

EXPLANATORY MEMORANDUM TO
THE CONTROL OF TRADE IN ENDANGERED SPECIES (FEES) REGULATIONS
2009

2009 No. 496

1. This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

- 2.1 This instrument increases the fees the Secretary of State charges for applications for licences issued by him for the trade in or movement of animals and plants and their parts and derivatives protected under the Convention on International Trade in Endangered Species of Wild Fauna and Flora (“CITES”).

3. **Matters of special interest to the Joint Committee on Statutory Instruments.**

- 3.1 The instrument imposes fee increases above the rate of inflation. Currently, the provision of licences is funded principally by the taxpayer. The increased fees are the first phase in transferring the full cost burden from the taxpayer to users of the service. Further increases, if necessary, will occur in 2010 and 2011. Subsequently there may be a need to make further minor adjustments to reflect the cost of the service if and when this changes.

4. **Legislative Context**

- 4.1 Two European instruments, Council Regulation 338/97 and Commission Regulation 865/06, provide for the implementation of CITES obligations in EC Member States, and contain details of a licensing regime.

- 4.2 This instrument increases the fees to be charged to applicants for licences under that regime.

5. **Territorial Extent and Application**

- 5.1 This instrument applies to all of the United Kingdom.

6. **European Convention on Human Rights**

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

7. **Policy background**

- *What is being done and why*

- 7.1 Under the European instruments specified above, the Government must issue licences to import, export or otherwise deal in certain listed species which may be

endangered by trade. Licences are currently issued by Animal Health (an executive agency of the Department for Environment, Food and Rural Affairs).

7.2 The cost to the taxpayer of the licensing service is currently £1.95m p.a. Fees for licences currently range between £5-£10 and recover approximately 5% of the cost of providing the service.

7.3 It is Government policy to charge users the full cost of many of the services it provides, with limited exceptions. The licensing service is subject to the policy of full cost recovery. This instrument increases fees as the first stage in moving to a system of full cost recovery.

7.4 Public interest is low, with the exception of those directly affected.

- ***Consolidation***

7.5 This instrument replaces The Control of Trade in Endangered Species (Fees) Regulations 1997, SI No. 1997/1421. No consolidation is required.

8. Consultation outcome

8.1 A consultation exercise ran for 13 weeks between 4 February and 6 May 2008. The trade, interested NGOs and relevant enforcement authorities were consulted. 58 responses were received, the majority of which were opposed to any increase in fees. A summary of the consultation exercise is available on the Department's website. The Department responded by deciding to phase in fee increases over a three year period and extend an exemption from the requirement to pay a fee in relation to non-commercial activities that can be demonstrated as having a conservation benefit.

9. Guidance

9.1 Guidance was issued on 12 January 2009 explaining the applications process and how the new fee structure would be applied to it. At the same time guidance was also issued on the circumstances under which the Secretary of State would consider waiving fees for conservation activities. Copies of the guidance notes are available in the libraries of both Houses. Further guidance will be prepared on how businesses can limit the impacts of increased fees on their activities. The National Wildlife Crime Unit have been advised of the potential impacts of increased fees on rates of compliance with the licensing regime.

10. Impact

10.1 The impact on business in 2009/10 is expected to be a cost of £1.36m, i.e. the cost transfer from the public to private sector. Charities and voluntary bodies are not expected to be affected.

10.2 The impact on the public sector in 2009/10 is expected to be a benefit of £1.36m. There may also be a minimal increase in rates of non-compliance with the licensing regime.

10.3 An Impact Assessment is attached to this memorandum.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 To minimise the impact of the requirements on firms employing up to 20 people, the approach taken was to design the applications process to allow a number of specimens to be included on a single application, as far as is permissible within the terms of the EU legislation. Phasing in increases in fees over a number of years should allow small businesses to adjust their business practices to be better able to cope with increased costs.

11.3 The basis for the final decision on what action to take to assist small business was based on the public consultation exercise, discussions with small businesses, and the results of independent research supporting the preparation of the Impact Assessment. The majority of the businesses operating in the affected sector are small businesses. To ensure full cost recovery it is necessary to apply the policy equally to all businesses.

12. Monitoring & review

12.1 The changes to the fee structure aim to achieve full cost recovery of the process of administering the licensing service by April 2011. Animal Health will monitor annually the cost of providing the service and the fees received, with a view to further amending the fees payable in the future in order to achieve full cost recovery. Further information is available in sections 8 and 9 of the Impact Assessment and on the Department's website.

13. Contact

Dominic Whitmee at the Department for Environment, Food and Rural Affairs, Tel: 0117 372 8986 or email: Dominic.Whitmee@defra.gsi.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options

Department /Agency: Defra	Title: Impact Assessment of the introduction of a full cost recovery charging regime for CITES licences	
Stage: Final	Version: 4	Date: 16 October 2008
Related Publications: Consultation on introducing a full cost recovery charging regime for CITES licences and the Summary of responses to the consultation exercise		

Available to view or download at:

<http://www.defra.gov.uk/corporate/consult/cites-charging/index.htm>

Contact for enquiries: Dominic Whitmee

Telephone: 0117 372 8986

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

The Control of Trade in Endangered Species (Fees) Regulations 1997 set charges for CITES licences. The levels of charges have not been amended since their introduction. The current charges do not reflect the true cost to Government of providing the licensing service resulting in an additional tax burden on the general tax payer. Government intervention is necessary to relieve the burden on the general taxpayer and allow for a more equitable distribution of public resources, enabling them to be allocated elsewhere, or enabling lower public expenditure or borrowing.

What are the policy objectives and the intended effects?

The objective of this policy is to relieve the burden on the taxpayer of providing this service. The intended effects is to transfer the cost of providing this service from the taxpayer to the users of the service without compromising the Government's conservation objectives.

What policy options have been considered? Please justify any preferred option.

1. No intervention
2. Introduction of a full cost recovery charging regime for all applicants as soon as practicable
- 2A. Introduction of a full cost recovery charging regime for all applicants as soon as practicable with a waiver for selected conservation activity - This is the preferred options as it is the only option which effectively and efficiently delivers the policy objective.
3. Introduction of a full cost recovery charging regime for all applicants as soon as practicable, except for those applying for conservation related licences who will have full fees phased in over 3 years.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

One year after implementation

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

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

Signed by the responsible Minister:

Huw Irranca-Davies

.....Date: 3 December 2008

Summary: Analysis & Evidence

Policy Option: 2A

Description: Introduction of a full cost recovery charging regime for all applicants with a fee waiver for conservation activity

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' All costs are for one year after which the policy will be reviewed. The main affected group will be businesses dealing in CITES goods. Expected cost to business is £1.36m. There is also a cost to the taxpayer of an increased waiver scheme of £0.004m.
	One-off (Transition)	Yrs	
	£ N/A	1	
	Average Annual Cost (excluding one-off)		
	£ 1.364		Total Cost (PV) £ 1.364
Other key non-monetised costs by 'main affected groups'			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' All benefits are for one year after which the policy will be reviewed. The main affected group will be the general taxpayer who will benefit from a cost transfer to the private sector of £1.36m p.a. Conservation businesses will also benefit by £0.004 by no longer having to pay the application fees.
	One-off	Yrs	
	£ N/A	1	
	Average Annual Benefit (excluding one-off)		
	£ 1.364m		Total Benefit (PV) £ 1.364
Other key non-monetised benefits by 'main affected groups' Benefits are also expected to arise from conservation activity through the extension of the fee waiver scheme.			

Key Assumptions/Sensitivities/Risks Due to the complexity of the market for CITES goods assumptions have been made about the structure of the market. The main risk is likely to be that assumptions about the effect of increased charges on numbers of applications mean the full costs of the service are not recovered in the short-term.

Price Base Year 2007	Time Period Years 1	Net Benefit Range (NPV) £ 0	NET BENEFIT (NPV Best estimate) £ 0
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What is the geographic coverage of the policy/option?			UK	
On what date will the policy be implemented?			6 April 2009	
Which organisation(s) will enforce the policy?			Animal Health	
What is the total annual cost of enforcement for these organisations?			£ 0	
Does enforcement comply with Hampton principles?			Yes	
Will implementation go beyond minimum EU requirements?			No	
What is the value of the proposed offsetting measure per year?			£ N/A	
What is the value of changes in greenhouse gas emissions?			£ negligible	
Will the proposal have a significant impact on competition?			No	
Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)			(Increase - Decrease)	
Increase of	£ N/A	Decrease of	£ N/A	Net Impact £ N/A

Key:

Annual costs and benefits: Constant Prices

(Net) Present Value

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1. Introduction

1.1 The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) aims to ensure that no species of wild fauna or flora becomes or remains subject to unsustainable exploitation because of international trade.

1.2 CITES is implemented in the European Union by EU regulations which establish the legal framework within which Member States must implement their CITES obligations. These include details of the species which are subject to control, the circumstances under which certificates or permits must be sought, and the procedures and documents required for trading in listed species. Under the EC Regulations Member States are obliged to introduce comprehensive national legislation to enforce the Regulation's requirements. In the UK, this obligation has been met by regulations to enforce import and export controls, to introduce offences and penalties, and to set levels of fees.

1.3 This final Impact Assessment (IA) makes an assessment of the benefits and costs of the Government's preferred option and will also indicate why this option is being recommended over the others that were considered. This Impact Assessment follows the public consultation which took place between 4 February and 6 May 2008. A summary of responses to this consultation was published in July 2008 and is available at <http://www.defra.gov.uk/corporate/consult/cites-charging/summary-responses.pdf>.

1.4 The Government has chosen to introduce a schedule of charges that allows the full cost of the CITES licensing service to be recovered (Table 1). A charge will be applied per application. Annex A1 outlines how the charges were calculated. Annex A2 describes different licence types. Subject to meeting certain requirements, fees may be waived by the licensing authority where the specimen(s) concerned is to be used for non-commercial purposes which are deemed to be of benefit to the species concerned. This is a variation on Option 2 of the consultation document. The new fee schedule will come into effect from 6 April 2009.

