

Title: Amending the Fish Labelling (England) Regulations 2010 IA No: DEFRA 1321 Lead department or agency: DEFRA Other departments or agencies: Food Standards Agency Scotland, Wales and Northern Ireland	Impact Assessment (IA)			
	Date: 09/05/2013			
	Stage: Final			
	Source of intervention: EU			
	Type of measure: Secondary legislation			
Contact for enquiries: Paul Riches 0207 238 5354				
Summary: Intervention and Options			RPC Opinion: Awaiting Scrutiny	

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
£m -5.18	£m -5.18	£m 0.6	No	N/A

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

Firstly, the current need to lay a new Statutory Instrument (SI) each time an amendment to the UK's Commercial Designation List for Fish (approved names) is required is slow and time consuming. Secondly, there is a need for new consumer information requirements to ensure accurate and consistent labelling, enabling more informed consumer choices. These include the availability, at the point of retail, of the scientific name and previously frozen declarations. These new requirements stem from EU Regulation, so Government intervention is necessary to amend domestic legislation, setting out administrative penalties and sanctions and ensuring the rules are adhered to and applied consistently across the industry.

What are the policy objectives and the intended effects?

The first objective is to improve the method of listing and amending Commercial Designations so they are quicker and less time consuming to complete. The second objective is to update UK domestic fish labelling regulations to take account of new consumer information requirements so as to improve information provided to consumers and to comply with EU Regulation. The aim is to set out the new consumer information requirements in the clearest possible way by incorporating all the rules relating to consumer information under one set of Regulations.

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

Baseline - Do nothing. Do not update domestic legislation to reflect the new requirements or introduce the improvements to the Commercial Designation process.

Option 1 - Implement the new requirements under one Statutory Instrument and improve the process for new Commercial Designations using a live, web-based list

Option 2 - Implement the new requirements under separate Statutory Instruments and improve the process for new Commercial Designations using a live, web-based list

Preferred approach:

Option 1 is the preferred approach as this will ensure that the UK meets its obligation to implement EU Regulation in a way that is clear and straightforward for those who must abide by the new rules on labelling and information to the consumer.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: December 2013					
Does implementation go beyond minimum EU requirements?			No		
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	Large Yes
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

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 SELECT SIGNATORY: David Heath Date: 15 July 2013

Summary: Analysis & Evidence

Policy Option 1

Description: Implement the new requirements under one Statutory Instrument and improve the process for new Commercial Designations using a live, web-based list.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -5.18

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	6.48	0.00	6.48

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

All costs relate to minimum requirements to implement the EU Regulation:

Industry: One-off costs: familiarisation with new requirements and legislation £746,500 (PV) (EAC¹ £86,700); traceability costs (information flow along the supply chain such as scientific name) £726,800 (PV) (EAC £84,400); labelling (additional text required on product such as scientific name) £4,995,000 (PV) (EAC £580,300)
Government: One-off costs: familiarisation with new requirements and legislation £7,800 (PV) (EAC £900)

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

There are no non-monetised costs associated with this option.

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	0.00	0.15	1.30

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

Industry: Ongoing benefits: time saving from SI consolidation £1.3m (PV) (Av Annual Benefit £149, 000).

Government: Ongoing benefits: Enforcement officer time saving from SI consolidation £13,500(PV) (Av Annual Benefit £1,600);

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

Overall magnitude of non-monetised benefits is small.

Consumers: Ongoing benefits: increased information of fish products for consumers; consumers able to make a more informed choice. Industry: Potential time savings of separating the commercial designations list from the SI could be significant (up to £2m). Increased visibility of all current commercial designations. Government: Better informed enforcement officers operating in a simpler legislative environment.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Familiarisation costs - Medium and large businesses - equivalent of 1 senior manager per business approximately 1 hour respectively to familiarise; an additional 1 hour each to disseminate the information to other staff in the organisation. For micro and small businesses, we assume 1 hour of familiarisation.

Traceability costs – Assume 0.5 hours per micro/small fish processors/manufacturers; Assume 1 hour per micro/small fish wholesalers and retailers; Medium and larger firms are likely to obtain this through their contracts due to their greater negotiating/purchasing power.

SI consolidation and commercial designation – Assumptions explained in the main section.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0.00	Benefits: £0.15	Net: £-0.15		

¹ EAC = Equivalent Annual Cost

Summary: Analysis & Evidence

Policy Option 2

Description: Implement the new requirements under separate statutory instruments and improve the process for new Commercial Designations using a live, web-based list.

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -6.48

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	6.48	0.00	6.48

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

All costs relate to minimum requirements to implement the EU Regulation:

Industry: One-off costs: familiarisation with new requirements and legislation £746,500 (PV) (EAC² £86,700); traceability costs (information flow along the supply chain such as scientific name) £726,800 (PV) (EAC £84,400); labelling (additional text required on product such as scientific name) £4,995,000 (PV) (EAC £580,300)
Government: One-off costs: familiarisation £7,800 (PV) (EAC £900)

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

There are no non-monetised costs associated with this option.

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	0.00	0.00	0.00

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

There are no monetised benefits of this option.

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

Overall benefit of non-monetised benefits is small.

Consumers: Ongoing benefits: increased information of fish products for consumers; consumers able to make a more informed choice. Industry: Potential time savings of separating the commercial designations list from the SI could be significant (up to £2m). Increased visibility of all current commercial designations. Government: Better informed

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Familiarisation costs - Medium and large businesses - equivalent of 1 senior manager per business approximately 1 hour respectively to familiarise; an additional 1 hour each to disseminate the information to other staff in the organisation. For micro and small businesses, we assume 1 hour of familiarisation.

Traceability costs - Assume 0.5 hours per micro/small fish processors/manufacturers; Assume 1 hour per micro/small fish wholesalers and retailers; Medium and larger firms are likely to obtain this through their contracts due to their greater negotiating/purchasing power.

Commercial designation - Assumptions explained in the main section.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: £0.00	Benefits: £0.00	Net: £0.00		

² EAC = Equivalent Annual Cost

Evidence Base

1. Over recent years there has been a drive in the UK and EU to improve the information on food that is provided to consumers, thereby enabling the consumer to make a more informed choice about the goods they purchase. The forthcoming introduction of the Food Information Regulation (FIR) will significantly improve and update the current rules, consolidating general and nutrition labelling requirements. As well as changes to general food labelling, there have been developments focussing specifically on fishery products as introduced by the *information to the consumer* section within the Common Fisheries Policy (CFP) Control Regulation and developments as part of the current negotiations on the Common Organisation of the Markets in Fishery and Aquaculture Products (CMO). This Impact Assessment focuses on those requirements specific to fishery products. A separate IA is being developed for the FIR.
2. In line with the Government's commitment to reduce regulatory burdens on industry as part of the Red Tape Challenge, improving the way that UK Commercial Designations are granted and minimising the creation of new Statutory Instruments will help to keep new burdens from these EU requirements to a minimum.
3. This consultation seeks to gather additional information and views from those affected to allow us to assess that the cost and benefit estimates are correct and realistic.
4. The Consultation ran for an 8 week period and ended on 13 November 2012. The responses have been analysed and this Impact Assessment now reflects the position post consultation. A summary of the responses and changes made can be found at paragraph 99.

Problem under consideration

5. Currently, fish labelling and consumer information requirements are contained within the Fish Labelling Regulations (2010). These Regulations contain the list of approved Commercial Designations (fish names) permitted for use when marketing fish in the UK. The current process for amending the Commercial Designation List of Fish in the UK is time consuming and burdensome and does not give us the flexibility to make changes quickly enough in response to market demands. Granting new designations takes too long as a new Statutory Instrument (SI) has to be laid each time, and the process would benefit from simplification. Separating the Commercial Designation list from the SI and maintaining a live up to date list of accepted names on the internet would remove the need to grant temporary designations while a new SI is prepared. It would also prevent the existence of an incomplete list which occurs at present as temporary designations do not feature in the list attached to the SI. At the same time as separating out the list, it will be updated to include some additional new commercial designations benefitting the industry.
6. Provision must also be made within domestic legislation to implement the new consumer information requirements, including providing the scientific name of fish and previously frozen declarations at the point of retail. Intervention is required to ensure that the market supplies the consumer with the required information, and to maintain consistency in how this is applied throughout the industry. Consideration is being given on the most practical and least burdensome way of implementing these new requirements for UK industry.

