

<b>Title:</b> Plant Inspection Assistants voluntarily taking over some of the activities of Meat Hygiene Inspectors in poultry and rabbit meat slaughterhouses (Regulation (EC) 1021/2008 <b>IA No:</b> FOODSA  <b>Lead department or agency:</b> Food Standards Agency <b>Other departments or agencies:</b> None	<b>Impact Assessment (IA)</b>		
	<b>Date:</b> 22/05/2012		
	<b>Stage:</b> Final		
	<b>Source of intervention:</b> EU		
	<b>Type of measure:</b> Secondary Legislation		
<b>Contact for enquiries:</b> <b>Abi Abdul (Tel: 0207276 8386)</b> Email: abi.abdul@foodstandards.gsi.gov.uk			
<b>Summary: Intervention and Options</b>			<b>RPC Opinion:</b> 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, Measure qualifies as One-Out?
£15.66m	£15.66m	-£2.97m	No
			In/Out/zero net cost

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

Consumers and food manufacturers need to be confident that meat is of the nature, substance and quality that they wish to buy, but they cannot assess this fully from its appearance when it is offered for sale. Government intervention is needed to ensure that meat is of the standard necessary, and the risk of meat-borne disease is managed appropriately. Meat official controls are carried out in order for the Government to achieve these objectives. To be efficient, such controls need to be proportionate, with all the costs of compliance fully justified by the benefits. In this particular case, intervention is necessary to ensure that rabbit and poultry slaughterhouses could continue to train their own staff as Plant Inspection Assistants (PIAs) to carry out official control duties after December 2009.

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

To maintain sufficient official controls in slaughterhouses to ensure that public health is protected, while minimising the burden on food business operators (FBOs) and the Meat Hygiene Service (MHS). To make permanent an exemption under the EU food Hygiene legislation, allowing PIAs to be trained and qualified to the satisfaction of the designated Competent Authority (the Food Standards Agency (FSA)), to carry out official control duties in rabbit and poultry slaughterhouses.

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

Option 1. Do nothing which would have meant the exemptions came to an end on 31 December 2009.

Option 2. Provide for the enforcement in English law of Regulation (EC) 1021/2008 which makes the current exemptions permanent by allowing rabbit and poultry slaughterhouses to train their own staff to carry out official controls in meat plants under supervision of the Official Veterinarian.

**Option 2 is the preferred option. This would minimise the cost on slaughterhouses while maintaining the necessary level of public health protection.**

<b>Will the policy be reviewed?</b> It will be reviewed. <b>If applicable, set review date:</b> 10/2013					
Does implementation go beyond minimum EU requirements?				Yes / No / N/A	
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	<b>Micro No</b>	<b>&lt; 20 No</b>	<b>Small No</b>	<b>Medium No</b>	<b>Large No</b>
What is the CO <sub>2</sub> equivalent change in greenhouse gas emissions? (Million tonnes CO <sub>2</sub> equivalent)			<b>Traded:</b>		<b>Non-traded:</b>

**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:**  **Date:** 2 July 2012

# Summary: Analysis & Evidence

# Policy Option 2

## Description:

### FULL ECONOMIC ASSESSMENT

Price Base Year 2008	PV Base Year 2008	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: 15.66

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	0.001	0	0.001

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

Providing information to industry about regulatory changes (one-off cost): £1,400 (PV over ten years).

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

No non-monetised costs identified

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	4.05	2.5	15.66

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

- Saving of training costs of MHIs to replace PIAs and transition costs of change (to MHS and industry): £4.05m over two years (£3.98m in PV over ten years).
- Saving of difference in wage costs between MHIs and PIAs (to MHS and industry): £2.5m per year (£21.5m in PV over ten years).

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

Provides an incentive for, and flexibility to allow, increased efficiency in the delivery of official controls.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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### BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 0.00	No	IN/OUT/Zero net cost
Benefits: 2.97		
Net: -2.97		

# Evidence Base (for summary sheets)

## Problem under consideration

1. Consumers and food manufacturers need to be confident that meat is of the nature, substance, and quality that they wish to buy, but they cannot assess this fully from its appearance when it is offered for sale. Government intervention is needed to ensure that meat is of the standard necessary to ensure that a good level of confidence is maintained, and that the risk of meat-borne disease is managed appropriately. Meat official controls are carried out in order for the Government to achieve these objectives.
2. However, to be efficient these controls need to be proportionate to the risk with all the costs of compliance fully justified by the benefits. PIAs can carry out certain official controls in rabbit and poultry slaughterhouses with no negative impact on public health protection, and more efficiently in some cases. Therefore, an amendment is needed to ensure that PIAs who carry out official controls duties in rabbit and poultry slaughterhouses could continue to do so permanently after December 2009.