Table 1: Proposed schedule of charges

	Application for:	Charge:
1	Import/Export of Annex A and B specimens (including Personal ownership and Exhibition Certificates)	£59
2	Re-exports of Annex A and B specimens (including Certificates of origin)	£47
3	Certificates under Article 8	£25
4	Certificates under Article 9	£70
5	Certificates under Article 60 (including CITES registered breeders)	£177

1.5 This policy has the greatest potential to fulfill the Government's stated aim of recovering the full costs of the services it provides whilst ensuring its conservation objectives are not compromised.

2. Rationale for Government intervention

2.1 It is Government policy to charge for many publicly provided goods and services¹. Charging for services relieves the general taxpayer of costs properly borne by users who benefit directly from a service. This allows for a more equitable distribution of public resources and enables lower public expenditure and borrowing.

2.2 The Control of Trade in Endangered Species (Fees) Regulations 1997 (SI 1997/1421) prescribes fees to be paid to in connection with the issue of CITES licenses². The fees currently range between £5-10. The

¹ Managing Public Money. HM Treasury, October 2007. Available to view at http://hm-treasury.gov.uk/documents/public_spending_reporting/governance_risk/psr_managingpublicmoney_publication.cfm

² In this document the term licence is used collectively for both Certificates and Permits.

income generated by these fees recovers less than 5% of the cost to Government of providing the licensing service.

3. Policy objectives and intended effects

3.1 The aim of introducing a full cost recovery charging regime for the processing and issuing of CITES licences is to relieve the burden on the taxpayer of providing this service. It is intended that this will be achieved by transferring the costs of providing the licensing service from the general taxpayer to the users of the service. The aim is to achieve this without compromising the Government's objectives for biodiversity conservation.

4. Options considered

4.1 In its consultation the Government considered three options for delivering its policy objective.

- **Option 1: No intervention.** Under this option charges would be maintained at current levels. This would not deliver the Government's stated aim of relieving the taxpayer of the cost burden of providing this service.
- **Option 2: Introduction of a full cost recovery charging regime for all applicants as soon as practicable.** This option would deliver the Government's stated aims and recover the full cost of the licensing service. However, it was identified that it would have a potentially adverse impact on the development of scientific techniques for conservation and diagnosing conservation problems. As a result there may be a small, but strategic, reduction in the quality and quantity of global conservation efforts.
- **Option 3: Introduction of a full cost recovery charging regime for all applicants as soon as practicable with an exception for those applying for conservation/biodiversity related licences who will have full fees phased in.** This option would deliver the Government's stated aims and recover the full cost of the licensing service over a longer time period than Option 2. However, because all applicants would eventually be subject to a charge this option would also have a potentially adverse impact on the development of scientific techniques for conservation and diagnosing conservation problems and thus on global conservation efforts.

4.2 Following consideration of the consultation responses and further analysis of the expected impacts, a number of additional options were considered to mitigate the effects on global conservation efforts, including:

- **Option 2A – Introduction of a full cost recovery charging regime for all applicants as soon as practicable with a fee waiver for selected conservation activity.**
- **Option 2B - Introduction of a full cost recovery charging regime for all applicants as soon as practicable with funding support to assist selected conservation activity.**
- **Option 2C - Introduction of a full cost recovery charging regime for all applicants as soon as practicable with reduced administration costs for those engaged in selected conservation activity.**

4.3 The relatively small scale of the conservation sector makes new administration arrangements and adjustments to existing funding practices unlikely to be efficient. Funding adjustments would also take more time to alter than the timescale in which fees would be introduced. The most efficient route to assist conservation science is considered to be through the CITES application process. This can either be through continuing a fee waiver system (similar to the current system), or through a change to the administration process to reduce the time and administration costs associated with obtaining a licence. Changes to the administration process could be delivered through accepting existing information about the organisations or programmes involved - instead of requiring original submissions - and fast-tracking their applications. However, this could preclude conservation activity by unregistered institutions and stifle some potentially beneficial conservation activity.

4.4 In view of these considerations the Government considers that **option 2A** represents the preferred approach.

4.5 Under the existing charging regime Defra may waive CITES fees where the specimens concerned are to be used for non-commercial purposes which are deemed to be a conservation benefit to the species concerned³. However, in practice fees are currently waived only for live species registered in European breeding programmes, and samples directly linked to those breeding programs. With the introduction of the new charging regime the Government will broaden the range of purposes to which the discretionary waiver is applied to ensure that important conservation activity is not adversely affected as a result of the increased charges.

5. Evidence base

5.1 In proposing the recommended option to deliver a full cost recovery charging regime the Government has had to consider three things. Firstly the extent to which businesses trading in CITES goods are affected and the extent to which they can mitigate against the impacts. Second, the impact on delivery of the Government's conservation objectives and how adverse impacts can be avoided. And thirdly, the expected effects on levels of compliance by those trading in CITES goods. Defra commissioned independent research^{4, 5} to consider the impacts and opportunities for mitigating against them. The evidence presented in this Impact Assessment draws on that research.

5.2 To understand these impacts analysis of the market for those trading in CITES goods was required. Sufficient data was gathered to allow a comparison of the costs and benefits of introducing a full cost recovery charging regime against the current baseline. Evidence on the impacts, costs, and benefits of the chosen option is set out in section 7.

5.3 It is not possible to precisely analyse the market for CITES goods because the trade data available is so complex it precludes an efficient breakdown of the whole sector, for example by not comprehensively or consistently covering the different economic sectors involved in CITES trade. However, indicative data was obtained from the Unicorn database used by the UK CITES licensing authority to record applications received, this together with discussions with organisations and individuals that deal in CITES goods, internet searches, and literature studies formed the basis of the analysis.

Trade

5.4 As mentioned above the data available on CITES trade is not comprehensive and this should be considered when reviewing the evidence. For example, while 'coral' is explicitly identified as material within the Unicorn database, significant coral imports are also recorded as 'live' specimens. Therefore, whilst information can be drawn from the data relating to all applications, other analysis in this Impact Assessment is based on subsets of applicants which make proportionally greater numbers of applications and who can be allocated to a sub-sector of the trade. In addition there are large variations between the numbers of applications and permits, and the volumes of materials under each. Finally the types of goods under each license range from thousands of plants, to clothing accessories, to individual carved ivory antiques. The different types and scales of trading activity, and the variability of the data available, make it difficult to establish common trends.

5.5 The UK received 32,120 CITES license applications in 2006 and 34,400 in 2007. CITES-related trade in the UK is complex and occurs in many forms. Table 2 shows the numbers of applications for CITES permits in the UK in 2006 by the purpose and type of permit. It shows that of the 32,120 applications, 22,733 (71%) were for commercial purposes.

³ <http://www.defra.gov.uk/animalhealth/cites/guidance/GN17.htm>

⁴ etec (2008) Impact of Increased CITES Charges on Conservation and Illegal Trade, Report to Defra – June 2008 (unpublished)

⁵ etec (2008) Impact of Increased CITES Charges on Conservation, Welfare and Trade, Report to Defra – October 2008 (unpublished)

Table 2: UK CITES applications by purpose and type, 2006						
Purpose	EC Certificate	Export Permit	Import Permit	Re-export Permit	Total	% of applications
Breeding in captivity	17	1	83	2	103	< 1%
Educational		1	85	32	118	< 1%
Botanical Gardens			2		2	< 1%
Hunting Trophies		2	71		73	< 1%
Enforcement			5	1	6	< 1%
Bio-medical Research		48	389	231	668	2%
Reintroduction to wild		4	2		6	< 1%
Personal	2	172	283	940	1,397	4%
Circuses & exhibitions		1	104	78	183	1%
Scientific		18	298	16	332	1%
Commercial Trade	6,848	1,631	10,082	4,172	22,733	71%
Zoos	32	51	38	7	128	< 1%
Blank	6,371				6,371	20%
Total	13,270	1,929	11,442	5,479	32,120	100%
% of applications	41%	6%	36%	17%		100%

5.6 Table 2 also shows the large number of applications for which no purpose is recorded (blanks). The majority (59%) of the blanks relate to tortoises, 7% relate to barn owls, with no other species accounting for more than 3% of these applications. The blanks are assumed to relate to commercial trade, as commercial trade dominates the declared purpose-applications. There is also an incentive for commercial trade to leave the purpose blank as it allows for tax avoidance.

5.7 Generally the majority of the applications are split between import permits and EC certificates, but the use of all types of license shows that the significance of the UK as a trading economy extends to CITES goods.

5.8 Table 3 shows the number of licenses applied for in 2006 (note that one application can be for multiple licenses which is why the totals in Tables 2 and 3 do not tally). In comparison with Table 2 it shows that in some purpose codes (e.g. Breeding in captivity, Circuses and exhibitions) each application is for a single permit, whereas in the commercial trade and for 'no purpose recorded' the number of licences is significantly greater than the number of applications, indicating a significant number of multi-licence applications.

Table 3: UK CITES licenses by type and purpose, 2006

Purpose	EC Certificate	Export Permit	Import Permit	Re-export Permit	Total	% of licenses
Breeding in captivity	17	1	83	2	103	0%
Educational		1	85	32	118	0%
Botanical Gardens			2		2	0%
Hunting Trophies		2	71		73	0%
Enforcement			5	1	6	0%
Bio-medical Research		104	389	377	870	2%
Reintroduction to wild		4	2		6	0%
Personal	2	172	283	940	1,397	2%
Circuses & exhibitions		1	104	78	183	0%
Scientific		33	298	17	348	1%
Commercial Trade	16,459	1,695	10,082	6,381	34,617	61%
Zoos	32	51	38	7	128	0%
(blank)	18,938				18,938	33%
Total	35,448	2,064	11,442	7,835	56,789	100%
% licenses	62%	4%	20%	14%	100%	

5.9 Under the commercial trade purpose, over a third (37%) of licences are applied for as part of multi-licence applications, and under the 'no-purpose recorded applications', the majority (70%) of licences are applied for as part of multi-licence applications. This is important, as multi-licence applications are one way that the trade could adapt to the increased charges.