Rationale for intervention

7. It is important that fish are labelled correctly and consistently at the point of sale so that purchasers know exactly what they are buying. Commercial Designations help consumers by ensuring fish are labelled in a way that is accurate, consistent and not misleading and ensure that the fish industry can readily comply with its statutory duties to

label fish correctly. In the absence of Government intervention, industry may not label these goods or may use inconsistent terminology. Increased information to consumers at the point of purchase on the type of fish and whether it has previously been frozen will enable them to make more informed choices. They are expected to benefit from the greater certainty and clarity of the commercial designation of the fish, and have increased confidence in the quality of the product they are purchasing. Government intervention is especially needed as the new EU consumer information requirements introduce rules on compliance and create offences. Only the Government can amend or update legislation which is required to implement these rules.

Options Considered

Baseline – Do not implement the requirements

8. This is the baseline option, considered here to assess the costs and benefits against. If no change is made to the way the Commercial Designation list is maintained there will be no benefits delivered in terms of making it easier and quicker to grant new designations. The UK will not be meeting its obligations under EU law if we do not implement the consumer information elements from the Control Regulation and anticipated requirements from the revised Common Organisation of the Markets.

Option 1 – Requirements to be set out under one domestic statutory instrument

9. This is the preferred option. It presents a simpler and more straightforward way of setting out the domestic legislation as all requirements for the labelling of fishery products will be captured under the same piece of legislation. This will ensure that it is easier for those who operate in the fishery sector to understand all the relevant labelling requirements and not have to piece together requirements from multiple statutory instruments. This option also implements the proposed changes to improve the process for amending UK Commercial Designations. It will also ensure that the UK will meet its obligation to implement agreed EU Regulation.

Option 2 – Requirements to be set out in more than one domestic statutory instrument

10. This option would allow for the various requirements set out under the separate pieces of EU legislation to be implemented at the different times they come into force. This would however not present such a clear and easy to understand legal regime as the rules on information to the consumer relating to fish labelling would be contained in more than one domestic statutory instrument. This has the potential to cause confusion as operators have to piece together the various elements of fish labelling requirements to ensure they meet all of their obligations. This option implements the proposed changes to improve the process for amending UK Commercial Designations. It will also ensure that the UK will meet its obligation to implement agreed EU Regulation.

Background

11. New requirements to provide the consumer with additional information on fish and fishery products at the retail stage have been introduced throughout the EU. These requirements are set out in two separate pieces of EU Regulation. The Common Fisheries Policy (CFP) Control Regulation, which has been agreed and is now in the implementation phase, and a proposal to update the CMO in Fishery and Aquaculture Products Regulation which is still being negotiated within the EU.

12. Additional background information on these two Regulations can be found in Annex C

Legislative framework

CFP Control Regulation

(EC) 1224/2009 – Establishing a community control system for ensuring compliance within the rules of the common fisheries policy

(EC) 404/2011 – Detailed rules for the implementation of 1224/2009

Common Organisation of the Markets in Fishery and Aquaculture Products (CMO)

(EC) 104/2000 – Base Regulation

(EC) 2065/2001 – Detailed rules for the application of 104/2000

Domestic Statutory Instrument

2010 No. 420 – The Fish Labelling (England) Regulations 2010

Current situation

Common Organisation of the Markets in Fishery Products (CMO) (EC) 104/2000

13. The review of the CMO is still underway but the current document contains the following requirements:

Chapter IV Consumer Information

Fishery and aquaculture products.....may only be offered for retail to the final consumer where appropriate marking or labelling indicates:

The commercial designation of the species, and scientific name

The production method, in particular by the following words 'caught' or 'caught in freshwater' or 'farmed'

The area where the product was caught or farmed

Whether the product has been defrosted

Description of the new requirements

14. The requirements contained within the CFP Control Regulation that are not already provided for by the existing version of the CMO 104/2000, i.e. the new requirements, are:

- ***the scientific name***
- ***whether the fisheries products have been previously frozen or not***

15. It is these two new requirements that this impact assessment will focus on with regards to the CFP Control Regulation impact.

Information on Lots

16. Control Regulations (1224/58/1&2) also require that labels on fisheries and aquaculture products that are placed on the market in the EU are required to be adequately labelled to ensure the traceability of the lots.

17. A 'lot' is defined as a 'quantity of fisheries and aquaculture products of a given species or the same presentation and coming from the same relevant geographical area and the same fishing vessel or group of fishing vessels, or the same aquaculture production unit.

18. Lots of fisheries and aquaculture products can be merged or split after first sale as long as it is possible to trace them back. Operators must be able to identify who has supplied lots of fisheries or aquaculture products to them and to whom products have subsequently been supplied by means of an identification number. (Control Regulations (1224/58/4) and detailed rules (404/67/4)).

19. The Control Regulation extends along the whole chain of production and marketing. Within the supply chain it fits within the existing food traceability system contained in

Regulation (EC) No 178/2002 laying down the general principles and requirements of food law.

20. Traceability and consumer information requirements such as the commercial designation, the scientific name, the relevant geographical area, the production method and whether the product has been previously frozen or not will need to be available to the consumer in retail outlets. If part of a product has been defrosted then for the purpose of customer information you can say the whole product has been defrosted. The absence of the word 'defrosted' can be taken to indicate that the product has not been defrosted. The costs associated with the need to require information on whether the product has been defrosted are likely to be minimal. This is because there are a number of permitted exemptions, for example, if a product has been frozen for health and safety purposes. Therefore, a sizeable proportion of fish will fall under one of the exemption categories.

Commercial Designation

21. Regulations (EC) Nos. 104/2000 and 2065/2001 require that certain fish and fish products are labelled for retail with an accepted name of the species, and that Member States establish commercial designations for fish species that must then be used in the labelling of fish.
22. The Fish Labelling (England) Regulations 2010 provide for the enforcement of Article 4 of Council Regulation 104/2000 and Commission Regulation 2065/2001 in England. The list of agreed commercial designations for fish species for the UK is currently included as a schedule to these Regulations. It is anticipated that other parts of the UK (Scotland, Wales and N. Ireland) will implement the requirements through their own SIs in a way that delivers consistency at a UK level. It is the duty of the Member State to draw up a Commercial Designation list so there will continue to be one list for the whole of the UK. Our proposal is to maintain this list in the future on the web instead of as an annex to the SI.

Sources of information

23. With the exception of the requirement for a lot number and information on whether the fish has previously been frozen, information to meet the consumer information requirements of the CFP Control Regulation is available as provided by Article 64 of 1224/2009 and enforced by the Buyers and Sellers Regulation. However, this regulation only applies to fish at the first point of sale.
24. The Registration of Buyers and Sellers provides a means of data capture in the form of paper and electronic sales notes. These contain a number of information fields captured from the first point of sale, the most relevant for fish labelling purposes are:
25. The species name (FAO code not scientific name), geographical area, size, weight, grade, presentation, freshness and the place and date of the sale. The intended effect is to improve the monitoring and control of landings of fish taken from EU and other waters and to ensure that such landings are properly recorded and capable of verification. The measures will also assist consumers and those involved in secondary processing or distribution of fish to be satisfied about the provenance of fish and that it has been legitimately caught.
26. It is this information from sales notes that when linked with the fishery products and passed along the supply chain will satisfy a number of the consumer information requirements.

Affected Groups

27. The rules apply to labelling of fish and providing information at the retail stage, therefore those parties who sell directly to the consumer will have to make sure that what they sell complies with the law. Retailers will need to work with their suppliers to make sure that they agree on the approach for making the information available, whether this is on the packaging or making use of the derogation to use posters/billboards (see Annex C for more details).

Seafood processors and preservers

28. Although processors and wholesalers are unlikely to be selling products directly to the consumer they will be affected by any labelling changes requested by their buyers. Retailers may decide not to make use of the derogation for communicating scientific name through a poster or billboard and request that processors incorporate this into the product label. This will very much depend on the commercial situation of each business and what suits them best.

29. Data from the Inter Departmental Business register (IDBR) estimates that there are currently 400 firms that process and preserve seafood in the UK in 2010, the majority of which are micro and small size businesses. Of the total number of processors and preservers in the UK, around half of the establishments are located in England.