## Rationale for Intervention

3. To maintain sufficient official controls in slaughterhouses to ensure that public health is protected, while minimising the burden on food business operators (FBOs) and the Meat Hygiene Service (MHS). Effectively, to make permanent a current exemption provided for by EC Regulation 2076/2005, which would allow PIAs to be trained and qualified to the satisfaction of the Competent Authority, (the Food Standards Agency (FSA)), to carry out official control duties in rabbit and poultry slaughterhouses.

## Policy objective

4. The objective of this national measure is to maintain sufficient official controls in slaughterhouses to ensure that public health is protected, while minimising the burden on food business operators (FBOs) and the Meat Hygiene Service (MHS). To make permanent an exemption under the EU food Hygiene legislation, allowing PIAs to be trained and qualified to the satisfaction of the designated Competent Authority (the Food Standards Agency (FSA)), to carry out official control duties in rabbit and poultry slaughterhouses.

## Background

5. Regulation (EC) 854/2004<sup>1</sup> applied from 1 January 2006 and lays down specific rules for the organisation of official controls on products of animal origin intended for human consumption. It requires the 'Competent Authority' (in England, the FSA) to ensure sufficient official controls are in place in slaughterhouses to protect public health.
6. Currently, an exemption in the EU Food Hygiene Regulations provided by Regulation (EC) 2076/2005, Chapter III, Article 14<sup>2</sup>, allows slaughterhouse staff to carry out limited official control duties in rabbit and poultry slaughterhouses. This exemption allowed the continuation of the practice pre-2006 which had permitted slaughterhouse staff to carry out post-mortem checks of poultry and rabbit meat under the supervision of the Official Veterinarian (OV) on a

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<sup>1</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2004:226:0083:0127:EN:PDF>

<sup>2</sup> <http://eurlex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2005:338:0083:0088:EN:PDF>

voluntary basis, if they were of a standard acceptable to the FSA. This exemption was welcomed by businesses.

7. The four year exemption provided by Regulation (EC) 2076/2005 expires on 31 December 2009 and it was, therefore, necessary to consider whether to make this exemption permanent (whilst maintaining sufficient official controls in slaughterhouses to protect public health), or whether to let the exemption fall. Agreement was reached in negotiations in Commission Working Groups<sup>3</sup> that the use of PIAs to undertake certain official controls in rabbit and poultry slaughterhouses did not lead to a lowering of public health protection. The introduction of Regulation (EC) 1021/2008<sup>4</sup>, therefore, effectively makes the exemption permanent.
8. For businesses that do not employ PIAs, the equivalent official controls are carried out by MHIs, provided through the MHS. Currently, FBOs pay for around half the cost of a meat inspector, on average, and the other half is absorbed by government. However, the FSA is looking to increase this share through a programme of incremental cost recovery. If an FBO uses PIAs, then it can receive a rebate from the MHS for charges up to the full cost of the PIAs.
9. Since MHIs cost more to employ than PIAs, there would be increased costs in the provision of official controls if the exemption falls. The cost of an MHS inspector is approximately £30.70/hour<sup>5</sup>, whereas the cost of a PIA is around £11/hour.<sup>6</sup> The savings through using a PIA rather than an MHI is estimated at about £19.70 per PIA per hour (£30.70-£11=£19.70). It is estimated that in 2009/10 approximately 126,000 PIA hours will be used in England<sup>7</sup>. Assuming the same number of hours would be needed, if the exemption falls and PIAs were replaced with MHIs at an additional cost of £19.70 per hour, the ongoing additional cost would be approximately £2.5 million per year. Businesses are charged for part of the cost of official controls provided by the MHS. The proportion of the full cost covered by the charge varies between businesses, so the precise burden of this increased cost between businesses and the MHS cannot be estimated. However, the majority of the additional cost would be likely to be absorbed by the MHS initially, with this proportion reducing in line with any increase in charging levels.<sup>8</sup>
10. There would also be additional one-off costs of training new MHIs to undertake the activities of the current PIAs. The average cost per MHI trainee for the dual-qualification course (including all other costs) is estimated to be £6,595 for Great Britain. The other significant costs that should be considered are the price of textbooks and copies of the MHS Manual for Official Controls (MOC), and this has been estimated as up to £100 per trainee. The total cost of training for each MHI would be £6,695.
11. There would also be an opportunity cost for the time spent training, which is proxied by the trainee's salary. The salary for a trainee MHI as of 1<sup>st</sup> August 2007 is £18,635. The course

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<sup>3</sup> Reports of all Commission Working Groups can be found on the Agency's web site at: <http://www.food.gov.uk/foodindustry/regulation/europeleg/eufoodhygieneleg/histeu/>

<sup>4</sup> A copy of Regulation (EC)1021/2008 can be seen on the Agency's web site at: <http://www.food.gov.uk/multimedia/pdfs/regec102108.pdf>

<sup>5</sup> 2009/10 standard full cost rate for MHI. Not adjusted for any higher rate hours or chargeable allowances for unsocial hours etc.