5.10 Table 4 shows that captive bred specimens make up the majority of EC Certificate applications (84%) and export permit applications (56%), but that wild origin specimens are most important (49%) for import permit applications. Unknown origin specimens dominate (53%) the re-export permit applications.

Table 4: UK CITES applications, by type and origin, 2006

Origin	EC Certificate	Export Permit	Import Permit	Re-export Permit	Total	% of applications
Artificially propagated plants	7	377	1,901	95	2,380	7%
Captive bred CITES art VII para 5	7,807	1,081	2,259	619	11,766	37%
Captive bred CITES art VII para 4	3,286	327	184	4	3,801	12%
Other born in captivity	152	85	294	116	647	2%
Confiscated	27		7	6	40	0%
Pre-convention	205	4	831	973	2,013	6%
Ranching			179	36	215	1%
Unknown	633	25	197	2,893	3,748	12%
Wild	1,153	30	5,590	737	7,510	23%
Total	13,270	1,929	11,442	5,479	32,120	100%

5.11 Analysis of the applications for multiple licences shows that the majority (91%) relate to specimens that are bred in captivity.

5.12 The analysis of the impacts on trade looked specifically at the following sub-sectors as they represented the main commercial users of CITES licences and cover the majority of licence applications for commercial purposes:

- Live birds, in particular birds of prey;
- Reptiles and tortoises;
- Leather products;
- Antiques;
- General shipping agents (including carvings);
- Taxidermy;
- Orchids (which is likely to reflect the trade in live plants); and
- Coral.

5.13 Table 5 summarises the analysis of the key sub-sectors. For the purpose of this analysis a comparison was made between companies which made 24 or more applications/year (larger traders), between 5-23 applications/year (medium traders), and those which made less than 5 applications/year (small traders/individuals). Initial analysis was undertaken using this categorisation on the assumption that the majority of commercial activity was likely to involve 'larger' traders, i.e. those making 2 or more applications/month. Whilst further analysis has shown that commercial activity is spread across all three categories, the categorisation was useful in identifying whether there were any notable distinctions between companies making more or less applications. This is a different categorisation to Government guidance on the definition of small, medium or large businesses which are based on numbers of staff employed.

Table 5: Key sub-sectors analysed		
Sub-sector	No. of applications per year	Structure of Activity
Live birds	6,000+	Half of applications are for birds of prey, for which over 1,000 applications are by larger and medium traders. Therefore the majority are by small traders/individuals. Mostly EC certificates, but significant export market for falcons.
Reptiles & tortoises	6,000+	Over 1,700 applications by larger and medium traders. Tortoises account for nearly 6,000 applications. Majority of applications are for 1-specimen EC certificates, which are needed for retail sales.
Leather goods	3,700+	Import over 30,000 specimens, mainly large and medium traders.
Antiques	765	Substantial overlaps (e.g. many of the goods transported by shipping agents are antiques). These sectors are also likely to account for most of the 6000 applications which are recorded under specimen part codes for 'bodies' (1594 applications) and 'carvings' (4383 applications). Generally small number of items on each application.
General Shipping Agents	320	
Taxidermy	470	
Live plants	2,470	Difficult to measure whole sector, but trade in Orchids (100 applications) is identifiable – imports >0.5 millions specimens.
Coral	1,200+	100,000s of specimens imported per year.
Total	Around 21,000	

Conservation activity

5.14 It is not possible to precisely identify CITES applications that relate to conservation purposes. However, some indicative data can be obtained. Firstly, transactions of CITES material between registered scientific institutions may be for conservation purposes, but may also be for animals used in laboratory testing. Such trade between institutions in 2004 (the latest data available) recorded 202 movements of CITES material.

5.15 Secondly, the purpose codes for CITES applications in the UK contain six categories of which conservation activities is a subset. They are:

- Breeding in captivity or artificial propagation
- Educational
- Botanical Gardens

- Reintroduction or introduction into the wild
- Scientific
- Zoos

5.16 CITES applications by purpose code are shown in Table 6.

Table 6: CITES application in the UK by purpose codes, 2006/7 – 2007/8			
Category: purpose code and description	Potentially relating to conservation activity?	No applications in UK	
		2006/7	2007/8
B. Breeding in captivity or artificial propagation	Yes	103	148
E. Educational	Yes	118	267
G. Botanical Gardens	Yes	2	42
H. Hunting trophies	No	73	69
L. Enforcement (e.g. evidence in court, specimen for training)	No	6	4
M. Bio-medical research	No	668	564
N. Reintroduction or introduction into the wild	Yes	6	8
P. Personal	No	1,397	1,033
Q. Circuses and traveling exhibitions	No	183	186
S. Scientific	Yes	332	410
T. Commercial Trade	No	22,733	16,642
Z. Zoos	Yes	128	105
Blank	No	6,372	14,909
Total		32,121	34,387
Potential Maximum Conservation Total (%)		689 (2.1%)	980 (2.8%)

5.17 In 2006/7 and 2007/8, there were 1,669 applications under these six categories. This is 2.5% of all applications in these two years.

5.18 The six categories identified above will not exclusively contain activities undertaken for conservation purposes, for example, scientific research may have purposes other than conservation, such as commercial applications. However, it is reasonable to assume that a majority of the applications in these categories have a conservation purpose and so some consequential conservation benefit. In addition to the licenses applied for scientific purposes, many of the c.200 movements per year between registered scientific institutions can be assumed to have a conservation purpose and so some consequential conservation benefit. Non-conservation purposes are assumed to make up a minority of the licenses in the categories above. Therefore, it is assumed that around 2% of CITES applications / transactions in the UK relate to activities undertaken for conservation purposes.

Compliance

5.19 Illegal trade in CITES listed species (either moving CITES material fraudulently under a licence, or without a licence at all) is poorly understood and therefore difficult to regulate and control. It is a highly variable crime, with a range of criminality, deception, methods and routes involved. In general it is difficult to monitor, detect, prove and prosecute, and doing so is usually dependent on intelligence-led policing. The lack of information complicates attempts to analyse the behaviour of those involved. However, their behaviour is key to predicting the likely impacts of the proposed CITES charges on the illegal wildlife trade.

5.20 The global trade in wildlife was estimated to be worth US\$ 160bn in the 1990s, and its current size and the true size of the illegal trade can only be guessed at: UNEP quantified the illegal trade at

US\$ 5-8 billion (Broad S, Mulliken T & Roe D, 2003). Illegal trade in wildlife has been estimated to make up a 'significant minority' (same ref) of all wildlife trade. However, by its very nature, no reliable data is available to analyse the overall scale of the illegal wildlife trade.

5.21 The Police believe that illegal trade methods depends in part on what other criminal activity the malefactor is engaged in. While it is estimated that 50% of those prosecuted of wildlife crimes (in a 12 month sample) have serious drugs or firearms offences (Cook D, Roberts M & Lowther J, 2002), the seriousness of wildlife crime in UK law and the UK legal system is low. Smuggling routes for serious international crime are amenable to wildlife smuggling. There is evidence that smuggling may be easier when specimens are laundered under the cover of legal supplies (Damania R. & Bulte E. 2007).

5.22 The primary motivation for the illegal trade in wildlife is expected to be private commercial gain, but it can also be driven by the need for (Broad S, Mulliken T & Roe D, 2003):

- Food
- Health
- Industrial materials (timber, gums, resins)
- Religion
- Collecting
- Clothing/fashion
- Sport

5.23 Interpretation of UK data is complicated by changes to border regimes and import regulations. There have been changes to related regulations in the UK (such as for bird registration) and the penalties for breaking CITES regulations have been updated periodically. However, border enforcement efforts in relation to CITES have been fairly consistent over recent years (HMRC pers comm.).

5.24 According to TRAFFIC (Engler M & Knapp A, 2008) EU Members States do have a functioning capability and resources in their scientific, enforcement and management authorities to implement CITES and the majority of Member States undertake capacity building of CITES enforcement capability. There are, however loopholes in the system, for example, only 40% of Member States report in-transport mortality which can result in discrepancies between numbers of items permitted and actually traded, data that is key to detecting certain types of permit fraud.

5.25 Illegal trade may occur through two routes. Firstly, the species involved may simply not be eligible to be traded because they are listed in CITES Appendix 1 (or the equivalent Annex A in EU legislation). Secondly, there may be administration problems, such as the volumes traded going over quota, that the consignment is claimed to be captive-bred but actually involves wild individuals, or the species concerned are (intentionally or unintentionally) misidentified.

5.26 The rate of prosecutions under CITES and COTES (related UK domestic enforcement regulations) in the UK over the last decade averaged 5.6 prosecutions and a further four cautions/warnings, and two seizures per year. Thus on average only a dozen cases are successfully pursued each year in the UK.

5.27 Data on licence application refusals show between 600 – 1,300 refusals each year between 1999 and 2006, roughly half of which relate to imports⁶. There are consistent patterns in the types of CITES materials being refused permits. For example, each year from 1999 to 2004 (the bird trade ban was introduced in 2005) shows refusals for dozens of falcons (such as Eurasian Kestrel and Gyr Falcon), 100s of Grey Parrots, and between 1999 and 2007 there was more than one refusal of commercial Coral imports from Indonesia each year. These patterns suggest that there either certain applicants are consistently trying to bring illegal goods into the UK, or that applicants' and enforcement authorities' understanding and/or interpretation of the CITES rules differs. However, there are differing views on this point amongst relevant experts in enforcement and monitoring.

5.28 To better understand the likely effects of increased charges on levels of compliance this assessment makes use of a Dutch tool known as the Table of 11 (T11)⁷ which poses a series of

⁶ Currently a charge is made for an application whether the application is successful or not. This process will continue under the new charging regime.