Table 1: Seafood processors and preservers in the UK, by regional breakdown

	Micro	Small	Medium	Large	Total
England	109	57	23	6	195
Wales	3	1	1	0	5
Scotland	98	51	21	5	175
NI	14	7	3	1	25
UK	224	116	48	12	400

30. Data from the latest 2010 Seafish Report¹ suggests that the geographical distribution of the industry has remained relatively unchanged since 2004. Humberside and Grampian are still the most significant areas in terms of employment and the number of processing units. Humberside provides 27% of total industry employment and Grampian provides 23%. Several large processing companies are based in these traditional seafood processing areas.

31. The 2010 Seafish Report estimates that total sales of fish and fish products from the UK seafood processing sector were estimated at around £2.84 billion in 2010. This includes sales made to other seafood processors and sales to seafood merchants, but does not include sales of salmon processors. Mixed species processors generate the greatest proportion of sales value at an estimated £1.8 billion followed by primary processors (£480 million) then secondary processors (£330 million).

¹2010 survey of the UK seafood processing industry – summary report [Seafish August 2011]

32. The largest customer group for the industry as a whole is retail which attracts 57% of sales value. Multiple retailers are particularly important as they attract 54% of total industry sales value. Wholesalers are the second most important customer group with 15% and the export markets attract 12%.

Seafood wholesalers

33. IDBR data (2010) estimates that there are 1,680 seafood wholesalers in the UK, of which 97 per cent are micro and small sized businesses.
34. Of the total number of seafood wholesalers, over 75 per cent of the establishments operate in England.

Table 2: Seafood wholesalers in the UK, by regional breakdown

	Micro	Small	Medium	Large	Total
England	1,037	228	39	0	1,305
Wales	40	9	2	0	50
Scotland	199	44	8	0	250
NI	60	13	2	0	75
UK	1,336	294	50	0	1,680

Retailers

35. Ultimate responsibility will lay with those who sell directly to the consumer as this is where the rules apply. Retailers will need to work closely with their suppliers and processors to ensure that the products are sold in compliance with the rules. There may be work required in order to ensure that the relevant information flows along the supply chain so all mandatory information is provided to the customer. Retailers will be able to decide how they address the scientific name element which can be communicated via the use of a poster or billboard.
36. IDBR data (2010) estimates that there are 53,070 UK food and drink retailers, of which 99 per cent are micro and small sized businesses.
37. Of the total number of retailers, 83 per cent of the businesses operate in England.

Table 3: Retailers in the UK, by regional breakdown

	Micro	Small	Medium	Large	Total
England	40,387	3,236	232	70	43,925
Wales	2,294	184	13	4	2,495
Scotland	4,423	354	25	8	4,810
NI	1,692	136	10	3	1,840
UK	48,795	3,910	280	85	53,070

38. The Seafood sector is worth an estimated £5.84bn in total spend split between £2.84bn in retail and £3.0bn for the food service sector. Supermarkets dominate the seafood retail market with over 87% share of spend.

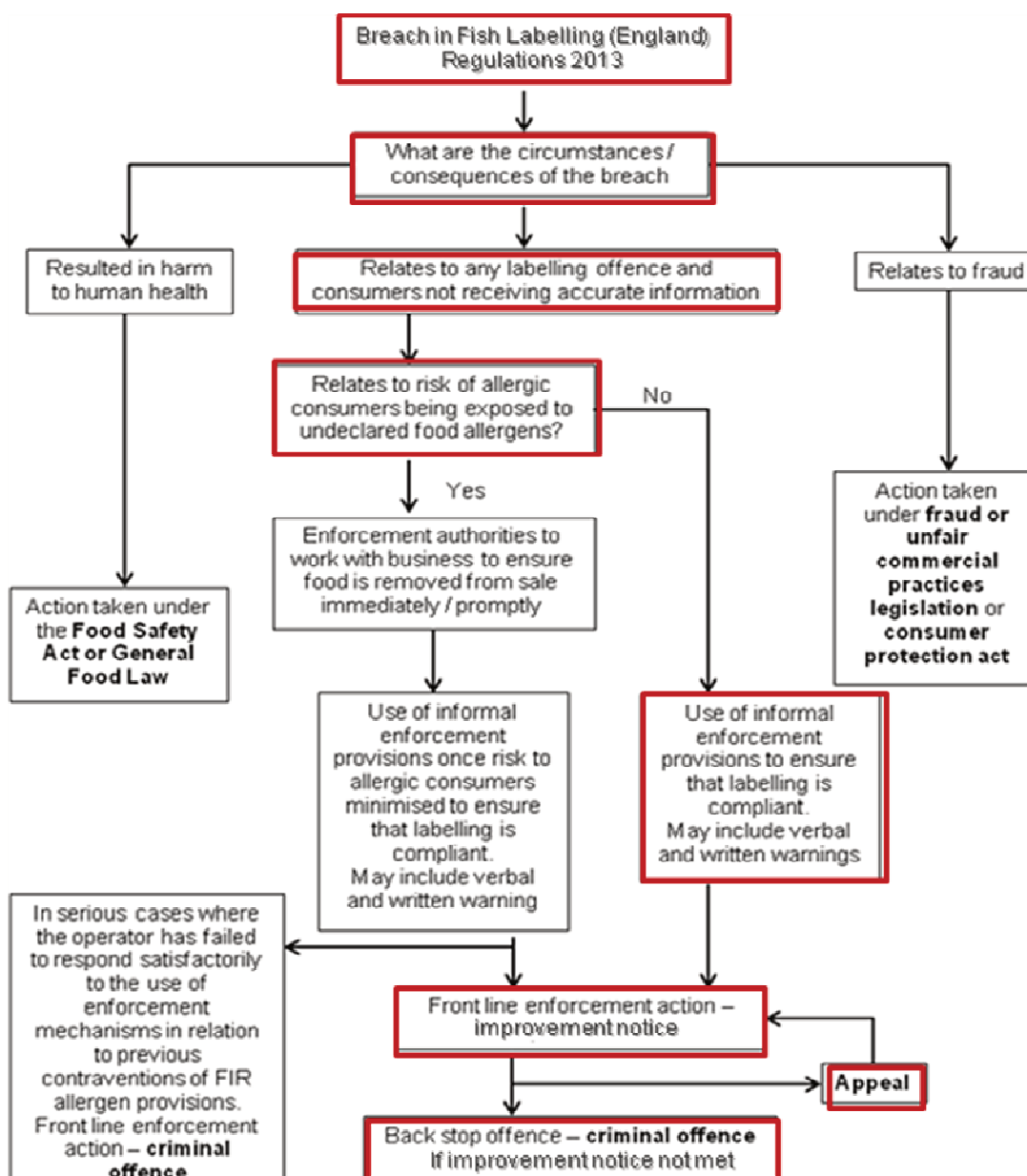
Government

39. It will be the responsibility of Local Government Trading Standards officers to familiarise themselves with the new requirements in order to make sure that the new rules are adhered to. They will need to understand the move to an improvement notice system for offences that breach the Fish Labelling Regulations.
40. In line with Government objectives to ensure there is effective and proportionate means of enforcement of EU obligations, this regime will make use of civil as opposed to

criminal sanctions through the use of improvement notices. This standardised approach to enforcement, serving an improvement notice on a trader where an authorised officer has reasonable grounds for believing that the trader has not complied with, or is unlikely to comply with and obligation in EU law will be taken in the case of the Fish Labelling Regulations, the Food Information (England) Regulations and a number of other food based commodity Regulations.

41. Enforcement bodies already use an enforcement notice approach for a number of other Regulations so introducing this approach to the Fish Labelling Regulations should not be overly burdensome and can be seen in the broad sense as a business as usual change. As with any new or amended regime there may be some additional checks to begin with to test the level of compliance but it is anticipated that there will be no significant additional costs on an ongoing basis.

Simple flow chart of the enforcement process (labelling chain of events highlighted in red)



42. There are currently 533 local authorities in the UK of which 433 are located in England.

Table 4: Number of local authorities in the UK

	Number of Local Authorities
England	433
Wales	22
Scotland	32
Northern Ireland	26
UK	513

Source

- (1) England – 433 – <http://www.communities.gov.uk/newsroom/factsandfigures/local/facts/localgovernment/?id=1682861>
- (2) Scotland – 32 – http://www.direct.gov.uk/en/dl1/directories/devolvedadministrations/dg_4003604
- (3) Wales – 22 – <http://wales.gov.uk/topics/localgovernment/localauthorities/?lang=en>
- (4) Northern Ireland – 26 – http://www.doeni.gov.uk/index/local_government/council_structure.htm

Consumers

43. The Regulation will provide consumers with more information about the fish species with the inclusion of the scientific name. It will also introduce the need to declare whether the product was previously frozen. This additional information should help boost consumer confidence when purchasing fishery products as they become aware of the extra information that is now available to them. Whilst the legislation is not expected to place costs directly on consumers, it is possible that where costs arise along the supply chain (e.g. to processers, wholesalers, retailers) these costs could be passed along the chain and ultimately be reflected (partially or wholly) in higher prices for those products on sale to consumers. However, as the changes are relatively small, it is assumed that these would be negligible.