<sup>6</sup> 2009/10 average for poultry slaughterhouses using PIAs, weighted by number of PIA hours, based on planned rates and hours from Business Agreements (BAs) where available, and 2008/09 data where a BA is not available.

<sup>7</sup> Based on planned hours from Business Agreements (BAs) where available, and 2008/09 data where a BA is not available.

<sup>8</sup> Businesses are charged for official meat controls on the basis of discounted time costs. The full time costs are discounted at a rate specific to each business, which is based on their previous charges under the 'Maclean' charging system which was in operation until September 2009 (under the Meat (Official Controls Charges) (England) Regulations 2008 (SI 2008 No. 447) and the corresponding Regulations in Wales and Scotland). Businesses using PIAs have the full cost of their PIAs discounted from their charge, with the limit that their charges cannot be less than zero (that is, if the costs of their PIAs are greater than their total discounted time costs, they will have a zero charge from the MHS). Because the discount rates are based on previous charges, if the exemption allowing PIAs fell, we would have to recalculate the discounts for the poultry slaughterhouses affected. However, because charges were previously capped at a level related to the business's throughput, the most likely impact is that the majority of the additional cost would fall to the MHS rather than the business.

(including a mandatory holiday period) is estimated to take about 10 months to complete. Thus, training creates an opportunity cost of about £15,530 ((£18,635/12) x 10). Salary on-costs, (i.e. additional National Insurance and pension contributions) are estimated at a value of about 30% of the salary. Therefore, for the 10 months of training salary on-costs amount to about £4,660 per MHI (£15,530 x 0.30). Therefore, the total cost of training an MHI would amount to an estimated £26,880 per MHI.

12. There were just under 200 PIAs operating in England in 2008/09, in 40 slaughterhouses. PIAs tend often to carry out other tasks as well as official controls, so we assume that they would not need to be replaced one for one, but estimate that approximately 150 MHIs would need to be trained to carry out the official control work if the PIAs could no longer do this. This implies costs of training in the region of £4,032,000.
13. One-off costs would also be associated with reading and disseminating the change to slaughterhouses, and with management reorganising their operations to comply. It is estimated that it would take two days of work for the slaughterhouse operators, at approximately £21 per hour, which gives a cost to industry of approximately £13,400.<sup>9</sup>
14. The assumption is made that, should the current exemption finish, then existing PIAs would need minimal re-training to take up new positions in the slaughterhouse. We envisage that it would take a maximum of 2 hours to be briefed on the changes. At £11 per hour this equates to a total one-off cost to industry of about £4,000.
15. When the four year exemption to allow slaughterhouse staff to carry out limited official control duties in rabbit and poultry slaughterhouses fell on 31 December 2009, UK businesses were not affected. This is because prior to 31 December 2009, agreement had already been reached at the Commission Working Groups that the use of PIAs to undertake certain official control duties in rabbit and poultry slaughterhouses did not lead to a decline in standards in public health protection in slaughterhouses. Hence, the introduction of Regulation (EC) 1021/2008 making the exemption permanent. With the four year exemption in place, approximately 200 PIAs were already trained and operating in England in 2008/09 in 40 slaughterhouses. Should the exemption had fell on 31 December, with no alternative arrangements, this would have meant that all PIAs would have been replaced with expensive MHS MHIs, which would impact on the industry, particularly in the context of the move to full cost recovery.
16. In total, therefore, if the exemption fell it would lead to additional ongoing costs of approximately £2.5 million per year, and one-off transition costs of approximately £4.03 million.

### **Scope of moratorium exempting micro-businesses**

17. The moratorium exempting micro-businesses from complying with new PIAs regulations does not apply as this is implementing European legislation which is directly applicable. One-In, One-Out does not apply either as no gold plating is being applied or removed.

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<sup>9</sup> ASHE 2009 gives hourly pay excluding overtime for Managers and Proprietors in other services as £16.13. This is uprated by 30% for overheads in line with the standard cost model, which gives £20.97/hour. We assume 8 working hours per day, which gives £20.97 x 16 hours x 40 slaughterhouses.

