 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	Sheep Identification - Electronic slaughter tag	
Lead Department/Agency	Department for Environment, Food and Rural Affairs	
Stage	Final	
IA number	DEFRA1398	
Origin	Domestic	
Expected date of implementation (and SNR number)	SNR 8	
Date submitted to RPC	29/11/2013	
RPC Opinion date and reference	17/12/2013	RPC13-DEFRA-1721(3)
Overall Assessment	GREEN	
<p>RPC comments</p> <p>The IA is fit for purpose. The costs and benefits of introducing mandatory electronic slaughter tags have been adequately assessed. The Department's assessment that this measure represents an 'IN' with a Zero Net Cost appears reasonable. It is noted that in the sensitivity analysis the Department's low scenario results in a net cost to business. However, the IA includes evidence to suggest that the low estimate is unlikely and that the best estimate, in which the EANCB is net beneficial, is appropriate.</p>		
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>"For disease control purposes the EU has a system of traceability for sheep movements (responding to negative externalities of disease) which allows in England the use of non-electronic tags for certain types of movement. The result has been a regulatory compliance issue particularly for high throughput premises (markets, abattoirs, store lamb finishers) which find it very impractical and costly to record movements manually rather than electronically. Four years of non-regulatory measures to increase the use of electronic identification (EID) slaughter tags to address this problem have failed. Government intervention is required to change producer behaviour i.e. mandatory use of EID slaughter tags, and electronic reading by markets and abattoirs."</i></p> <p>What are the policy objectives and the intended effects?</p> <p><i>"1. Address the issue of non-compliance with movement record keeping requirements for high volume throughput premises; 2. Improve traceability of sheep for disease control purposes through simplification of the identification rules; 3. Provide opportunities for industry to take advantage of the range of non-monetised benefits (which we believe will significantly outweigh the costs); 4. Provide government with the tools to review current animal disease control policy to deliver further reductions in burdens on industry; and 5. Provide a consistent approach to sheep traceability"</i></p>		

throughout GB.”

Comments on the robustness of the OITO assessment

The IA says *“the measure to withdraw the use of non-EID tags for slaughter lambs is in scope of OITO. It is a regulatory measure for which the monetised benefits to business are greater than the monetised costs and therefore takes ZERO NET COST status”*. In support of this, the IA provides adequate qualitative and quantitative analysis, demonstrating the impact of the measure on businesses.

The IA outlines that sheep producers will face additional costs from the higher price of EID tags compared to non-EID tags. The IA adds that markets and abattoirs will also face some increased costs due to the need to read electronically batches of lambs with a single flock number, whereas previously these batches would have been subject to a simple headcount.

The analysis indicates that these increased costs will be offset by savings elsewhere in the industry. Costs savings accrue from time savings in terms of electronic reading of tags, reduced document checks and use of electronic data in place of manual records.

The combination of costs and benefit results is a small negative EANCB (i.e. a net benefit to business) of -£0.13 million. Therefore the assessment that this is a regulatory proposal that is net beneficial to business (an ‘IN’ with Zero Net Cost) appears reasonable and is consistent with the current Better Regulation Framework Manual (paragraph 1.9.12).

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

The proposals regulate business and are intended to come into force after 1 April 2014. Therefore the SaMBA is applicable.

The analysis provided in the IA indicates that the impact of the proposal will be predominantly on small and micro businesses, as these businesses dominate the industry under consideration: *“Virtually all lamb producers and store lamb finishers are micro businesses with less than 10 employees. Based on industry estimates, we think that 162 abattoirs (93 % of all sheep abattoirs) fall within the small and micro business category... Industry estimates are that all sheep livestock markets are small and micro businesses”*.

The IA also states that *“it has not been possible to mitigate or reduce negative impacts on all small and micro businesses from this measure, as its success depends upon changing the behaviour of lamb producers - which are predominantly micro businesses. However, it should be highlighted that there are non-monetised benefits (notably improved targeting of disease and performance measures) which accrue to these businesses”* (paragraph 54).

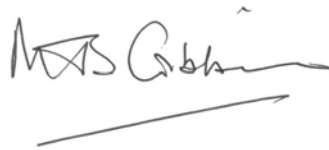
Whilst some small and micro businesses will incur additional costs, others will make savings as a result of the proposal. The Department expects that the net impact on the industry will be positive. Therefore, on balance, the SaMBA appears adequate.

Quality of the analysis and evidence presented in the IA

The rationale for intervention, including market failure (paragraphs 2 - 6), is clearly outlined in the IA. While the analysis in support of the EANCB appears to be robust, we note that no underlying basis has been provided for the assumed time taken per thousand lambs to read either the non-EID tags or EID tags. These assumed time taken figures are used in the calculation of benefits. We are satisfied however that these estimates have been subject to consultation and, as such, are likely to be the best available estimates.

The IA includes sound evidence to support the best estimate of the EANCB as being net beneficial.

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line extending to the right below the name.

Michael Gibbons, Chairman