Option Appraisal

Costs and Benefits

Assessment of One in Two Out (OITO)

44. Applying the OITO methodology to the policy requirements requires distinguishing between the parts of the Regulation which are derived directly from the European legislation, and those which are a result of domestic deregulatory measures. The OITO balance will be unaffected by the elements of this domestic legislation that implements the consumer information requirements from the Control Regulation. This is due to the fact that we are transposing EU requirements such as enforcement arrangements needed to enforce EU legislation. We are adopting the bare minimum of EU requirements and do not impose any additional burdens on business over and above these EU requirements. The proposed changes to the Commercial Designation List can be classified as an ‘OUT’ by this process as there are savings and benefits to Industry.

45. Therefore, the business assessment figures on the summary pages show only the OITO relevant part of the overall business cost. Businesses incur a net cost from the measures implementing the European legislation. However, the domestic deregulatory measures produce a small net benefit to business, of £0.15m EANCB (in Option 1).

Baseline – Do Nothing

46. This would mean continuing with the current rules and would not implement the changes to fish labelling that have been agreed amongst EU Members as part of the CFP Control Regulation. The UK would be under implementing and would be at risk of infraction proceedings. This option would mean that the proposed improvements to the way the Commercial Designation List are managed in the UK would not be realised and we would continue with the current procedure of having to lay a new Statutory Instrument every time the list required updating.

Costs

47. There are no incremental costs. This is the baseline to which all other options are compared.

Benefits

48. There are no incremental benefits. This is the baseline against which all other options are appraised.

Policy Option 1

49. This option would see the various requirements for fish labelling set out and introduced within one Statutory Instrument for the UK. This makes for a clearer legislative environment and reduces the burden of laying multiple SIs and provides clarity for industry as the rules are set out in one place. This option would also see the implementation of the proposed changes to how the Commercial Designation List is maintained going forward by maintaining the list on a web page as opposed to an annex to a Statutory Instrument.

Costs

Industry

One-Off Familiarisation Costs

50. There will be a one-off cost to industry for reading and familiarising themselves with the new Regulation. Familiarisation costs are measured in terms of time costs and are therefore quantified by multiplying the time it takes for an official to read and familiarise him/herself with the Regulation by their wage rate.

51. Time will be spent acquiring, reading and understanding the legislation, seeking external advice where necessary. Across the supply chain, it is assumed that micro and small businesses will require 1 hour to familiarise themselves. This is also the case for medium and large businesses with an additional hour to disseminate to other colleagues. The average hourly rate is up rated by 30% to take account of overheads in line with standard cost model methodology.

52. Annex A outlines the assumptions used and provides a business breakdown throughout the supply chain. The total one off familiarisation costs for industry in England are estimated at around £747,000. It is worth noting that this figure may well be conservative as not all the retailers included in Table 3 above may need to familiarise themselves with the regulations. Some may not sell fish, whilst others may deal only with brands of fish where the producer has already made themselves compliant with the new stipulations.

Table 5: Total familiarisation costs to business, by regional breakdown and Equivalent Annual Cost to Industry by Country

	Number of processors, wholesalers & retailers	Total familiarisation cost	EAC
England	45,425	£746,545	£86,730
Wales	2,550	£42,006	£4,880
Scotland	5,235	£85,672	£9,953
NI	1,940	£31,807	£3,695
UK	55,150	£906,031	£105,128

53. In order for one-off costs to be compared to annual costs on an equivalent basis across the time span of the policy, one-off costs are converted into Equivalent Annual Costs (EACs) by dividing the one-off cost by an annuity factor.³ The total one-off familiarisation cost to businesses in England translates to an equivalent annual cost of around £86,700 over a ten year period.

One-Off Traceability Costs

54. Although the traceability information as required by the Control Regulation is in existence through Buyers and Sellers and the use of sales notes, which will provide the main source of information, this isn't universally made available throughout the supply chain at present. Larger companies in general have well established and defined supply chains where product information flows down the chain so that this is available at the point of retail or can be made available without significant additional search costs. Some smaller companies may have to establish and facilitate this information flow and make some changes to their supply chain to ensure that the information they require is made available throughout their supply chain so it will be available for the consumer.

55. Some operators may need to review and make changes to their operational procedures in order that they obtain the information that must now be passed on to the consumer such as the scientific name and previously frozen information. In the vast majority of cases, information on traceability will be in place that allow for the relevant information to flow down the chain. Most large retailers and their suppliers are generally large sophisticated businesses with robust traceability systems already in place and have well established mechanisms for supplying information along the supply chain and it should be relatively easy to incorporate additional information fields. Ensuring key information flows down the chain may prove more of a challenge for small operators who may need to establish an improved system for information handling and communicating this along their supply chain. The degree of work required will depend heavily from company to company and any associated costs will be quite specific according to current operational set up.

56. Assumptions have been made that medium and large, processors, wholesalers and retailers are likely to have this information already or are likely negotiate this information

³ The annuity factor is essentially the sum of the discount factors across the time period over which the policy is appraised. The equivalent annual cost formula is as follows:

$$a_{t,r} = \sum_{j=0}^{t-1} \prod_{i=0}^j \left(\frac{1}{1+r_i} \right)$$

when agreeing contracts with suppliers so will bear no additional cost. It is assumed that micro/small processors can acquire the scientific name information from sales notes and will not have to review their processes. They will, however, have to translate the FAO name to the full name. Micro and small wholesalers and retailers will have to review operational procedures as well as verify the scientific name once acquiring the FAO name.

57. It is assumed that processors will take 30 minutes to verify the FAO name, whilst a further assumption is made that retailers and wholesalers will also need to review their operational procedures especially if information on the previously frozen status of the product is made available, an additional 30 minutes (as set out in Annex B).

58. The total one-off traceability cost to businesses in England translates to an equivalent annual cost of around £84,500 over a ten year period. Table 8 shows the EAC for England businesses.

Table 6 One off traceability costs and Equivalent Annual Cost to Industry by Country

	Number of processors, wholesalers & retailers	Total traceability cost	EAC
England	45,425	£726,816	£84,438
Wales	2,550	£40,997	£4,763
Scotland	5,235	£81,458	£9,463
NI	1,940	£30,743	£3,572
UK	55,150	£880,013	£102,236

One-off labelling costs

59. To provide an estimate of the labelling costs, we use the Kantar dataset⁴, which provides us with an estimate of the number of fishery products that are being purchased in the UK. This stands at 2,775 for 2011 which is multiplied by the trimmed mean cost of re-labelling per SKU for minor changes £1,800 (table below). The total cost estimate for re-labelling is equivalent to **£4,995,000**. The EAC to industry is 580,295.

Extent of change	Average cost (£/SKU)	Trimmed Mean (£/SKU)
Minor change	£1,810	£1,800
Major change	£3,800	£3,330

Source: Developing a framework for assessing the costs of labelling changes in the UK

60. The study states that a change was considered as minor when only the text was changed on a single face of the label and no packaging size modification was required to accommodate this.

61. For the purposes of this impact assessment, the cost estimates are established with a baseline that assumes that the Food Information Regulation (FIR) is already in place. The FIR will be coming into force so the purpose in this assessment is to capture those costs that can be directly attributed to fish labelling legislation that is not introduced by other regulatory means.