⁷ <http://www.it11.nl/it11/>

questions designed to help understand the effects of policy changes where individuals' response behaviour is a key factor. The following factors were considered in using T11 to understand the likely effects of increased charges in relation to trade in CITES species:

- The current scale of illegal trade and its impact on global conservation;
- Geographical trade routes; and
- Smuggling methods and motivations.

5.29 This analysis considered the following types of organisations which are involved in wildlife trade in the UK, and therefore who may potentially be involved in illegal wildlife trade:

- Individual collectors and hobbyists;
- Small businesses, who may be specialists in CITES-related goods;
- Larger businesses whose main trade may not be in CITES-related goods;
- Scientific institutions;
- Zoos, and
- Non-profit (especially wildlife conservation) organisations.

5.30 In addition tourists may (knowingly or unknowingly) bring back CITES materials from overseas destinations when wild species are part of the goods they purchase on their travels.

5.31 The outcomes of the analysis are outlined in section 7.

6. Sectors and Groups affected

6.1 The main sectors and groups affected by the proposal are:

- *Businesses trading in CITES goods* - CITES-related trade in the UK is complex and occurs in many forms with substantial variations in the types and scales of trading activity. There are a wide variety of businesses dealing in CITES goods, from companies dealing in antiques or luxury goods, to smaller companies dealing in live animals or plants. Most businesses dealing in CITES goods are relatively small enterprises. The introduction of higher charges would have an impact on all businesses dealing in CITES goods to varying extents. Predicting how businesses would adapt following the introduction of higher charges is difficult given the variation in the market structure. A greater negative economic impact is expected on those businesses dealing in goods which are financially marginal.
- *Consumers of CITES goods* - These are the members of the public who purchase products derived from CITES goods. The introduction of charges is likely to have a negative impact on consumers as a result of costs arising from charges being passed on and possible reductions in supply. The extent of this impact will vary widely depending on the goods they purchase.
- *Scientific research institutions* – Institutions that use CITES goods to study and promote wildlife conservation are likely to benefit from the wider application of the fee waiver.
- *Society* - Taxpayers and the public at large are expected to realise benefits from this policy. Taxpayers would benefit from the transfer of costs to users of CITES licences and thus a better distribution of resources. Although difficult to quantify, the UK public places significant value on the conservation of wildlife. The general public will therefore benefit from wider application of the waiver and the consequent ability of scientific institutions in the UK to provide a significant contribution to ongoing conservation activity.
- *Public sector bodies* - Public sector bodies would not be significantly impacted by the recommended closure although there is expected to be a reduction in tax revenues as a result of impacts on businesses trading in CITES goods.
- *Enforcement bodies* – There is expected to be an effect on rates of compliance although this is expected to be minimal and as such would have a minimal impact on the activities of UK enforcement authorities.

7. Analysis of costs and benefits

7.1 A range of information was used to inform the assessment of the impacts of the new schedule of charges:

- Unicorn – the CITES applications database
- WCMC trade database
- Internet - Trade and product data
- Reports on CITES trade (e.g. by Traffic)
- Responses to the February 2008 consultation
- Literature studies
- Discussions with relevant organisations
- Research by eftec^{8,9}, which drew from the above sources

Costs

7.2 The introduction of a full cost recovery charging regime with a waiver for selected conservation activity is expected to result in a number of costs:

- Business impacts
- Indirect costs to consumers
- Impacts on taxpayers
- Impacts on animal welfare and conservation
- Compliance costs
- Administrative burdens

Business impacts

7.3 From the information described above it is possible to build a good picture of commercial activity in CITES goods. From this we can analyse, evaluate and describe the expected impacts of the increased charges on all sectors involved.

7.4 The volume of trade and prices of individual items are used to estimate a value for each trade sub-sector¹⁰. This is important, as the impact of the increased charges are expected to be lower for small volumes of scarce goods which are of relatively high value compared to the costs increase (e.g. antiques, rarer reptiles); and commoner bulk-traded goods, which are usually (except tortoises) traded as numerous specimens on an application, diluting the proposed increased charge over many specimens and therefore significantly reducing its impact.

7.5 The price and market value information of the main sub-sectors dealing in CITES goods is summarised in Table 7 below. This shows that the UK CITES trade is estimated to be worth between £10 and £50 million per year. Although this estimate has a very wide range, it is still subject to considerable uncertainty. Data on prices are difficult to locate. Very little data was provided in response to the public consultation exercise so much was drawn from internet-based sources such as business websites and ebay. However, it is hard to determine the representativeness of internet searches for value and volume information.

⁸ eftec (2008) Impact of Increased CITES Charges on Conservation and Illegal Trade, Report to Defra – June 2008 (unpublished)

⁹ eftec (2008) Impact of Increased CITES Charges on Conservation, Welfare and Trade, Report to Defra – October 2008 (unpublished)

¹⁰ Full details of the sub-sector analysis are included in eftec (2008) Impact of Increased CITES Charges on Conservation, Welfare and Trade, Report to Defra – October 2008 (unpublished)

Table 7: Estimated value of UK CITES trade						
Sector	Volume	unit	Price (£ per unit)		Value (£)	
			low	high	low	High
Falcons	6,000	No.	300	500	1,800,000	3,000,000
Other birds of prey	3,000	No.	50	100	150,000	300,000
Other live birds	8,000	No.	50	100	400,000	800,000
Tortoises	26,500	No.	100	150	2,650,000	3,975,000
Reptiles	25,000	No.	20	50	500,000	1,250,000
Leather products	46,000	No.	20	100	920,000	4,600,000
Antiques	10,000	No.	50	1,000	500,000	10,000,000
Carvings	74,500	No.	5	100	372,500	7,450,000
Taxidermy	3,800	No.	100	300	380,000	1,140,000
Bulb	35,000	No.	2.5	40	87,500	1,400,000
Orchid	615,000	No.	5	20	3,075,000	12,300,000
Coral	233,000	Kg	2.5	5	582,500	1,165,000
	210,000	No.	2	3	420,000	630,000
Total					£10 million	£50 million

7.6 The cost of operating the licensing service has been calculated by Animal Health's Wildlife Licensing and Registration Service to be at £1.46m of which £0.06m is recovered in charges under the current system, leaving £1.4m to be funded out of government revenues. Under the new system, annually £1.36m of the total cost will be transferred to private sector users of the services while taxpayers will fund £0.04m reflecting the cost of the wider application of the waiver (see paragraphs 7.23 and 7.24). For the purpose of our analysis we have assumed that the number of applications will remain constant year on year. However, application numbers may rise or fall over time as explained below in 7.10 and 7.11. Due to uncertainty over the longer-term costs of operating the licensing service and the extent to which application numbers will be affected by the increase in charges full cost recovery is not guaranteed in the short-term. Over the next year more analysis will be carried out on to assess the extent to which full costs are being recovered and a new Impact Assessment produced. Stakeholders will be consulted should a further increase in charges be required.

Sectoral impacts

7.7 Several qualitative characteristics of the different sub-sectors were considered in evaluating the likely reaction of the market to increased charges. The characteristics, and reasons for their selection, are presented in Annex A3.

7.8 Also considered was the potential impact of the proposed CITES charges in relation to the numbers of EC certificates and extra-EU permit applications in a sub-sector and how this relates to the sub-sector's value.

7.9 The estimated cost impacts of the increased charges on the main sub-sectors dealing in CITES goods are summarised in Table 8. The estimated cost impact by sub-sector ranges from under £0.04m (antiques, taxidermists) to £0.22m (general shipping agents). This table estimates the cost impacts based on use of the most commonly applied licence types outlined in Table 1 and thus will not necessarily reflect the full costs on each of the sub-sectors. Also, the reaction of each sub-sector to the increased charges is difficult to determine so these figures best represent relative cost impacts.

Table 8: Estimated cost implications by key sub-sectors.

Sub-sector	No. of applications per year		Increased cost of EC certificates @ £20*	Increased cost of extra-EU permits @ £50*	Total potential cost
	EC certificates	Extra-EU licenses			
Live birds	6,000	1,000	£ 120,000	£ 50,000	£170,000
Reptiles & tortoises	6,075	125	£ 121,500	£ 6,250	£127,750
Leather goods	0	3,700	£ 0	£ 185,000	£ 185,000
Antiques	100	650	£ 2,000	£ 32,500	£ 34,500
General Shipping Agents	100	4,400	£ 2,000	£ 220,000	£ 222,000
Taxidermy	1,350	250	£ 27,000	£ 12,500	£ 39,500
Live plants	0	2,400	£ 0	£ 120,000	£ 120,000
Coral	50	1150	£ 1,000	£ 57,500	£ 58,500
Total	Around 27,000				£ 957,250

*The value used represents the increase over the current baseline.

7.10 For each sub-sector the market characteristics outlined in Annex A3 were assessed and evaluated to determine the likely reaction to increased charges, including the extent to which application numbers may change. Overall, the number of applications is expected to reduce by between 1,500 and 1,800, (Table 9) but as with the market valuation, this estimate is subject to uncertainty (eftec 2008). This estimated reduction in applications is equivalent to a 7% - 8.5% decrease over the applications made by the sectors directly assessed. Significant numbers of applications cannot be allocated to a sector. Applying this percentage change, pro rata, to the total of 32,100 applications in 2006 gives an estimated reduction of 2,200 to 2,750 applications as a result of increased charges. It should be noted that a reduction in applications may not necessarily result in a reduction in trade, for example there could be an increase in bulk buying or a move to importing through another country.