## Options Considered

18. The options considered were:

- **Option 1:** Do nothing which would have meant the exemptions came to an end on 31 December 2009. This would have required all rabbit and poultry slaughterhouses to have MHS MHIs carrying out official controls in meat plants under supervision of the Official Veterinarian from that date.
- **Option 2:** Provide for the enforcement in English law of Regulation (EC) 1021/2008 which makes the current exemptions permanent by allowing slaughterhouses to train their own staff to carry out official controls in meat plants under supervision of the Official Veterinarian.

19. The European Commission, with strong UK support, has reached agreement at working group level to maintain the exemption. A regulation would be made to remove the requirement in the EU Food Hygiene legislation for existing PIAs to receive the same training and pass the same test as MHIs, as well as the need for participating slaughterhouses to have internationally recognised certification. Under these arrangements PIAs are under the permanent supervision of the official veterinarian, and are subject to regular documented performance tests. This will allow currently employed PIAs to continue without further training or tests, and new PIAs to be trained to the satisfaction of the FSA for the tasks they perform.

20. Before a slaughterhouse can use their own staff to carry out limited official controls, they must meet FSA requirements in the following areas:

- a) Production and inspection records;
- b) Type of activities undertaken in the establishment which includes livestock production, HACCP procedures, animal welfare and legislation;
- c) History of compliance with the rules; and,
- d) Expertise, professional attitude and sense of responsibility of the slaughterhouse staff with regard to food safety.

21. Option 2 is the preferred option. This would minimise the cost on slaughterhouses while maintaining public health protection.

## Costs and benefits of each option (including Administrative Burden)

### Costs

#### Option 1

22. Option 1 involves a change from the current position as described above, but incurs no incremental cost, since this is what will occur if no action is taken. It is the baseline from which Option 2 is measured.

## Option 2

23. Under Option 2 there may be costs associated with letting PIAs know that the derogation will no longer cease, and that it will be adapted into law. Since this would merely be a continuation of the current practice with no further changes, it should be quite easy to convey this information to both plant and PIAs. Therefore, it is assumed that it would take a maximum of 1 hour for managers to understand and brief their PIAs, and 15 minutes for PIAs to understand this. This equates to a total one-off cost to industry of approximately **£1,400**, comprising £840 (40 slaughterhouses \* 1 hours \* £21 pay per hour<sup>8</sup>) for poultry plant managers, and £525 to PIAs (193 PIAs \* 0.25 hours \* £11 pay per hour).

## Benefits

### Option 1

24. Option 1 involves a change from the current position (as described above), but provides no incremental benefits since this is what will occur if no action is taken. It is the baseline from which Option 2 is measured.

### Option 2

25. Option 2 would allow the industry to continue to use PIAs instead of MHIs where they choose to, which is a more efficient way of carrying out official controls, while maintaining a high standard of public health protection (as described above). The savings from using a PIA (rather than an MHI) are estimated at about £19.70 per PIA per hour, and approximately 126,000 PIA hours are expected to be used in 2009/10. This suggests a saving in the cost of official controls in the region of **£2.5 million** per year, compared to letting the derogation lapse, assuming the cost differential, and that the number of hours remains constant.

26. There would also be some one-off savings from avoiding the costs of transition from PIAs to MHIs, i.e. the training costs of the MHIs needed to replace current PIAs, the costs of understanding the change and reorganising operations, and the costs of briefing the PIAs. As described above, these are estimated at **£4.05 million** in total, over a two-year transition period.

27. As also described above, these savings would be shared across the MHS and industry. It is not possible to estimate precisely how the benefits would be shared, but the majority are likely to accrue to the MHS.

28. There will also be a benefit for other slaughterhouses and government if they decide to start using PIAs instead of MHIs (currently just over half of all poultry slaughterhouses in England use PIAs). Under option 2, they would be able to replace more expensive MHIs with PIAs, saving the ongoing cost of official controls. Since this would be a business decision for each individual slaughterhouse, we cannot predict how many might move to using PIAs in future and, therefore, this benefit cannot be quantified.

## **Administrative Burden Costs**

29. The Industry believes that there will be additional administrative burden as PIAs would be direct employees of FBOs. However, this is what the industry is doing voluntarily.