⁴ Source: Kantar Worldpanel The Kantar world panel (25,000 UK household panel) are asked to record every item purchased and brought into the household over a 52 week period. So this number reflects the number of different products purchased in the 52 weeks up to April 2011

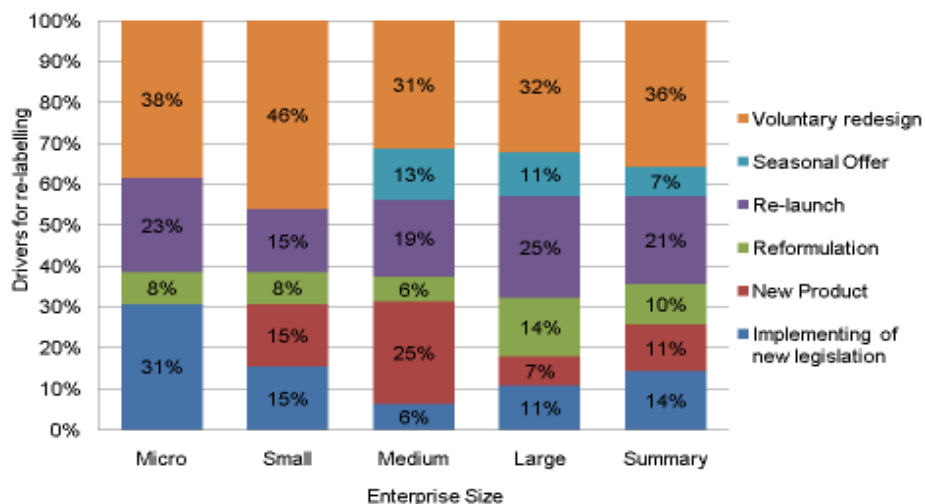
62. The costs of making changes to product labels are estimated in this impact assessment using the methodology in the Defra and Campden BRI study 2010; Developing a Framework for Assessing the costs of Labelling Changes in the UK.
63. There are a number of drivers that can result in the need for labelling changes; legislative requirements are one of four main sources.



64. However, the evidence in the study shows that commercial factors were the cause of most label changes; regulatory requirements accounted for a relatively small minority. The nature of the labelling changes that may be required as a result of these regulatory requirements are expected to be minor. This is based on the fact that any additional wording or description will be text only and should not necessitate the need for a packaging re-size.

65. There may be implications for products that are small in size as there would be a greater risk that any additional information could not be accommodated without increasing the size or shape of the packaging and therefore increasing costs.

66. The following graph taken from the Campden research shows that as a percentage of all the drivers contributing to re-labelling, on average 14% will stem from implementing new legislation. However, it is notable that for micro businesses the driver of new legislation makes up nearly a third of all re-labelling changes. This greater proportion is most likely due to the fact that labelling changes constitute an expense to the business and those operating at the smallest scale will not have the means or resources to invest into labelling changes for many other reasons except for those that are absolutely necessary or required by law. Larger operators are more likely to be in a position to invest in labelling changes for a wider variety of commercial reasons, and would consider these as important elements in maintaining or increasing their commercial advantage.



67. In reality, these estimates are likely to be at the higher end. As set out above, labelling refreshes take place from time to time even without regulatory intervention. In addition, it may be possible to roll into a single refresh the need to re-label for FIC and fish labelling changes, in which case the additional cost would be less. As a sensitivity case, if it is

assumed that one-third of products are re-labelled each year for non-regulatory changes⁵, then the total cost for re-labelling would be £3.3m.

⁵ I.e. on average is re-labelled on average every 3 years.

Government

One-Off Familiarisation Costs

68. Local authorities will also need to become familiar with the updated Regulations. It is estimated that it would take one Trading Standards officer, 1 hour to read and become familiar with the Regulations and disseminate them to key staff. The average hourly pay rate for *Inspectors of standards and regulations*⁶ is shown in the table below. This has been up-rated by 30% to account for overheads, in accordance with the standard cost model⁷.

Table 7: Familiarisation costs for trading standards officers, by regional breakdown and as Equivalent Annual Cost to Enforcement by Country

	Number of Local Authorities	Median average hourly rate (uprated by 30% for overheads)	Total Familiarisation Cost	EAC
England	433	£18.01	£7,798	£906
Wales	22		£396	£46
Scotland	32		£576	£67
Northern Ireland	26		£468	£54
UK	513		£9,239	£1,073

69. The total one-off familiarisation cost to enforcement bodies in England translates to an equivalent annual cost of around £900 over a ten year period.

Enforcement Bodies

70. Under policy Option 1 we envisage no incremental costs for enforcement authorities as we assume the impact on Local Authorities and the Competent Authority (FSA) would be negligible.

Consumers

71. Under policy Option 1 we envisage no incremental costs for consumers. Whilst the legislation is not expected to place costs directly on consumers, it is possible that where costs arise along the supply chain (e.g. to processors, wholesalers, retailers) these costs could be passed along the chain and ultimately be reflected (partially or wholly) in higher prices for those products on sale to consumers. However, as the changes are relatively small, it is assumed that these would be negligible.

Benefits

72. Separating the Commercial Designation List from the SI will remove the need to lay a new SI every time the list needs updating. This was becoming a more frequent occurrence as the market for fishery products diversifies and new species are introduced into the UK market. A new SI for Fish Labelling was on average having to be laid approximately every 3 years.

- Current change – Fish Labelling (England) Regulations 2012

⁶ 2011 Annual survey of Hours and Earnings

⁷ <http://www.berr.gov.uk/files/file44503.pdf> http://www.statistics.gov.uk/downloads/theme_labour/ASHE-2009/2009_occ4.pdf

- Fish Labelling (England) Regulations 2010
- Fish Labelling (England) Regulations 2006 (Amendment)
- Fish Labelling (England) Regulations 2003
- Fish Labelling requirements within Food Labelling Regulations 1996

Although some of these Regulations listed above were revoked when subsequent legislation was made, it demonstrates the frequency of updates and amendments that have been required over recent years.

Industry

Table 8: Time saving benefits from SI consolidation

73. Using the same wage rates as the familiarisation costs, we assume a 0.5 hour of time saved for micro and small businesses, whilst medium and large businesses are assumed to save 1 hour per business. Under these assumptions, businesses in England are estimated to save around £373,300 for every update which would occur approximately every 3 years if no change was made. Annex B provides a further breakdown.

	Number of processors, wholesalers & retailers	Total time saving benefit
England	45,425	£373,272
Wales	2,550	£21,003
Scotland	5,235	£42,836
NI	1,940	£15,904
UK	55,150	£453,015

74. Setting out the current changes relating to fish labelling within one domestic Statutory Instrument will deliver a clearer legislative environment for those in the industry who market fish at the retail level.

75. Although traceability has improved over recent years, these additional requirements will further increase traceability throughout the supply chain making it easier to check the authenticity of source material, a non-monetised benefit. There may be some additional benefit to the seafood industry as a result of implementing these changes as consumers may feel reassured that the product they are consuming has an improved production history.

Time saving from changes to the management of the commercial designation list:

76. The changes to how the Commercial Designation list will be maintained will provide a recurring time saving benefit. When changes to the list are agreed it will be much quicker to publish the results and therefore a more accurate list will be held that reflects the current agreed designations. At present, temporary designations have to be granted while the process of amending the Statutory Instrument is carried out.

77. The change will benefit those wholesalers and retailers operating in this sector as they can be assured that the published list reflects the most recent position and they will not have to check the status of any temporary designations that may have been granted. This benefit has not been explicitly monetised in the front sheets, however, one respondent to the consultation reported that they usually checked the list 150 times a year. However, it seems unlikely that all relevant parties would check the list so frequently. As an illustrative calculation, we have assumed that wholesalers and retailers

would save one quarter of one hour through this change, each time they check the list. We assume that wholesalers and medium and large retailers would check the list with once a month, leading to annual savings of 3 hours for these businesses. We assume micro and small retailers would check the list once per annum only (a quarter hour saving per annum).

78. This illustrative estimate leads to an annual time saving of around £250,000, with an NPV of £2.1m over the ten year period. There is therefore a potentially significant time saving for industry as a result of this change.

Government

79. Assuming that trading standards officers save 0.5 hours due to having one SI rather than two SIs, this aggregates to around £3,900 per SI revision which would occur approximately every 3 years if no change is made.

Table 9: Time saving benefits from SI consolidation, regional breakdown

	Number of Local Authorities	Median average hourly rate (uprated by 30% for overheads)	Total time saving benefit
England	433	£18.01	£3,899
Wales	22		£198
Scotland	32		£288
Northern Ireland	26		£234
UK	513		£4,620

Commercial Designation List

80. **Better informed enforcers** - Publishing the list separately in its own right will make it more accessible to those in the industry compared to it being an annex within a Regulation. This will also benefit enforcement authorities as there will always be a live definitive list available that will not require any checks to be made for possible temporary designations - a non-monetised benefit.

