


Boat Safety Scheme	Impact Assessment of BSS Certificate Price Rise to BSS Examiners	
Stage: BSS Management Committee Decision Support	Version: 1	Date: 4 March 2010

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A. Policy Change and Options
<p><i>What is the policy change to be decided?</i></p> <p>It is proposed to increase the cost of certificates to BSS Examiners by £5 from £24 + VAT to £29 + VAT. The price is intended to be held for four years and is proposed to take effect from 1 April 2010.</p>
<p><i>What are the policy objectives?</i></p> <p>The price rise is necessary in order to allow the Boat Safety Scheme (BSS) to be managed effectively and on a self-financing, surplus-plan basis year on year.</p>
<p><i>What policy options have been considered?</i></p> <p>Income from certificate sales amounts to 86% of the total income for the BSS and other sources of income cannot reasonably be relied upon to make up the budgeted income need over the coming four years.</p> <p>The option to leave the current certificate price unaltered, or impose a lesser price rise, is unrealistic as it would cause the BSS Office to administer the scheme ineffectively and at a loss.</p> <p>Operating ineffectively would mean that the BSS Office would not be able to meet its obligations to the Navigation Authorities and would add costs because the office could not invest in the long term efficiency measures necessary to eliminate wasteful practices and the inefficient use of resources, and to provide better information in support of risk-management decisions.</p>
<p><i>What is the justification for the preferred option?</i></p> <p>The price of certificates has previously been held for three years from 1 April 2007. The four-year plan provides equity for boat owners as the BSS certification round is also four years. Only the preferred option to increase the cost of certificates to BSS examiners by £5 adequately covers the forecast effect of inflation, the estimated increased fixed costs and the increased efficiencies to be enjoyed from the planned increased use of IT.</p> <p>A failure to implement the price rise would leave the BSS Office unable to adequately administer the BSS or meet its commitments, on a self-financing basis.</p> <p>The price increase provides a certainty of funding enabling the Scheme to plan properly, run efficiently and allows for 'invest to save' initiatives in support of safety and efficiency goals.</p>
<p><i>When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?</i></p> <p>The BSS Management Committee will continue to receive quarterly financial reports against the BSS financial plan and the BSS Advisory Committee will continue report upon the operation, impact and effectiveness of the associated policy initiatives and procedures.</p>
<p><u>BSSMC Sign-off</u></p> <p><i>I have read the impact assessment and I am satisfied that, given the available information, it represents a reasonable view of the likely costs, benefits and impact of adopting the preferred option.</i></p> <p>..... Stuart Taylor, BSSMC Chair. Date:.....</p>

B. Costs and Benefits

B1. Costs

The main affected groups are:

- BSS Examiners for whom the cost of each certificate they purchase from the BSS Office will rise £5 from £24 to £29, plus VAT, from 1 April 2010.
- Boat owners, who are subject to the need to provide a BSS Certificate once every four years in support of a licence to navigate (on participating waterways) and who need to contract an examiner who will likely pass on the price increase from 1 April 2010.

BSS Examiners agree contracts for the BSS examination of vessels directly with owners. The increase in costs to examiners are set out below:

Current certificate cost	£28.20	<i>(£4.20 is VAT, the remaining £24 represents Scheme income)</i>
Proposed certificate cost	£34.08	<i>(£5.08 is VAT, the remaining £29 represents Scheme income)</i>
Increase	£5.88	<i>(£5.88 is a 20.8% increase per certificate, presuming examiners are not VAT registered)</i>

Examiners are able to purchase blank BSS certificates in any number from one to 60. This degree of flexibility should ensure examiners can maintain their cash-flow as suits their needs.

Other BSS charges to examiners remain unaltered. For the coming BSS Examiner registration year commencing on April 1st, there is no increase in the annual BSS examiner registration fee and for those examiners who take out insurance through the BSS 'block' policy, no increase in insurance premiums this year subject to the insurer's acceptance of individual risks.

The planned four year price freeze allows examiners to plan the development of their business with some degree of surety over this period.