## **Stakeholder Consultation**

30. Informal consultation took place with the British Poultry Council (BPC), the Royal Society for the Promotion of Health (RSPH), Meat Training Council (MTC), Meat Hygiene Service (MHS), Veterinary Advisers and the Department of Agriculture and Rural Development (DARD) in Northern Ireland. No objections were raised. The BPC fully supports the move to make permanent the need for PIAs to be trained only for the specific tasks they perform, and to the satisfaction of the competent authority. They are particularly keen to increase the uptake of PIAs, particularly in the context of the move to full cost recovery.
31. Small businesses such as the operators of licensed poultry meat and wild game meat plants were also formally consulted.
32. The FSA wrote to a selection of small businesses such as operators of licensed poultry meat and wild game meat plant in November 2004 informing them that the new food hygiene regulations on the future of meat inspection and Plant Inspection Assistants at Poultrymeat Slaughterhouses would be applied from 1 January 2006. The letter asked small businesses to complete a short questionnaire for poultry meat slaughterhouses about the current arrangements for meat inspection by company staff and their thoughts on future plans on the basis of present knowledge.
33. The IA was issued as part of a formal consultation between 31 March and 23 June 2010. No further data was received in regard to the considered costs and benefits. Comments were received from a consumer organisation which felt that MHS staff should continue to undertake the duties concerned. The FSA has responded to these comments as part of its consultation summary:  
<http://www.food.gov.uk/multimedia/pdfs/consultationresponse/responseshygengregs.pdf>

## **Enforcement**

34. The MHS must remain responsible for enforcement of official controls. Slaughterhouse staff or MHIs performing official control duties will do so under the permanent supervision of the official veterinarian.

## **Simplification**

35. This measure can be classed as a simplification measure, because it allows businesses to retain the flexibility to use PIAs to carry out official controls, which can reduce their costs of operation.

## **Implementation and Review**

36. The Regulation applies from 1 January 2009 with a review to take place in October 2013.



## **Specific Impact Tests**

### **Competition Assessment**

37. The proposal is not expected to either directly or indirectly limit the number or range of suppliers. It should not limit the ability of suppliers to compete or reduce suppliers' incentives to compete vigorously.
38. The use of PIAs may actually open the market and encourage competition. It encourages efficiency in official controls in the poultry sector. There is obviously a limited number of PIAs needed in the industry, but there will be an ongoing level of turnover that will support a small market for training and/or contracting. That market will be open to all interested parties.

### **Small Firms Impact Test**

39. The FSA wrote to small businesses, such as operators of licensed poultrymeat and wild game meat plants in November 2004, informing them that the new food hygiene regulations on the future of meat inspection and PIAs at Poultry Meat Slaughterhouses would be applied from 1 January 2006. Approximately 116 operators of licensed poultrymeat and wild game meat plants were formally consulted. Within this consultation small and medium sized poultrymeat slaughterhouses were asked to complete a short questionnaire about the current arrangements for meat inspection by company staff, and their thoughts on future plans on the basis of present knowledge. From their responses, small and medium sized businesses fully supported the decision that would allow PIAs to be trained and qualified to the satisfaction of the Competent Authority to carry out official control duties in rabbit and poultry slaughterhouses.

### **Sustainable development**

40. The proposed regulations will have little, if any impact, on the delivery of the Government's five principles of sustainable development on the environment, or in relation to public health. PIAs give firms an incentive to be more efficient, and to decrease the total costs of official controls. These enable resources to be reduced, with the FSA ensuring that this does not compromise the level of health protection. This should contribute to more sustainable decision making.

### **Race equality issues**

41. No impact on race equality is anticipated.

### **Gender equality issues**

42. No impact on gender equality is anticipated.

### **Disability equality issues**

43. No impact on disability equality is anticipated.



## SPECIFIC IMPACT TESTS

[As you develop your proposal you need to think about all of the following specific impact tests, but they may not all be relevant to your policy. Click on the relevant box to show which are. For those shown as relevant, include the heading and relevant text in the Evidence Base. When you have completed the table, delete this paragraph but keep the following Note and the table in your IA.]

**Note:** the Health and Wellbeing specific impact test is not in the list, because the whole of an FSA IA focuses on food safety in the health context.

Type of test and link to guidance (Double click on each of the headings to follow link)	Click on a box for EACH row to show if the test is relevant or not:	
	Relevant	Not relevant
<a href="#">Competition assessment</a>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<a href="#">Small firms impact test</a>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b><a href="#">Sustainability:</a></b> Economic impact Social impact <a href="#">Environmental impact</a>	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
<a href="#">Carbon impact</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Equality impact</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Justice impact</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Rural proofing</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Human rights</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Privacy impact</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Creation of new criminal offence</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<a href="#">Impact on powers of entry</a>	<input type="checkbox"/>	<input checked="" type="checkbox"/>