81. There would be time savings for Central Government however these are not typically monetised in Impact Assessments.

Enforcement regime – Civil Sanctions

Industry

82. *A more proportionate enforcement procedure for businesses* – There is a benefit to industry in terms of moving from the current criminal sanctions regime to the new civil sanctions regime. It is anticipated that the gains will originate from reduced costs and the time saved to businesses in resolving the issues more quickly. This will materialise in the fact that only the most serious offences would need to be escalated to a Magistrates Court, the vast majority will be resolved through the issuing of Improvement Notices. However, this benefit is likely to be small given the number of cases associated with fish labelling are anticipated to be small. This is currently a non-monetised benefit.

Government

83. *Simpler enforcement procedures for enforcement officers*– There is also a benefit to Government in terms of moving from the current criminal sanctions regime to the new civil sanctions regime. It is anticipated that the gains will originate from reduced court costs as the number of hearings will be reduced as issues will be resolved through issuing Improvement Notices, and the time saved to enforcement officers in resolving the issues more quickly instead of preparing for a court case. However, this benefit is likely to be small given the number of cases associated with fish labelling dealt with by enforcers are anticipated to be small⁸. This is a non-monetised benefit.
84. The consultation response from the Trading Standards Institute was supportive of the move from criminal to new civil sanctions with the introduction of an enforcement notice approach. They believe that Improvement Notices will allow any contraventions to be dealt with more quickly than having to resort to criminal sanctions.

Consumers

85. There will be non-monetised benefits to the consumer as a result of the additional information that is required at the point of retail. The extra information that will allow them to make a more informed choice about the fish they purchase and increase confidence in the product as they will know more about how the fish was processed and its origin. The extra information is intended to increase consumer knowledge as the information required as part of making a sustainable choice will be evident at the point of retail

Summary Costs and Benefits

86. Table 11 provides a summary of the monetised costs and benefits for policy 1. The net present value is -£5.2 million over 10 years.

⁸ We know that inspections carried out by Trading Standards Officers In 2012 show that LAs took 456 samples for fish authenticity which are recorded on the UK Food Surveillance System database. Of these, 30 did not comply with relevant food legislation, most (18) of these were products labelled incorrectly as cod or haddock.

Table 11: Summary Costs and Benefits (Option 1)

Option 2	Year 1	Year 2	Year 3	Year 4	Year 5
COSTS					
Industry					
Familiarisation (one off)	£746,545	£0	£0	£0	£0
Traceability (one off)	£726,816	£0	£0	£0	£0
Labelling (one off)	£4,995,000	£0	£0	£0	£0
Total Industry Costs	£6,468,360	£0	£0	£0	£0
Government					
Familiarisation (one off)	£7,798	£0	£0	£0	£0
Total Government Costs	£7,798	£0	£0	£0	£0
TOTAL COSTS	£6,476,159	£0	£0	£0	£0
BENEFITS					
Industry					
SI consolidation (recurring)	£373,272	£0	£0	£373,272	£0
Total Industry Benefits	£373,272	£0	£0	£373,272	£0
Government					
SI consolidation (recurring)	£3,899	£0	£0	£3,899	£0
Commercial Designation (recurring)	£0	£0	£0	£0	£0
Total Government Benefits	£3,899	£0	£0	£3,899	£0
TOTAL BENEFITS	£377,172	£0	£0	£377,172	£0
NET BENEFIT					
Total Net (Benefit)	-£6,098,987	£0	£0	£377,172	£0
Total Net Business (Benefit)	-£6,095,088	£0	£0	£373,272	£0

Year 6	Year 7	Year 8	Year 9	Year 10	Total	Average p.a./EAC	Present Value
£0	£0	£0	£0	£0	£746,545	£86,730	£746,545
£0	£0	£0	£0	£0	£726,816	£84,438	£726,816
£0	£0	£0	£0	£0	£4,995,000	£580,295	£4,995,000
£0	£0	£0	£0	£0	£6,468,360	£751,463	£6,468,360
£0	£0	£0	£0	£0	£7,798	£906	£7,798
£0	£0	£0	£0	£0	£7,798	£906	£7,798
£0	£0	£0	£0	£0	£6,476,159	£752,369	£6,476,159
£0	£373,272	£0	£0	£373,272	£1,493,089	£149,309	£1,287,481
£0	£373,272	£0	£0	£373,272	£1,493,089	£149,309	£1,287,481
£0	£3,899	£0	£0	£3,899	£15,597	£1,560	£13,449
£0	£0	£0	£0	£0	£0	£0	£0
£0	£3,899	£0	£0	£3,899	£15,597	£1,560	£13,449
£0	£377,172	£0	£0	£377,172	£1,508,686	£150,869	£1,300,930
£0	£377,172	£0	£0	£377,172	-£4,967,473	-£601,500	-£5,175,228
£0	£373,272	£0	£0	£373,272	-£4,975,271	-£602,154	-£5,180,879

Policy Option 2

87. This option would see implementation of the requirements for information to the consumer being contained within a separate SI to the general fish labelling rules. The proposed changes to the Commercial Designation list would be implemented as part of the updated Fish Labelling Regulation. The requirements stemming from the fisheries Control Regulation would be introduced by a separate SI to cover the 'information to the consumer' elements.

Costs

Industry

One-Off Familiarisation Costs

88. Assumptions remain the same for option 2 as option 1.

One-Off Traceability Costs

89. Assumptions remain the same for option 2 as option 1.

One off labelling costs

90. Assumptions remain the same for option 2 as option 1.

Government

One-Off Familiarisation Costs

91. Assumptions remain the same for option 2 as option 1.

Enforcement

92. Under policy Option 2 we envisage no incremental costs for enforcement authorities as we assume the impact on Local Authorities and the Competent Authority (FSA) would be negligible.

Consumers

93. Under policy Option 2 we envisage no incremental costs for consumers.

Benefits

Industry

94. Option 2 does not provide a SI consolidation time saving benefit. As is the same for option 1, it does still however contain the benefit of separating the Commercial Designation list from the SI so it can be maintained more effectively. This will improve visibility for those in the industry when checking the list of current and approved designations.

Government

95. Option 2 does not provide a SI consolidation time saving benefit.

Industry, Government and Enforcement Bodies

Commercial Designation List

96. Assumptions remain the same for option 2 as option 1 – for industry this could provide significant time saving benefits – our illustrative calculation estimates the value of these at £2.1m

Enforcement Bodies

97. The non-monetised benefit identified for option 1 remains true under option 2.

Consumers

98. The non-monetised benefit identified for option 1 remains true under option 2.

Table 12 provides a summary of the monetised costs and benefits for policy 2. The net present value is -£6.48 million over 10 years.

Table 12: Summary Costs and Benefits (Option 2)

Option 3	Year 1	Year 2	Year 3	Year 4	Year 5
COSTS					
<u>Industry</u>					
Familiarisation (one off)	£746,545	£0	£0	£0	£0
Traceability (one off)	£726,816	£0	£0	£0	£0
Labelling (one off)	£4,995,000	£0	£0	£0	£0
Total Industry Costs	£6,468,360	£0	£0	£0	£0
<u>Government</u>					
Familiarisation (one off)	£7,798	£0	£0	£0	£0
Total Government Costs	£7,798	£0	£0	£0	£0
TOTAL COSTS	£1,481,159	£0	£0	£0	£0
BENEFITS					
<u>Government</u>					
Commercial Designation (recurring)	£0	£0	£0	£0	£0
Total Government Benefits	£0	£0	£0	£0	£0
TOTAL BENEFITS	£0	£0	£0	£0	£0
NET BENEFIT					
Total Net (Benefit)	-£1,481,159	£0	£0	£0	£0
Total Net Business (Benefit)	-£6,468,360	£0	£0	£0	£0

Year 6	Year 7	Year 8	Year 9	Year 10	Total	Average p.a./EAC	Present Value
£0	£0	£0	£0	£0	£746,545	£86,730	£746,545
£0	£0	£0	£0	£0	£726,816	£84,438	£726,816
£0	£0	£0	£0	£0	£4,995,000	£580,295	£4,995,000
£0	£0	£0	£0	£0	£6,468,360	£751,463	£6,468,360
£0	£0	£0	£0	£0	£7,798	£906	£7,798
£0	£0	£0	£0	£0	£7,798	£906	£7,798
£0	£0	£0	£0	£0	£6,476,159	£752,369	£6,476,159
£0	£0	£0	£0	£0	£0	£0	£0
£0	£0	£0	£0	£0	£0	£0	£0
£0	£0	£0	£0	£0	£0	£0	£0
£0	£0	£0	£0	£0	-£6,476,159	-£752,369	-£6,476,159
£0	£0	£0	£0	£0	-£6,468,360	-£751,463	-£6,468,360

Conclusion

99. When viewed in conjunction with the Food Information Regulation which introduces a number of measures within the food manufacturing sector, the additional costs associated with changes to fish labelling should not prove to be an unmanageable burden for those operating in the fish industry. There will be costs associated with labelling changes that arise as a result of the requirement to provide the scientific name of species and in some cases, additional information about whether the product or fish has previously been frozen. These changes should only require a textual change to product labels rather than any whole scale redesign. It should also be possible in many cases to incorporate and textual changes within general product design refreshes negating the need to change labels solely for the purpose of the fish labelling regulations. The option to make use of a poster or billboard to display the scientific name allows retailers some flexibility in how they provide the consumer with this mandatory information.