Table 9: Estimated changes in applications by key sub-sectors

Sub-sector	No. of applications per year	Impact on application nos. (elasticity)	Estimated reduction in applications
Live birds	6,000+	Some increase in illegal trade practices for birds of prey will reduce applications. Higher-value falcon trade less affected.	300
Reptiles & tortoises	6,000+	Reduced demand for tortoises, due to need for EC certificates for sale of individual specimens.	600
Leather goods	3,700+	Significant value/volume of goods means charge increase unlikely to significantly affect price.	100
Antiques	765	Modest impact on highly specialised, varied and variable trade.	Overall 5-10% fall giving 300 – 600 reduction on estimated 6,000 applications recorded under specimen part codes for 'bodies' and 'carvings'.
General Shipping Agents	320	Modest impact on highly specialised, varied and variable trade.	
Taxidermy	470	Possible impact on carvings trade, modest impact on other specialised trade.	
Live plants	2,470	Modest impact on high-volume trade.	120
Coral	1,200+	Some impacts on trade – more importing in bulk, or where this is not possible, price increases to consumers and reduction in trade.	120
Total	Around 21,000	Overall 5 – 10% reduction.	1,500 – 1,800

7.11 Over the past 6 years numbers of applications have risen by an average of 4.7% p.a. and it is yet unclear whether this would offset the estimated reduction in applications. The reduction of licences may have an effect of the cost of providing the licensing service and this may impact on charges. However, the level of uncertainty around the impact makes quantification impossible at this time. Until the new charges are introduced it will not be possible to accurately ascertain the effect of increased charges on numbers of applications and therefore assess the ability of achieving full cost recovery in the short term.

7.12 Changes in business practices will vary between types of goods and will be subject to the ability of sub-sectors to adapt to the increased charges. Possible consequences of the increase in charges are:

- Traders try to avoid or mitigate the higher charges:
 - make fewer applications for larger consignments, but still import the same volume of goods;
 - Imports and exports of CITES goods occur through other parts of the EU with lower charges;
 - Illegal trade increases, including with-permit trade (e.g. fraudulent declaration), smuggling (without permit trade); or
- Traders pass through some or all of the extra cost to prices, possibly resulting in lower demand
- Traders absorb some or all of the cost, reducing their profit margins

7.13 The regulations and supply conditions for CITES goods, and the specialist transport or care/storage needs of many goods, will generally limit the extent to which businesses make fewer applications for larger consignments. Therefore drastic changes in the structure of the trade are not widely expected (Eftec 2008). Eftec also identified that whilst some increase in illegal trade may occur it is likely to be focussed those sub-sectors where large numbers of applications are for individual species or for small-scale activities.

7.14 In general the price elasticity of demand for applications is thought to be low. This is because CITES trade is usually either:

- Related to small volumes of scarce goods which are therefore of relatively high value compared to the costs increase (e.g. antiques, rarer reptiles); or
- Commoner bulk-traded goods, which are usually (except tortoises) traded as numerous specimens on an application, diluting the proposed increased charge over many specimens and therefore significantly reducing its impact.

7.15 Most of the business sub-sectors are not expected to see major impacts on their viability. There may be a few exceptions to this:

- In the trade in tortoises and some reptiles, the requirement to accompany the onward sale of each specimen with an EC certificate will increase the average cost per specimen of around £120 by up to £20 (17%). A large part of this cost is likely to be passed on to consumers, which may reduce demand and therefore affect the viability of some smaller retailers.
- In the coral trade competition from imports via other EU countries (such as France which has a large coral sector) may result in loss of trade from UK importers if they cannot compete on prices. Reduced sales may affect both importers and smaller retailers. Together these factors could affect the viability of smaller businesses involved in the trade.
- Export trade: such as falcons and leather products, where a small price increase could disadvantage UK traders against competitors from elsewhere in the EU.

7.16 Setting charges in the UK that are significantly higher than other EU countries (in particular higher than those in France, Italy and Germany, major transit countries for CITES trade) will increase the incentive to adopt trade routes via the EU to the UK. Free movement of goods within the EU facilitates competition across the EU and no CITES import or export permits are required for movement within the EU. At present charges in the UK are amongst the lowest in Europe. Lower rates are only available in

countries who do not charge. However, the proposed charge will make the UK the most expensive. Some other Member States have indicated they may increase charges, but at least initially the UK will face a large change in comparative position. This is expected to result in some changes in trade patterns through the EU. Neither Ireland nor France, geographically the UK's closest neighbours, charge for licence applications. Germany and Italy, which are major trade routes for CITES goods, charge substantially less than the increased UK charges.

7.17 However, this will be limited by practical constraints on import methods for CITES materials. Whilst there are established EU trade routes and the possibility exists of some shift in trade to other EU countries in some sub-sectors, research indicates that the overall effect is expected to be small because the transport, insurance and other costs of importing by different routes will generally be greater than the proposed increase in CITES charges (eftec 2008). The exceptions to this may be some export activities (e.g. falcons) and commercial bulk imports (e.g. coral, leather products).

7.18 There is the possibility that the increase in charges may affect exports. The expected loss of (re-)export trade can be estimated in two ways (eftec 2008) – from bottom up or top down, both giving an expected reduction in trade worth around £1m. Firstly, in relation to the key sectors identified above: the estimated reductions in trade for live birds 5% of its £2.35m – £4.1m value, and for antiques/carvings/leather is 5-10% of up to £20m value (Tables 7 and 9). Applying these percentage reductions gives an expected impact of £1.2m - £2.2m loss of trade (import, (re-)export and EU certificate). The proportion of this trade that relates to (re-)exports is estimated at over half the trade (by value) for live birds and between 60 % and 80% of applications in the antiques/carvings/leather sub-sectors (a value estimate is not possible for these sub-sectors). Also a 10% reduction is the maximum end of the range which may apply to niche parts of a sub-sector but is very unlikely to be the average for several sectors. Therefore, the expected reduction in (re-)export trade is judged to be around £1m.

7.19 Secondly, Tables 2 and 3 show that 23% of applications and 18% of licenses relate to export and re-export from the UK. With the total trade valued at up to £50m this crudely suggests that (re-)export trade may be worth around £10 million per year. With reductions in trade overall expected to be less than 10% (Table 9), the loss in (re-)export trade is again estimated at around £1m.

7.20 Because the loss reflects the cost of supplying goods for export, this lost export revenue will be substituted by other economic activities and there is not expected to be any net effect on the UK economy.

7.21 There is a risk that a stronger reaction in consumer retail activity with respect to the coral, reptiles or tortoise trades, or increased illegal activity with respect to birds of prey, will reduce applications by a larger amount than estimated. Even with the detailed data examined, some judgements are still difficult to make. The main risk is probably a greater reduction in tortoise and reptile EC certificates than estimated here.

Impacts on taxpayers

7.23 Currently charges may be waived where the specimens concerned are to be used for non-commercial purposes which are deemed to be of benefit to the species concerned by the Secretary of State (i.e. a conservation benefit¹¹). However, in practice charges are currently waived only for (a) live species registered in European breeding programmes and (b) samples directly linked to those breeding programmes. Currently few applications meet the criteria of the waiver and so the analysis assumes the effect of the current waiver to be zero. The application of this waiver will be broadened to cover a wider range of conservation activity, for example in relation to developing scientific techniques for conservation and diagnosing conservation problems.

7.24 The number of conservation-related applications was estimated in eftec (2008) as around 800 per year. The Government currently receives £4,000 in fees from conservation related applications. The total cost of administering these applications is £44,000¹². When the fee waiver is extended to all conservation-related applications the government will no longer receive the £4,000 fees that it currently receives and so applicants will benefit from no longer having to pay the £4,000. Therefore the increased cost to the taxpayer of the wider application of the waiver is £4,000.

¹¹ <http://www.defra.gov.uk/animalhealth/CITES/guidance/GN17.htm>

¹² 800 * £55 fee

Impacts on animal welfare and conservation

7.25 Overall, although a limited number of animal welfare studies were found, and none of their results are directly transferable to the policy issues in question, they do provide general evidence that UK citizens hold values for animal welfare. Therefore, any detrimental impact on the welfare of UK CITES-traded animals as a result of the proposed increase in charges would be expected to have a negative impact on the welfare of UK citizens.

7.26 The expected impacts of the increase in charges on the transportation of live specimens are not expected to be significant. No major increases of transit times for live specimens were identified in the analysis of major sub-sectors. Also any changes in transport practices would be regulated by EU animal welfare regulations.

7.27 Some increase in the numbers of specimens per consignment is predicted to occur in response to the proposed charges increase, but these are mainly expected in sub-sectors with goods that are easier to transport in bulk (e.g. live coral, captive-bred plants). The suitability of handling facilities for CITES specimens is also assessed by the authorities as part of the applications process. Overall, no significant impacts on animal welfare are expected.

7.28 There is evidence that a small amount of UK CITES-permitted activity has some strategic importance for global conservation. These specifically conservation-focussed uses of CITES permits (captive breeding programmes, conservation science, and education) are estimated to make up just 2% of all UK licence applications. Along with potential impacts on sustainable use of wildlife resources, they make up four categories of global conservation activity that have been analysed to assess the potential impacts of the proposed increases to UK CITES permit charges.

7.29 *UK captive breeding* - Captive breeding can be undertaken specifically as part of conservation programmes, or for other reasons (e.g. commercial breeding or as a hobby). Currently fees are waived for live species registered in European breeding programmes and samples directly linked to those breeding programmes. This will continue under the new charging structure. Therefore there is expected to be no net effect on this type of conservation activity.

7.30 The exceptions to this are for hobbyists' captive breeding activities. These do not play a systematic role in conservation programmes, and there is little evidence of any indirect benefit they may provide to global conservation. Therefore while they may be more seriously affected by the increased charges, this is not expected to have an impact on conservation.

7.31 *Sustainable Use* - The increased charges may impact on the conservation of species in source countries if it alters demand for CITES products in the UK. If UK demand is reduced then this might reduce the economic value of wildlife in source countries, and reduce the incentive for people to conserve biodiversity in order to provide a sustainable supply of these products. A majority (around 75% or more) of the UK's CITES imports come from developing countries. The proposed charges are likely to reduce the purchase of wildlife goods by UK citizens from collectors in developing countries whose revenue from these sales may provide an incentive for the sustainable use and therefore conservation of wildlife resources. However, the extent of this impact on wild populations, and its interaction with poverty concerns, is not possible to assess with current data. While the impacts of the charges on the UK's demand for CITES goods, and therefore on global conservation has the potential to be negative, evidence that a significant negative effect is likely is not available.

