EXPLANATORY MEMORANDUM TO

THE MERCHANT SHIPPING (LIGHT DUES) (AMENDMENT) REGULATIONS 2023

2023 No. 297

1. Introduction

1.1 This explanatory memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of His Majesty.

2. Purpose of the instrument

2.1 This instrument amends the Merchant Shipping (Light Dues) Regulations 1997 (S.I 1997/562) ("the 1997 Regulations") to increase the amount of Light Dues paid with respect to ships required to make such payments on a per voyage basis. With effect from 1st April 2023, the rate will increase from 41 pence per ton to 45 pence per ton, with a corresponding increase in the maximum amount payable in respect of any one voyage from £16,400 to £18,000.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

3.1 None.

4. Extent and Territorial Application

4.1 The extent of this instrument (that is, the jurisdictions which the instrument forms part of the law of) is England and Wales, Scotland and Northern Ireland.

4.2 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. European Convention on Human Rights

5.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation no statement is required.

6. Legislative Context

6.1 Under section 211 of the Merchant Shipping Act 1995 (c.21), the Secretary of State for Transport is required to administer the General Lighthouse Fund (the Fund). The Fund is used to pay for the costs General Lighthouse Authorities (GLAs) incur in the discharge of their statutory duties to provide marine aids to navigation, respond to new navigation safety dangers around the British Isles and to meet any associated administration costs incurred by the Department for Transport.

6.2 Light Dues, a hypothecated tax levied on commercial ships and large leisure vessels calling at ports in the United Kingdom and some smaller vessels, are the principal source of income for the Fund. Under section 205(5) of the Merchant Shipping Act 1995, the Secretary of State for Transport has the power to make Regulations to set the Light Dues rate for the United Kingdom and to specify the situations in which

Light Dues are to be applied or exempted. The relevant Regulations are the 1997 Regulations which have been amended through a series of amending Regulations.

7. Policy background

What is being done and why?

7.1 GLAs have a statutory duty to provide marine aids to navigation, such as lighthouses and buoys and to respond to new wrecks or other dangers to navigation. Light Dues are payable into the General Lighthouse Fund by various types of shipping to support the work of the GLAs. The Department for Transport works with the GLAs and the Lights Advisory Committee, as representatives for the shipping industry, to review planned expenditure on an annual basis with the aim of ensuring that Light Dues can be set to meet any sanctioned expenditure.

7.2 The GLAs have delivered significant efficiency savings over the past decade, however GLA spending forecasts have increased from previous forecasts, with additional inflationary pressures in 2023. Light Dues were cut between 2014-15 and 2017-18 by 3.5 pence and frozen between 2018 and 2021. Light Dues were increased by 1 penny for 2021-22 and 2.5 pence for 2022-23 bringing rates to the same level as 2014. The Fund is managed independently from the Department for Transport accounts and a separate Annual Report and Accounts are laid before Parliament.

7.3 The unprecedented impact of the pandemic, together with acute inflation pressures, the reduction in Light Dues income and continued uncertainty over economic recovery make a rise in 2023-24 unavoidable. As such, the rate will increase from 41 pence per ton to 45 pence per ton, with a corresponding increase in the maximum amount payable in respect of any one voyage from £16,400 to £18,000. Failure to increase the Light Dues rate, or a reduced level of increase in the rate at this point would be insufficient to maintain the Fund's cash reserves, which would impact upon the major procurement programmes and completion of the GLAs' statutory duties.

8. European Union Withdrawal and Future Relationship

8.1 This instrument does not relate to withdrawal from the European Union.

9. Consolidation

9.1 This instrument amends the 1997 Regulations in terms of the rate at which Light Dues are levied and, consequently, the maximum amount payable in respect of any one voyage. The 1997 Regulations have been amended over several years since they were made and the Department for Transport intends to consolidate them at the next opportunity.

10. Consultation outcome

10.1 The GLAs and the Lights Advisory Committee, which represents the shipping industry, have provided formal advice to the Department for Transport on the level of Light Dues for 2023-24. Since Light Dues are classified as a tax, no wider public consultation has been held.

11. Guidance

11.1 No guidance will be issued in relation to this instrument. However, the Parliamentary Under Secretary of State at the Department for Transport, Baroness Vere of Norbiton,

made a written statement to Parliament on 9 March 2023[1] outlining the changes All collectors of Light Dues and ship agents will be notified of the changes by the GLAs.

12. Impact

12.1 The impact on business, charities or voluntary bodies is to increase the amount of Light Dues to be paid by the shipping industry but also generate a corresponding increase in the resources available to the GLAs to be spent on aids to navigation, therefore resulting in a zero net cost to the public purse.

12.2 There is no impact on the public sector as there will be no change to the administration and management of Light Dues and the Fund. There are no cost implications for the GLAs as there will be no change to the provision of marine aids to navigation.

12.3 An Impact Assessment has not been prepared for this instrument because it is not defined as a "regulatory provision" under Section 22(4)(a)(i) of the Small Business, Employment and Enterprise Act 2015 (c.26) as it relates to a variation of tax.

13. Regulating small business

13.1 The legislation applies activities that are undertaken by small businesses.

13.2 No specific action is proposed to minimise the regulatory burden on small businesses because the instrument only amends the rate for Light Dues payable on a per voyage basis which in practice, only affects commercial and large leisure vessels generally managed by large fleet operators. No impact on small businesses is therefore anticipated.

14. Monitoring & review

14.1 The approach to monitoring of this legislation is for the Department for Transport and the Fund Accountant to monitor, on a continuous basis, the level of the Fund to ensure that it is in a position to meet the cost of the work of the GLAs. The level of Light Dues is reviewed on an annual basis and set following consideration of advice from the GLAs and the Lights Advisory Committee.

15. Contact

15.1 Lisa Gilmour at the Department for Transport Telephone: 0300 330 3000 or email: lisa.gilmour@dft.gov.uk can be contacted with any queries regarding the instrument.

15.2 Dave Whyte, Deputy Director for Maritime Operations at the Department for Transport can confirm that this Explanatory Memorandum meets the required standard.

15.3 Baroness Vere of Norbiton, Parliamentary Under Secretary of State at the Department for Transport, can confirm that this Explanatory Memorandum meets the required standard.

[1] https://questions-statements.parliament.uk/written-statements/detail/2023-03-09/hcws620