100. Changing the way the Commercial Designation list is maintained and updated will provide benefits to the industry and enforcement bodies. It will allow the Government to respond quickly to shifts in the market and grant new commercial designations in a more timely fashion. There will be a benefit realised in the fact that by having an internet based list of designations, this list will contain the total of all current approved names. This is preferable over the current situation where any temporary commercial designations will not feature in the annex to the existing Statutory Instrument which could lead to them being overlooked.

Summary of the Consultation

99. The consultation ran for an 8 week period and closed on 13th November 2012. The consultation resulted in 5 detailed responses being received covering a number of aspects in the consultation. Responses were received from public sector enforcement, trade representation organisation, government agency, and the industry.

100. The overall view of the respondents was that they were satisfied that the preferred option was the most sensible way of implementing the changes and welcome the benefits that will arise from improving the process for maintain the Commercial Designation list. There was endorsement on the estimates made to assess the time saving benefit to enforcement officers from having one Statutory Instrument instead of two.

Use of Compliance notices

101. During the consultation period Defra Lawyers further assessed the enforcement options as part of their work on the other food regulations being taken forward for the Red Tape Challenge. This revised assessment identified some difficulties with being able to apply the compliance notice approach across all the Regulations as these stem from a mixture of EU, Domestic and a combination of the two. In order to ensure consistency across this range of food related legislation, it is necessary to switch to using Improvement Notices as opposed to Compliance Notices as originally referred to in this consultation.
102. This change will not affect the policy application and the desired outcome for enforcement purposes. An improvement notice will in practical terms operate in the same way as a compliance notice. A response was received as part of the consultation highlighting this issue in light of the subsequent launch of the Food Information Regulation (FIR) which details use of 'improvement notices' and calls for a standardised approach so that 'improvement notices' are used for both regulations.

Annex A – Familiarisation Costs

To calculate the familiarisation costs to industry, the following assumptions have been made:

1. Relevant wage rates represent median gross hourly pay including overtime from the Annual Survey of Hours and Earnings, 2011, All Employees. Following standard cost model assumptions, the following wages are then uprated by 30% to account non-wage costs:

Shopkeepers and proprietors (proxy for micro and small retailers) £16.32 per hour

Agricultural and fishing trades (proxy for micro and smaller processors and wholesalers) £11.04 per hour

Regulatory affairs/production manager (proxy for medium and large processors, wholesalers and retailers) £25.39 per hour

2. Number of familiarisation hours:

The number of hours required by affected **micro and small** organisations to become familiar with SI, and to ensure compliance = 1 hour;

The number of hours required by affected **medium and large** organisations to become familiar with SI, to ensure compliance and disseminate information = 2 hours;

The number of hours required by **trading standard officers** to become familiar with SI = 1 hour;

Using the standard cost model approach, familiarisation costs are calculated by using the number of hours to familiarise and multiplied by the number of businesses affected by the hourly cost (wage and non-wage costs). Costs are disaggregated by seafood processors, seafood wholesalers and retailers.

Processors and preserving of fish, crustaceans and molluscs					
	Micro	Small	Medium	Large	Total
England	£1,206	£624	£1,188	£297	£3,315
Wales	£31	£16	£30	£8	£85
Scotland	£1,082	£560	£1,066	£267	£2,975
NI	£155	£80	£152	£38	£425
UK	£2,473	£1,281	£2,437	£609	£6,800
Wholesalers of fish, crustaceans and molluscs					
	Micro	Small	Medium	Large	Total
England	£11,454	£2,521	£1,988	£0	£15,963
Wales	£439	£97	£76	£0	£612
Scotland	£2,194	£483	£381	£0	£3,058
NI	£658	£145	£114	£0	£917
UK	£14,745	£3,246	£2,559	£0	£20,550
Food & Drink Retailers					
	Micro	Small	Medium	Large	Total
England	£659,110	£52,815	£11,768	£3,573	£727,266
Wales	£37,438	£3,000	£668	£203	£41,310
Scotland	£72,176	£5,784	£1,289	£391	£79,639
NI	£27,610	£2,212	£493	£150	£30,465
UK	£796,334	£63,811	£14,218	£4,316	£878,680

Annex B – Traceability costs

To calculate to the traceability costs to industry, the following assumptions have been made:

1. Relevant wage rates represent median gross hourly pay including overtime from the Annual Survey of Household Earnings, 2011, All Employees. Following standard cost model assumptions, the following wages are then uprated by 30% to account non-wage costs:

Shopkeepers and proprietors (proxy for micro and small retailers) - £16.32 per hour

Agricultural and fishing trades (proxy for micro and smaller processors and wholesalers) - £11.04 per hour

2. Number of familiarisation hours:

The number of hours required by affected **micro and small** processors to become familiar with SI, and to ensure compliance = 0.5 hours;

The number of hours required by affected **micro and small** wholesalers and retailers to become familiar with SI, and to ensure compliance = 1 hour.

Processors and preserving of fish, crustaceans and molluscs			
	Micro	Small	Total
England	£603	£312	£915
Wales	£15	£8	£23
Scotland	£541	£280	£821
NI	£77	£40	£117
UK	£1,236	£640	£1,877
Wholesalers of fish, crustaceans and molluscs			
	Micro	Small	Total
England	£11,454	£2,521	£13,975
Wales	£439	£97	£535
Scotland	£2,194	£483	£2,677
NI	£658	£145	£803
UK	£14,745	£3,246	£17,991
Food & Drink Retailers			
	Micro	Small	Total
England	£659,110	£52,815	£711,926
Wales	£37,438	£3,000	£40,438
Scotland	£72,176	£5,784	£77,959
NI	£27,610	£2,212	£29,822
UK	£796,334	£63,811	£860,146

– SI Consolidation benefits

To calculate to the SI consolidation time benefits to industry, the following assumptions have been made:

3. Relevant wage rates represent median gross hourly pay including overtime from the Annual Survey of Household Earnings, 2011, All Employees. Following standard cost model assumptions, the following wages are then uprated by 30% to account non-wage costs:

Shopkeepers and proprietors (proxy for micro and small retailers) - £16.32 per hour

Agricultural and fishing trades (proxy for micro and smaller processors and wholesalers) - £11.04 per hour

Regulatory affairs/production manager (proxy for medium and large processors, wholesalers and retailers) - £25.39 per hour

4. Number of familiarisation hours:

The number of hours required by affected **micro and small** organisations to become familiar with SI, and to ensure compliance = 0.5 hours;

The number of hours required by affected **medium and large** organisations to become familiar with SI, to ensure compliance and disseminate information = 1 hour;

The number of hours required by **trading standard officers** to become familiar with SI = 0.5 hours;

Processors and preserving of fish, crustaceans and molluscs					
	Micro	Small	Medium	Large	Total
England	£603	£312	£594	£149	£1,658
Wales	£15	£8	£15	£4	£43
Scotland	£541	£280	£533	£133	£1,488
NI	£77	£40	£76	£19	£213
UK	£1,236	£640	£1,219	£305	£3,400
Wholesalers of fish, crustaceans and molluscs					
	Micro	Small	Medium	Large	Total
England	£5,727	£1,261	£994	£0	£7,982
Wales	£219	£48	£38	£0	£306
Scotland	£1,097	£242	£190	£0	£1,529
NI	£329	£72	£57	£0	£459
UK	£7,373	£1,623	£1,280	£0	£10,275
Food & Drink Retailers					
	Micro	Small	Medium	Large	Total
England	£329,555	£26,408	£5,884	£1,786	£363,633
Wales	£18,719	£1,500	£334	£101	£20,655
Scotland	£36,088	£2,892	£644	£196	£39,820
NI	£13,805	£1,106	£246	£75	£15,232
UK	£398,167	£31,906	£7,109	£2,158	£439,340

Annex C

CFP Control Regulation

European fisheries control measures were reviewed following shortcomings identified in the system that had been in operation for a number of years. There was a need to update the system for the inspection, monitoring, control, surveillance and enforcement of the Common Fisheries Policy rules.