7.32 *Education* - The increase in charges is likely to have a marginal impact on educational uses of CITES specimens. Zoos engaged in captive breeding are likely to continue with species movements for these purposes which can also be used for educational work. Movements for purely educational purposes may become limited to a reduced range of species, making educational work slightly more difficult to carry out.

7.33 *Conservation science* – The costs will be mitigated by the extended waiver scheme – see benefits section.

Compliance costs

7.34 The analysis of compliance behaviours with CITES regulations highlights that detection of illegal wildlife trade often requires a high level of expertise and so it is unlikely to be identified through information from the general public or inadvertently through other police work. Therefore, it may be difficult to counteract the effects of any factor (including the increase in charges) that increases the incentive to undertake criminal activity without targeted enforcement activity.

7.35 The many subsets of the CITES trade may react differently to the proposed increase in charges. A number of respondents to the consultation exercise suggested that there may be an increase in non-compliance and illegal trade. The Table 11 analysis (see paragraph 5.29) suggests areas which have a higher risk of significant reductions in compliance in response to increases in CITES charges:

- The overall costs and benefits facing spontaneously compliant traders, rather than any current enforcement or social factors, are likely to be a key determinant of whether they switch to other legal trade routes that avoid the proposed increased charges. The balance between cost and benefit will be very different for different types of CITES materials.
- Alternatively, people may be financially driven to undertake CITES trade illegally to avoid the charges. This is more likely to occur for those whose operations are financially marginal, and are more likely to be amongst collectors, hobbyists and businesses, who make profits from CITES-related goods.
- Those currently undertaking illegal trade by methods that involve the (fraudulent) use of permits are also likely to be affected.

7.36 The majority of commercial imports are of live CITES specimens, which are considered to be the hardest to import by alternative routes (either illegally in large quantities or via other EU countries). For example, bringing live CITES materials to the UK legally via another EU country could involve greater business costs and time due to increased transport costs and routes than importing directly to the UK, and illegally is difficult for large volumes through without-permit methods. Therefore, increases in illegal trade are most likely to be for higher-value live CITES specimens, or for CITES materials imported in smaller quantities.

7.37 Practical constraints will restrict any shift to illegal activity, making it likely to be relatively small. However, where it does occur it is unlikely to be detected and so will create a negative impact on UK taxpayers, both through lost licensing and tax revenues, and less effective enforcement of CITES. The numbers of traders likely to change their behaviour is difficult to calculate, as there are many subsets within the CITES statistics. The biggest subset, live imports, is a lower risk group, because of the practical issues, but there are thought to be 100s of commercial traders of non-live goods who are potentially a risk. However, only a small minority of these are likely to adopt illegal behaviours. Therefore, the increase in illegal trade, and shifts in trade patterns, is expected to be low.

Administrative burdens

7.38 There will be a minimal increase in the administrative burden on businesses due to the introduction of charges for services not previously charged for (i.e. the issue of Certificates under Articles 8 and 60, and the lifting of movement restrictions conditions). This is because although charges will increase, the administration process will not. There will also be a minimal burden on Government associated with processing payments for such applications. In both cases this is expected to be insignificant.

Benefits

7.39 The introduction of a full cost recovery charging regime with a waiver for selected conservation activity is expected to have the following benefits:

- Benefits to the taxpayer
- Conservation benefits

Benefits to the taxpayer

7.40 The introduction of the new schedule of charges would end the subsidisation of the trade in CITES goods by the general taxpayer. The estimated cost to the taxpayer of operating the current CITES licensing service is estimated at £1.46m for 2007/08. Applications received are estimated to generate £0.06m for the same period. The new extended waiver scheme is expected to cost the taxpayer £0.04m and therefore £1.36m will transfer from the public sector to the private sector, relieving the taxpayer of the burden and releasing Government revenue for the wider public benefit.

7.41 Society would therefore benefit from more efficient allocation of resources compared to a do nothing situation.

Conservation benefits

7.42 Currently, charges are waived only for live species registered in European breeding programmes, and samples directly linked to those breeding programmes. The CITES licensing authority does not separately record applications for which charges are waived but only rarely applies the current discretionary waiver. With the introduction of the new charging schedule the application of waivers will be broadened to cover a wider range of conservation activity, including those where UK science plays a key role, such as in developing scientific techniques for conservation and diagnosing conservation problems. The outcomes of this kind of work are uncertain, ground-breaking and based on UK expertise. Discussions with conservation organisations indicate that there is limited global capacity to carry it out overseas so a significant proportion of it would not happen elsewhere in the world. The value of these conservation activities are not possible to quantify but can be significant, for example where they contribute directly to preventing the extinction of species (see case study in Box 1).

Box 1: Role of UK science in the conservation of Indian vultures

Populations of some vultures on the Indian subcontinent have suffered one of the fastest species declines ever recorded and are close to extinction in the wild. UK conservation NGOs were a major partner in the work that identified the cause of the decline (Diclofenac, a drug used to treat livestock). It was originally planned to do the necessary diagnostic scientific work in India, rather than export tissue samples. However, quality control assessments between Indian and UK laboratories showed that the Indian laboratory's results were less consistent and accurate than those from the UK. Therefore, the science was carried out in the UK after samples from the tissue had been extracted in India and exported under CITES licences.

This project has helped build capacity in India, and is also collaborating with a laboratory in South Africa, to perform tests on African White-backed vultures (related to Indian species and itself CITES listed), which is believed to be under threat as Diclofenac is now entering African markets. However, this capacity building could not have happened quickly enough to save the Indian vultures. If the science had not been done in the UK, these vultures would now be extinct in India.

This case study demonstrates the importance of UK expertise for global conservation projects. However, it should be noted that in major conservation programmes such as this, the scientific work would generally be expected to continue even with the higher charges.

7.43 A recent report¹³ on UK citizens' values for global biodiversity has identified cases of strong willingness to pay for biodiversity resources at specific sites in developing countries. It identifies the best available evidence of UK citizens' aggregate demand for global biodiversity protection as the £50m plus per year spent as a result of UK membership of NGOs and other agencies. Some economic valuation studies show that citizens in developed countries hold existence and other non-use values for the conservation of species in remote locations (Nunes & van den Bergh, 2001), including in other continents (Swanson et.al. 2002).

7.44 Relating this data to the conservation waiver is not possible. However it does show that UK citizens value international biodiversity and therefore would benefit from work to prevent and solve conservation problems. As the value of the waiver is low (estimated at up to £44,000 p.a.) we would

¹³ Scott Wilson et.al. (2008).

expect any conservation benefit arising to be relatively small in comparison to the value placed on global biodiversity in Scott Wilson et al (2008). However, the actual benefit arising is unquantifiable.

Summary of Costs and Benefits

7.45 The value of the trade in CITES goods has been valued at between £10-50m p.a. The expected cost to business as a result in the increase in fees is expected to be in the region of £1.36m¹⁴. There is also expected to be an impact on export trade between £0m - £2m. The costs to enforcement agencies and on animal welfare are unquantifiable but are expected to be minimal or insignificant.

7.46 The application of a waiver for a wider range of conservation-related activities is expected to result in a cost burden for the taxpayer of up to £0.004m. The cost transfer to users of the service is expected to deliver a benefit to the taxpayer to the value of £1.36m p.a.

7.47 Additional benefits arise for the public from maintaining the UK's input into conservation activity, in particular the key role played in many conservation projects. These benefits include the conservation of rare and vulnerable species. The benefits have not been quantified in monetary terms due in part to uncertainty over the scale of impact that would result from the wider application of a waiver. The benefits also include non-use values such as existence and bequest values which can be difficult and costly to determine economic values for.

7.48 Although it is not possible to accurately compare the costs and benefits of the introduction of higher charges, the introduction of a full cost recovery charging regime accompanied by the wider application of the waiver for conservation-related activities is consistent with the Government's policies of transferring cost burdens to users of the services it provides and with its policies for conserving important wildlife. In this case, the Government considers that the benefits realized by relieving the taxpayer of the burden of providing this service and the expected conservation benefits of waiving certain fees considerably outweigh the costs.

Table 10: Summary of Key Costs and Benefits

	Costs (£m)	Benefits (£m)
Business	£1.36	-
Taxpayer	£0.004	£1.36
Third sector	-	£0.004
Conservation	Unquantifiable	Unquantifiable
Enforcement	Minimal	-
Animal welfare	Insignificant	-
Total of quantified costs and benefits	£1.364	£1.364

8. Post-implementation Review

8.1 Due to uncertainty over the longer-term costs of operating the licensing service and the extent to which application numbers will be affected by the increase in charges, full cost recovery is not guaranteed in the short-term. In view of this uncertainty charges will be reviewed during 2009/10 to ensure that full cost recovery is being achieved. If there is a disparity between the costs recovered and the cost of operating the licensing service charges will be adjusted accordingly.

8.2 Animal Health's Wildlife Licensing and Registration Service undertake annual customer satisfaction surveys. The first survey to take place after the introduction of the new charges will be in

¹⁴ £1.36 as the cost to government currently of running the service is £1.4 million, this cost minus the cost of the waiver scheme will transfer to business therefore the total transferred cost is £1.36

Spring 2010. The results of this and the outcomes of the monitoring activity outlined in section 9 will be reported on the Animal Health website in October 2010 as an interim report. This exercise will be repeated in 2011 and a second interim report published. A final review report on the effects of increased charges will be undertaken in April 2012, three years after the introduction of the new charging regime. Consideration will be given at each stage as to whether any action is required.

8.3 Animal Health's Wildlife Licensing and Registration Service will publish the interim and final review reports and will be responsible for coordinating monitoring activities.

9. Monitoring

9.1 To assess the longer term impact of the increase in charges, Government will monitor and review:

- **Patterns of trade in the UK and impacts of businesses trading in CITES-listed species.** Animal Health's Wildlife Licensing and Registration Service will do this by monitoring the number of applications made by each sector and comparing trends in numbers against historical trends. This will help to assess whether overall there is an increase or decline in application numbers and the variation within specific sectors.