Boat owners – The BSS Certificate price to examiners is to be held for four years. Over each of the next four years it is predicted that 13000 BSS certificates will be issued Boat owners are subject to the re-certification of their boats once every four years. It follows that all boat owners subject to the Scheme will be affected equally. Divided over the life of a certificate the increase represents £1.47 per year (including VAT, see below concerning examiner mark-ups).

Each examiner takes the appropriate decision for his or her business concerning any 'pass-on' costs or business 'mark-ups' but this impact assessment assumes that most will at the very least pass the cost on.

BSS Office advice remains for boat owners to seek two or three alternative quotes from examiners when arranging examinations. It should be recognised that the certificate is not the only cost associated with being an examiner; insurances, training, business costs, transport costs and an annual registration fee are typical elements, in common with many businesses. However, it would be inappropriate for an examiner to label any charge as a BSS fee other than the actual BSS costs (annual registration fee and BSS Certificate) incurred by the examiner.

It is recognised that the certificate price increase is happening at a time of other cost increases for boat owners and during a period of economic uncertainty. This unfortunate coincidence is recognised and is partially mitigated by the four year certificate price freeze which will limit the impact and ensure equitability for all owners within the four year certification cycle.

By way of comparison, the planned increase in BSS Certificate price to examiners of £5 is the only certificate price rise planned for the period 2007-2014, and in percentage terms is significantly less than the comparable Navigation Authority licensing and registration costs, actual and projected, for the same period.

B2. Benefits

Within the total certificate cost to examiners of £34.08, £5.08 is VAT and the remaining £29 goes to the BSS for the administration and customer support of the BSS certification service, the standards making and review process, gathering and reviewing incident data, safety research, providing safety advice and information, and quality control of the examination process.

An effective BSS helps ensure the inland waterways are safe and pleasant for all and so helps create a safer environment that attracts people to the waterways.

An effective BSS helps the Navigation Authorities implement appropriate risk controls and related safety management arrangements.

At present the BSS is undergoing a period of change characterised by the introduction of IT facilities for examiners, a new examinations database and the planned new working relationship between the BSS Office and examiners and between the BSS Office and the Navigation Authorities.

The changes are aimed at ensuring the BSS remains sustainable, effective, and efficient and value added. Planned improvements in IT, quality improvement measures, technical development issues and long term improvements are aimed at further operating cost reductions.

Taking a simplified overview the changes, they will improve the efficiency and effectiveness of the BSS and will enable the Scheme ultimately to meet and exceed customer service demands and achieve the overall objectives of compliant boats and more safety-aware boaters.

In essence the changes turn the BSS from a re-active fire-fighting organisation into a pro-active front-foot organisation better capable of identifying customer needs and serving those needs. At the same time as the drive for efficiency and effectiveness the BSS has had to endure increased fixed costs. It has also been challenged to review aspects of what it does and how it does it and unfortunately the outcome of these challenges is to add to costs.

For example, the BSS needs to ensure that it builds in provision for the changes in society's attitude resulting in much greater potential for litigation activity.

The cost challenges are identified in the Evidence Summary below and figures outlined in the attached Annex.

C. Evidence Summary

Income

Income from certificate sales amounts to 86% of the total income for the BSS. The remainder comes from BSS Examiner registration fees, the sale of BSS Essential Guides and income from training provision.

The BSS are projecting a levelling off and reduction in certificate sales by quantity in the period between 2010-2014. This projection takes account of the cyclical annual variations in certificate sales and a conservative view of the recovery of the economy and associated leisure spending.

We have put on hold the growth of additional income streams for the period in view of an assessment that set-up costs are likely not to be recovered in the period and that the removal of the staff post ear-marked for generating the additional income.

Fixing the cost of BSS certificates provides boat owners stability and confidence in cost control measures the BSS has in place and plans to have in place, ensures parity and fairness in that all boats currently the subject of BSS certification will be subject to the price rise at the next BSS examination opportunity.

Fixed Costs

The BSS financial plan for the next four years takes account of increased fixed costs (experienced and projected), cost reductions (achieved and planned), and income projections.

Staff-related costs, in respect of the five permanent staff and two temporary staff make up the largest proportion of BSS costs.