The Control Regulation and its more detailed implementing rules introduce requirements on traceability and information to the consumer that must be provided for at retail stage. It is these specific elements that will be incorporated within the updated UK fish labelling Regulations. The new control system extends throughout the whole chain of production and marketing. It takes account of the interests of consumers through the requirement to provide at the retail stage, information on the commercial designation, the scientific name, the relevant geographical area, the production method and whether the fisheries products have been previously frozen or not.

The Control Regulation introduces a number of requirements stemming from the objective of improving traceability within the fisheries trade as a means of improving control and regulation to deliver a more sustainable sector. Article 58 *Traceability* sets out the requirements for information that must be made available to the consumer at the retail stage. These are:

(g) the information to consumers provided for in Article 8 of Regulation (EC) No 2065/2001: the commercial designation, the scientific name, the relevant geographical area and the production method;

(h) whether the fisheries products have been previously frozen or not.

Control Regulation implementing rules (EC) 404/2011

The implementing rules explain in more detail how the requirements should be provided. They provide a derogation concerning how the information is provided to consumers. Article 68 *Information to the consumer* under point 2 states that:

By derogation from paragraph 1, the scientific name of the species may be provided to the consumers at retail level by means of commercial information such as bill boards or posters.

Further detail is given on the issue of defrosted fish under point 3 which states:

Where a fisheries or aquaculture product has been previously frozen the word 'defrosted' shall also be indicated on the label or appropriate mark referred to in paragraph 1. The absence of this wording at retail level shall be considered as meaning that the fisheries and aquaculture products have not been frozen beforehand and later defrosted.

There are exemptions under the defrosted requirements where the word 'defrosted' shall not have to appear. These are:

Fisheries and aquaculture products previously frozen for health and safety purposes

Fisheries and aquaculture products which have been defrosted before the process of smoking, salting, cooking, pickling, drying or a combination of those processes

The provision of the exemptions for defrosted on the grounds of health and safety which must be in accordance with Annex III, Section VIII of Regulation (EC) No 853/2004, may exempt a large number of fish which will require freezing in order for them to be preserved at sea until the vessel reaches port.

CMO

The CMO is one of the pillars of the CFP along with conservation of fish stocks, structural policy and third country agreements. The CMO is designed to contribute to the CFP's general objective of seeking to guarantee sustainable fisheries and to secure the future of the fisheries sector. The CMO has four well defined objectives:

To stabilise the market

To ensure a stable supply of high quality product

To ensure that supplies reach consumers at reasonable price

To ensure a fair standard of living for fisherman

The existing CMO Regulation No 104/2000 is currently under revision and a new proposal is being discussed that would introduce consumer information provisions (labelling with commercial designation, provenance and production method). The UK is negotiating to ensure there is alignment between the CMO and Control Regulation to avoid the need to amend legislation in the near future.

These provisions are justified and relevant as they satisfy:

- A need for information by the various operators and consumers, namely a better knowledge of fishery products, awareness of the choice of products they consume and assurance of the provenance of products;
- A need for uniform and standard information at European level, useful for common and shared management of the fisheries policy;
- A need for product identification (commercial designations) and traceability, in particular in terms of the geographic provenance of production and production method.

Small Firms Impact Test

Checklist

A. At an early stage in the Impact Assessment preparation make a preliminary assessment of businesses likely to be affected:

- Does the regulation apply to small businesses or affect the business environment in which they operate? If “yes” then the initial presumption should be that costs will fall disproportionately on small businesses and the process should move to step B.

YES – The requirements stem from European Regulation so apply to all businesses trading in fish.

- What are the characteristics of small businesses likely to be affected? – For example, number of businesses, size, ownership type (sole proprietor, partnership, limited company, etc), geographic distribution?

The composition and structure of the industry is covered within the Impact Assessment.

B. Consider alternative approaches for regulating smaller firms:

- Consider whether alternative approaches (including, but not limited to, exemptions, simplified inspections, less frequent reporting) might be appropriate for firms with fewer than 20 employees⁹.
- Consider whether a complete or partial exemption would be appropriate for micro and small businesses (those with fewer than 50 employees).

The rules have to be applied to all businesses trading in fishery products in order for the benefits of traceability to be realised.

C. Scope issues with a representative sample of small businesses:

- Contact a reasonable number (e.g. 10) of representative businesses.
- Obtain feedback about the likely effects of the proposal:
- How serious is the problem the proposal seeks to address in relation to smaller firms?
 - What changes will smaller firms have to make to the way their business operates?
 - Is there likely to be a greater impact on the operations and performance of smaller business than others¹⁰?
 - What are the likely approximate costs and benefits of the proposal for small business?
 - Will exempting (either fully or partially) smaller firms from the policy materially affect the potential benefits from the policy?
 - Are there alternative approaches for smaller firms, which would not materially affect the potential benefits from the policy?

⁹ For all regulations that affect business, policy makers are now required to consider whether alternative approaches (e.g. flexibilities or exemptions) are appropriate for firms with up to 20 employees. This requirement was announced in the Government's 2008 Enterprise Strategy - see <http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/enterprise-framework/index.html>

¹⁰ It is normal for the impact of measures to bear more heavily on small businesses because they do not enjoy the economies of scale of larger firms.

Defra has engaged with trade representation bodies to discuss the implications of the new requirements to ensure that what is being asked of industry is achievable and realistic. The costs and benefits of the requirements have been assessed in the IA.

D. Determine if there is likely to be a greater impact on the operations and performance of small business than others:

- If yes, proceed with the next stage of the small businesses analysis, based on the information received from the sample of businesses and other research, where appropriate. (Note it is normal for the impact of measures to bear more heavily on small businesses because they do not enjoy the economies of scale of larger firms).

There is a possibility that small firms may need to make greater changes to their operational procedures in order to meet the requirements for traceability and labelling. This will be very dependent on the current operational arrangements in place within each firm and these cost implications are assessed within the IA.

- If no, prepare the draft impact assessment for public consultation, including details of preliminary soundings. Note that you will still need to consider:
 - Whether alternative approaches (including, but not limited to, exemptions, simplified inspections, less frequent reporting) are appropriate for firms with fewer than 20 employees; and
 - Whether exemptions are appropriate for small firms (those with up to 50 employees).

E. Gather detailed data about likely impacts on small businesses as part of the wider consultation including costings:

- Contact a wider sample of representative businesses.
- Obtain feedback about likely effects of the proposals, including estimates of costs and benefits that can withstand external scrutiny.
- Consider again if the proposal will have a greater effect on small business.
- Consider alternative approaches for smaller firms.

Consultation questions are contained within the IA to seek additional information regarding the impacts of the new requirements.

F. Ensure that the IA covers the impact on small businesses

- The Small Firms Impact Test (SFIT) should be viewed as an integral part of the IA process and will help policy leads assess the costs for self employed, micro, small, medium and large firms that can be fed back into the IA template. Policy leads should summarise details of feedback obtained from SFIT analysis in the Impact Assessment. Points to cover are:
 - Industry structure (e.g. number of businesses; business size)
 - Consultation to date
 - Estimates of costs and benefits of each option
 - Implementation issues

The SFIT will also help policy leads comply with the Government's new commitment to regulating small firms, which involves assessing whether alternative approaches (e.g. additional flexibilities or exemptions) are appropriate for firms with fewer than 20 employees. The analysis underpinning this decision should be included in the evidence

base section of the IA – if an alternative approach appears possible this should be included as a separate option. A summary of the evidence on which the final decision on how to regulate smaller firms is based will also need to be included in the Explanatory Memorandum (EM). To view guidance visit: <http://www.opsi.gov.uk/si/statutory-instrument-practice.htm>. To see an example of a completed EM see <http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/regulation-and-tax/info-officials/small-firms-ia/page38021.html>

Provide feedback to participants on:

- How policy was influenced or, if no changes were made, why not
- How they can have further input into the regulatory process.