Animal Health's Wildlife Licensing and Registration Service will use their annual customer satisfaction surveys to assist in assessing the likely causes of any identified trends.

- **Extent of non-compliance and illegal trade in the UK and the effectiveness of enforcement measures.** The Home Office maintains records of CITES-related offences and HMRC¹⁵ maintain records of seizures. These records will be analysed to assess whether any conclusions can be reached about changes in compliance rates and the extent of illegal trade. Prosecution Records held by the Home Office and HMRC will also be considered as part of this analysis.
- **Delivery of the UK's conservation objectives for CITES-listed species.** The UK Scientific Authorities will be asked to evaluate whether the increase in charges has had an adverse effect on UK conservation objectives and, if so, how this has come about. They will also be asked to evaluate this against the expected benefits achieved by the wider application of the waiver.
- **Whether the full costs of the service provided by Animal Health's Wildlife Licensing and Registration service continue to be recovered.** Animal Health will monitor receipts against costs to ensure a balance on full cost recovery is achieved.
- **The effects of any unforeseen unintended consequences.** Animal Health's Wildlife Licensing and Registration Service will use its annual customer satisfaction survey to identify the ongoing consequences of the increase in charges, including any unintended consequences. A summary of responses will be published on Animal Health's website and highlighted in the CITES Bulletin which is published on their website, in hard copy, and sent to regular customers twice yearly
- **The effectiveness and efficiency of the licensing service.** Animal Health will continue to monitor the efficiency of its management systems to ensure it delivers the most cost-effective service possible. It will aim to identify options for improving the efficiency of the licensing service with the aim of reducing the financial burdens on those applying for licences.
- **Opportunities for regulatory simplification.** CITES obligations are transposed in the UK via EU regulations. Sanctions and penalties are prescribed by domestic legislation, The Control of Trade in Endangered Species Regulations (COTES) and the Customs and Excise Management Act 1979 (CEMA) as amended. Defra are currently reviewing the COTES regulations to ensure they are up to date, reflect McCrory principles, and are as streamlined as possible.

Currently, some CITES customers are required to both obtain CITES licences and register birds under Schedule 4 of the Wildlife and Countryside Act 1981. Defra have recently amended the Wildlife and Countryside Act so that for the two most common species listed a CITES certificate can

¹⁵ HMRC's seizure records relate only to trade (imports and exports) with non-EU countries, not intra-Community trade

be used in lieu of a separate registration document and fee. Twenty-nine CITES-listed species were removed from the requirements of the Schedule 4 registration process entirely.

10. Enforcement

10.1 The Police, Her Majesty's Revenue and Customs (HMRC), and the UK Border Agency will continue to be the responsible enforcement authorities for CITES matters.

10.2 The analysis of costs and benefits highlights an expectation that there could be a minimal increase in non-compliance and in illegal trade. Non-compliance is expected to increase because people may be more willing to risk not applying for the appropriate licence. Increased charges will increase the costs of trading in CITES-listed species and as a result will likely increase their market value within the UK. This could increase the attractiveness of trading illegally within the EU or across its borders.

10.3 The enforcement authorities take an intelligence-led, risk-based approach to the enforcement of CITES regulations, and CITES has been identified as a priority area for the National Wildlife Crime Unit.

11. Sanctions

11.1 No new sanctions will be introduced as a result of this policy. Existing sanctions are set out in The Control of Trade in Endangered Species (Enforcement) (Amendment) Regulations 2005 (COTES) and the Customs and Excise Management Act 1979 (CEMA) as amended.

11.2 The Macrory Review¹⁶ made a number of recommendations that aim to ensure that regulators have access to a flexible set of modern fit for purpose sanctioning tools that are consistent with the risk based approach to enforcement outlined by the Hampton Review¹⁷.

11.3 Defra are currently reviewing its COTES enforcement regulations. This review will include consideration of whether existing sanctions are fit for purpose and reflect the recommendations of the Macrory Review. Account will be taken of the need to ensure that sanctions are proportionate and meaningful, particularly in respect of those who persistently break regulations.

¹⁶ http://bre.berr.gov.uk/regulation/reviewing_regulation/penalties/index.asp

¹⁷ http://www.hm-treasury.gov.uk/budget/budget_05/other_documents/bud_bud05_hampton.cfm

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Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	Yes
Sustainable Development	No	Yes
Carbon Assessment	No	Yes
Other Environment	No	Yes
Health Impact Assessment	No	Yes
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	Yes

Annex A1

Cost calculation methodology for CITES charges

Charges are based on the amount of resource required to process applications for the different licence types in Table 1 above. The resource requirement for applications for import/export permits was based on the "Review of the Bird Registration and CITES Branch"¹⁸ which analysed the staff resource required to process CITES applications. For the purposes of setting levels of charges the relative resource effort of processing and issuing an application was determined. Table A1 gives examples of how relative costs are determined.

Table A1: Examples of how applications costs assessed	
Application type	Relative cost
Import/export	The resource requirement to process these applications is used as the baseline from which the costs of other applications are assessed.
Re-export	79% of the cost of an import/export permit. This only takes 79% of the time and resource it takes to process an import/export licence because the majority are not referred to the Scientific Authority.
Certificates under Article 8	43% of the cost of an import/export permit. These are normally issued to captive bred specimens where the parentage is usually well documented and usually not referred to the Scientific Authority.
Certificates under Article 60	300% of the cost of an import/export permit. The issue of this Certificate usually involves an inspection, assessment of the record keeping and educational/conservation content of the establishment, much scientific research, and senior staff input.

The actual cost of each application was determined by assessing the full cost of the providing the licensing service. The level of charge per application type is determined by the number of applications for each licence type received over the previous 12 month period. The number of applications multiplied by the charge for that application will deliver a proportion of the income required to recover the full costs of the service. Added together they will recover the full cost of proving the licensing service.

¹⁸ Business Consultancy Unit, 2001

Annex A2

CITES licence types

- **Import Permits** (under Article 4 of 338/97¹⁹) allow people to bring CITES listed specimens into the EC.
- **Export Permits** (under Article 5 of 338/97) allow people to take CITES listed specimens out of the EC. There is a facility to issue semi-completed Export Permits for dead Annex B & C specimens (Article 19 of 865/2006²⁰).
- **Re-export Permits** (under Article 5 of 338/97) allow a CITES listed specimen previously imported into the EC to be exported again out of the EC. There is a facility to issue semi-completed Re-export Permits for dead Annex B & C specimens (Article 19 of 865/2006)
- **Certificates of Origin** provide proof that a specimen listed on Annex C/Appendix III of CITES was removed from the wild in accordance with the relevant legislation
- **Article 9 Certificates** (under Article 9 of 338/97) lift any movement restrictions imposed by an import permit or an Article 10 Certificate.
- **Article 10 Certificates** (under Article 10 of 338/97) allow the commercial use of specimens listed under Annex A of Council regulation 338/97 (the most critically endangered) and allow movement of certain specimens. There is a facility for issuing semi-completed certificates
- **Certificates of Origin** upon the re-export of Annex B specimens from the EU the country of importation can issue a document as proof of legal importation (Uses the Article 10 format)
- **Travelling Exhibition Certificates** (under Article 30 of 865/2006) allow travelling zoos, circuses, or other travelling exhibitions of captive bred or artificially propagated Annex A specimens to travel and be exhibited throughout the EU. It also allows them to be exported and re-imported back to the EU for a period of 3 years.
- **Personal Ownership Certificates** (under Article 37 of 865/2006) allow owners of an Annex A specimen multiple re-exports and re-imports of it for a maximum period of 3 years providing there is no commercial motive..
- **Biological Samples** (under Article 19 of 865/2006) allow a simplified procedure with the issue of semi completed permits for particular specimens.
- **Sample Collection Certificates** (under Article 44a of 865/2006) allow owners of collections which include CITES specimens to import, export, re-export or display those collections.

¹⁹ Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein

²⁰ Commission Regulation (EC) No 865/2006 of 4 May 2006 laying down the detailed rules concerning the implementation of Council Regulation (EC) No 338/97 of 9 December 1996 on the protection of species of wild fauna and flora by regulating trade therein

- **Article 60 Certificates** (under Article 60 of 865/2006) allow derogations to scientific institutions exempting them from the various prohibitions on the sale of CITES specimens.

Annex A3

Market characteristics of CITES goods

Characteristic	Means of Measurement	Notes
<p>(A) Product characteristics:</p> <ul style="list-style-type: none"> • Perishability, • Weight, • Bulk, • Quantities in which they area traded. 	<p>Through qualitative judgement, using expert stakeholder knowledge where possible.</p>	<p>These product qualities are key determinants of the methods by which the CITES materials are transported for trade. For example, the role of live goods in a sub-sector, and the sensitivity of the live species to transport/storage conditions (their perishability) plays a major role in determining the way they are transported and the cost and difficulty (i.e. the requirement for specialist skills) of providing the necessary conditions.</p>
<p>(B) The cost of transporting/storing the goods concerned.</p>	<p>Largely determined through (A), defined as additional cost compared to standard freight costs: High: specialist care/packaging in transit adds significantly to costs. Medium: some additional costs, but economies of scale or lower specialism. Low: No or little additional cost.</p>	<p>Key information to determine the relative significance, and impact, of the proposed charges increase: firstly, longer trade routes will lead to increased (fuel and manpower) transportation costs. Secondly, some CITES goods will require specialist transport facilities, with associated costs. Judgements reliant on information from stakeholders and expert knowledge on the trade.</p>
<p>(C) The volumes of the goods on trade routes within the EU (e.g. Italy, France)</p>	<p>Data on import and exports from EU countries with significant volumes of trade.</p>	<p>To assess the presence of established alternative trade routes to which trade might shift as a result of the proposed increase in charges.</p>
<p>(D) Feasibility of without-permit movements (smuggling).</p>	<p>Largely determined through (A).</p>	<p>'Smuggling' refers to without-permit methods to illegal trade. Without-permit is less relevant because it still involves paying a licence charge, although putting similar specimens (e.g. of falcons) under the same permit can reduce numbers of licences and charges.</p>
<p>(E) Whether goods can be stored in order to stockpile and delay import to get larger volumes of material under a single application.</p>	<p>Expert judgement, perishability (as assessed in (A)). Data on current sizes of consignments in existing imports (measured through the quantity under a single licence).</p>	<p>This will influence whether traders are able to import fewer consignments of a larger number of items, thus making fewer applications.</p>