Staff related costs are planned to reduce by 40% between 2010-2014, with the reductions made up mostly of the reduced number of workstation places at BW's Watford head office, the reduction in BSS staff numbers by one administrator, increased home working efficiencies, the loss of the one remaining company car and freezing/limiting staff salary levels in line with BW policy (albeit salaries are planned to rise slightly year on year to 2014).

Office costs are planned to reduce by 23% between 2010-2014, with the reductions made up mostly of reduced committee and other meetings costs, reduced attendance at boat shows, reduced printing costs and reduced postage costs. For example postage and printing costs reduce by 60% once the IT project is fully rolled out to examiners.

General annual inflation affecting all external costs is projected to rise approximately between 1.5% and 5% up to 2014.

Discretionary Cost Increases

The cost challenges affecting the BSS discretionary spend are unavoidable to allow the Scheme to be managed effectively and are partly as a result of the changed external environment.

One example, being in the determination of BSS investigations concerning an examiner's application of BSS checks, after a formal allegation has been received, e.g. an allegation that a boat was certificated yet was non-compliant. The replacement of tribunal style case reviews with courtroom style hearings for contested cases is now seen as necessary to ensure natural justice. Increased costs associated with administering and determining formal allegations against examiners, such as in contested cases including costs of legal representation and cross-examining of witnesses, must be featured in the budget plan.

Improved quality assurance measures, improved risk management linked to the nature and scope of the BSS Requirements and the consistency of examiner application of BSS checking procedures are primary aims of the Scheme. However, in addition, quality assurance measures are also aimed at addressing the risk of criminal prosecutions or civil actions against examiners, the BSS and the Navigation Authorities. This risk is enhanced in today's litigious society.

Improved quality assurance measures include developing the BSS Examiner website to support examiner self-improvement, training and examiner support for skills and inspection practises. Investment in more BSS Field Assessors allows better geographic coverage and reduced costs and improving the quality of assessors leads to an improvement of examiner consistency.

Developing BSS risk management processes further, including developing the BSS risk models and having in place the documents in support of committee members' responsibilities will enhance the effectiveness of the BSS as a risk management tool and will improve the efficiency of the 'change-management' process.

Rationalising the basis of contracting BSS Field Assessors and BSS Quality Control Assessors to meet fully 'management of contractor rules' will add cost but the risks are such that failure to improve may place the assessors, the BSS and Navigation Authorities at risk of civil claims or criminal prosecutions.

Completion of the IT project will lead to further efficiencies and the consequence of not completing the project will cause the BSS to re-adopt manual systems of transferring information and record keeping as well as re-establish less efficient and costly outsourced manually based data-reporting facilities.

Note also that expenditure is essential in support of Navigation Authority E-Govt initiatives such as online licensing.

IT project cont/ - In essence, instant electronic transfer of examination data, supports online licensing, provides real time and accurate risk information. Examiners having access to web-based support tools in real time supports examiner consistency on the ground and reduces BSS technical support costs. BSS administration costs are also reduced, including data entry, paperwork and postage costs.

Investment in IT enables the BSS to reduce operation costs by reducing BSS-allotted workstation places at British Waterways' head office and staff levels, reduce printing costs, reduce postage costs, reduce off-site storage costs, and focus income towards projects that count towards increasing boater safety, supporting examiner consistency.

BSS Advisory Committee views The BSS Management Committee Executive have taken account of the views of the BSS Advisory Committee (members which include boat owners organisations, examiner bodies and the marine trade) advocating the smallest possible increase and some members prefer annual budget reviews. These views were made known during January and February 2010.

BSS Advisory Committee concerns about the assumptions supporting the planned development of examiner 'hand-held' devices resulted in an assurance from the BSS Management Committee Executive that any actual cost savings enjoyed during the four-year period may be passed on to boaters.

D. Annex

The financial position of the BSS is outlined in the following brief financial overview for the next four years.

Description	2010/11	2011/12	2012/13	2013/14
Income: (including non-certificate income)	£426,000	£430,000	£430,000	£434,000
Fixed Costs: salaries, other operating costs	£346,000	£328,000	£321,000	£321,200
Discretionary Costs: professional fees, IT, quality assurance measures, legal fees, improved risk management, etc.	£50,000	£69,000	£95,000	£93,500