually all vessels in the fishing industry are classified as small or medium size enterprise (SME) and the vast majority of them are micro businesses (less than 10 employees). All these business would be affected by the new measure but we envisage that there would be, at most, negligible material costs to a minority of the industry as a result of the new measure. Electronic notices of variation would be communicated on a specific day/s each week via emails and text messages. The information will be displayed on the website in a simple user friendly format.

### 3. Competition Impact

The proposal would affect all businesses in the same way and is highly unlikely to directly affect the market structure or change the number or the size of the firms. It would not lead to higher set-up costs for new or potential firms that existing firms do not have to meet. It is unlikely that there will be an impact on competition and therefore there is no requirement to undergo a detailed competition assessment.

### 4. Carbon and wider environmental impacts

The options will have no significant effect on carbon emissions. There might be a minimal positive effect because all the variations do not need to be printed and posted (the latter is an energy saving on postal delivery.)

### 5. Health and Wellbeing Impact

The proposal has no significant impact on human health by virtue of its effects on the wider determinants of human health; lifestyle related variables; or demand on health and social care services.

6. Human Rights

The Proposal is consistent with the Human Rights Act 1998.

7. Justice Impact

This proposal creates no new criminal sanctions or civil penalties.

8. Rural Proofing

The proposals in this Impact Assessment seek to reform the fisheries management system in order to secure a more economically, environmentally and socially sustainable fleet. As such, they are specifically targeted at the fishing industry which is based in coastal communities in rural areas, and are therefore designed to take account of the circumstances and needs of rural people.

9. Sustainable Development

The proposal to introduce electronic notices of variations conforms to the five principles of sustainable development to which the Government is committed.