<p>(F) Motivations for importing the goods.</p>	<p>Qualitative assessment. Numbers of traders importing small quantities of the goods.</p>	<p>Whether imports are for purely commercial profit, or also for some other motivation (e.g. a cultural reason) can determine behaviour (as identified under the Table of 11 (T11)). Traders importing small quantities of a CITES good are unlikely to be commercial traders, and are more likely to be hobbyists or have very specialist uses.</p>
<p>(G) T11, Compliance Dimension</p> <ul style="list-style-type: none"> • Knowledge • Acceptance • Respect for authority • Social control 	<p>Qualitative assessment for key sub-sectors at risk of non-compliance.</p>	<p>Balance of costs and benefits not included under T11 because dealt with elsewhere.</p>
<p>T11, Enforcement Dimension</p> <ul style="list-style-type: none"> • Knowledge 	<p>Qualitative assessment for key sub-sectors at risk of non-compliance.</p>	
<p>(H) Number of businesses that are specialists in imports from 3rd countries.</p>	<p>Numbers of businesses making more than 24 or 50 applications in a sub-sector.</p>	<p>Traders making less than 24 applications will face relatively small overall cost increases (less than c. £2,000) and/or be trading in relatively small volumes of the good, in the context of commercial business operations (but this depends on other costs associated with the goods as above).</p>
<p>(I) The level of business capital invested in CITES-related business operations. This might be physical capital (e.g. facilities for keeping live specimens) or human capital (e.g. skills relevant to CITES goods), and the flexibility to transfer this capital to other activities.</p>	<p>Qualitative assessment, with reference to factors noted in (A) and (C), and also the facilities needed for any specialist/value-added activities carried out after import.</p>	<p>Traders fixed costs (e.g. investments in storage/handling facilities), and whether this capital can be re-deployed, will influence the overall cost impact of changes to CITES practices.</p>

Annex 4

Impact tests

Small Firms Impact Test

1. As indicated by Table A3, the vast majority of applicants make fewer than 5 applications over a two year period. However, not all of these will necessarily be small and medium enterprises (SMEs), as defined by fewer than 250 employees²¹. Some may be larger companies that depend upon CITES goods for only a small proportion of their business. The effect on businesses making this few applications could be considered to be relatively minor since it is unlikely they are heavily dependent upon CITES goods if they make only 2.5 applications a year. Those most likely to be severely affected are those sole traders or micro firms who make few applications, but for whom it may constitute a significant amount of money and those SMEs making a relatively large number of applications.

Table A3: Distribution of applicants making different numbers of applications for CITES licences over the two years to 1/10/07

Number of applications	Number of applicants
>100	16
50-99	44
10-49	301
5-9	418
<5	3313

2. Analysis of the market structure for CITES goods indicates that the vast majority of the businesses involved in CITES trade, and therefore impacted by the proposed increase in charges, are small businesses and a large proportion of applicants may be micro businesses. However, the size of businesses is not recorded in the CITES Unicorn database, making small business impacts very hard to establish. Consultation with stakeholders did not provide any additional information to refine this analysis.
3. The only sectors likely to involve traders who are not small businesses are those dealing in leather products (involving major fashion traders / retailers) and antiques (involving some large auction houses). The vast majority of the other impacts identified are expected to relate to small businesses. In addition, many are likely to be micro-businesses, and may be run on a part-time or hobby basis. The choice of individuals in these activities to continue with activities (and paying the increased charges) may be partly a business decision and partly a personal choice about how to use their leisure time. This makes the behaviour of the individuals and micro-businesses, which only have a small number of applications each, but collectively account for large numbers of the licence applications analysed, harder to determine.
4. SMEs may be less able to adapt to the new proposed charges due to: greater difficulties in buying or selling in bulk; application costs representing a larger proportion of business costs; fewer economies of scale; and less scope to diversify. However, if the trade also reflects their personal hobby, and they have significant costs invested into the activities (e.g. facilities for keeping live specimens), they may continue to trade. These factors may influence the capacity of many SMEs to continue trading as a result of the proposed charges.

²¹ <http://www.berr.gov.uk/whatwedo/enterprise/enterprisesmes/research-and-statistics/statistics/page38563.html>

5. Below is summarised the extent of the impacts on small businesses in the sub-sectors analysed. The majority of the impacts are expected to fall on small businesses. However, overall the impacts are not expected to adversely affect the viability of trade in these sub-sectors.
6. *Birds of prey breeders* - Overall, the expected effects on the trade are judged to be small. The potential cost increase of up to £170,000 is not expected to affect the viability of the majority of the trade, with an estimated reduction in activity of up to 5% (around 300 licenses). The traders affected are all likely to be small businesses, including many micro-businesses. This sector is likely to be affected by the loss in export trade outlined in paragraphs 7.18 – 7.21.
7. *Reptiles and tortoises* - For the 6,000 plus applications for in the reptiles and tortoises sub-sector, the potential cost increase of up to £127,750 for the sub-sector, could significantly affect some businesses in the trade. A large part of this cost is likely to be passed on to consumers, which may reduce demand and therefore affect the viability of some smaller retailers, all of whom are likely to be small businesses. The estimated response to the proposed charges increase is a reduction of 10% (around 600 or more applications). Commercially, smaller pet traders are most likely to be effected. There may be some change to move more specimens in bulk under each application in the middle of the supply chain, but housing costs, supply constraints and other logistical factors are expected to limit this to a small impact.
8. *Leather goods* - Overall, the potential cost increase of up to £185,000 from the increased charges is not expected to affect the viability of the trade in this sub-sector, with a reduction in permit applications of a few percent (around 100 applications). Some of the businesses affected are medium or large businesses in the fashion/ retail sector, but the majority will be small businesses. This sector is likely to be affected by the loss in export trade outlined in paragraphs 7.18 – 7.21.
9. *Antiques* - The potential cost increase of up to £34,500 is not expected to affect the viability of the trade. The specialist nature of the trade means that any reduction in demand as a result of higher prices is expected to be relatively small. Overall, the estimated impact of the proposed charges on the antiques sector is judged to be modest, with no more than a 5% (around 40) reduction in the numbers of permits applied for. The trade may involve some medium or large businesses (e.g. auction houses), but the majority of these impacts are expected to relate to small businesses. This sector is likely to be affected by the loss in export trade outlined in paragraphs 7.18 – 7.21.
10. *General shipping* - General shipping agents trade has similar characteristics to antiques (a lot of their goods are antiques) and some of their goods are expected to show a similarly small reaction to the proposed increase in charges as the antiques sector. The potential cost increase of up to £222,000 may affect the trade; in particular the large numbers of applications for export permits for carvings may be more significantly affected. Overall, the estimated impact of the increased charges on the sub-sector is expected to be a 5% to 10% decrease (around 300) reduction in the numbers of permits applied for. However, given the generalist nature of shipping activities, there is not expected to be a significant impact on the viability of large numbers of traders. Some shipping companies are likely to be medium or large businesses, but the majority of these impacts are expected to relate to small businesses.
11. *Taxidermy* - Overall, there is expected to be a modest (around 5%) fall in the numbers of taxidermy applications, reducing the number of applications by around 80, most of which are EC Certificates. The potential cost increase of up to £39,500 is not expected to affect the viability of the trade. However, non-compliance or the use of micro-chips might reduce the number of applications by a greater (over 10%) amount. The vast majority of these impacts are expected to relate to small businesses.

12. *Orchids* - Overall the estimated reduction in the numbers of license applications is expected to be small, at less than 5%, reducing applications by up to 120. The vast majority of these impacts are expected to relate to small businesses.
13. *Coral* - Overall, the numbers of applications are expected to reduce, with the potential cost increase of up to £170,000 affecting the viability of some smaller traders in this sub-sector. Increased illegal activity is unlikely as the large volumes of specimens involved in the trade are difficult to transport by illegal without-permit methods. Overall, a moderate to significant estimated reduction could be expected in the volume of applications by the coral trade as a result of the increased charges, of around 10%. This would result in up to 120 fewer applications. The majority of these impacts are expected to relate to small businesses.
14. The Government does not consider it appropriate to exempt small firms from the increase in charges as this will preclude delivery of its objective of transferring the cost burden from the taxpayer to users of the licensing service.

Competition assessment

15. A competition assessment has been conducted using the competition filter and it is not expected that this measure will affect competition between UK businesses as increased charges will be applied equally to all sectors.

Legal Aid

16. The policy does not create new criminal sanctions or civil penalties.

Sustainable development

17. The proposal contributes to the Government's sustainable development principle of achieving a sustainable economy by transferring the cost burden of delivering the CITES charging regime from the taxpayer to users of the service, thus enabling the more efficient allocation of public money.

Carbon impact assessment

18. The policy is expected to result in some changes in trade routes for CITES goods. This is expected to increase transportation of CITES goods although as outlined above the overall changes are expected to be small and therefore are will not have a significant impact on emissions of greenhouse gases.

Other environmental issues

19. The impacts of the policy on the environment are fully addressed elsewhere in this Impact Assessment.

Health impact assessment

20. The policy will not directly impact on health or well being and will not result in health inequalities.

Race / Gender / Disability equality

21. Conditions apply equally to all individuals and businesses involved in the activities covered by the policy.

Human rights

22. The policy is consistent with the Human Rights Act 1998.

Rural Proofing

23. Conditions apply equally to all individuals and businesses involved in the activities covered by the proposal. There should be no equity issues arising for individuals or businesses wherever they are based.