 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	Alignment of Domestic Legislation With the EU Direct Acting Classification, Labelling and Packaging Regulation (CLP) – Transposition of Amending Directive 2014/27/EU	
Lead Department/Agency	Health and Safety Executive	
Stage	Final	
IA number	HSE 0087	
Origin	European	
Expected date of implementation	June 2015 (SNR 9)	
Date submitted to RPC	2 October 2014	
RPC Opinion date and reference	11 November 2014	RPC14-HSE-2067(2)
<i>Departmental Assessment</i>		
One-in, Two-out status	Out of scope (European)	
Estimate of the Equivalent Annual Net Cost to Business (EANCB)	£0.41 million	
RPC Overall Assessment	GREEN	
<p>RPC comments</p> <p>The impact assessment is fit for purpose. HSE is proposing to amend existing legislation to ensure that references in certain health and safety legislation are up to date and aligned with the EU’s Classification, Labelling and Packaging (CLP) Regulation. The main costs come from businesses familiarising themselves with the new legislation and updating some of their hazardous substances signage.</p>		
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>“The EU direct acting Classification, Labelling and Packaging Regulation (CLP), which implements in the EU the United Nations Globally Harmonised System (GHS) on the classification and labelling of chemicals, comes fully into force in June 2015. An amending directive with a transposition deadline of 1 June 2015 has been adopted which updates five health and safety directives, including the Safety Signs at Work Directive, to reflect CLP. In addition, consequential amendments to a range of domestic regulations to replace old references to align</i></p>		

them with CLP also need to be made. Without these changes the regulations will become unworkable because the references used to define the scope of application will be obsolete.”

What are the policy objectives and the intended effects?

“The objective is to align domestic legislation with CLP to ensure the law continues to be workable so that the effective protection of workers (and others) is maintained. The amendments will be made in such a way to ensure any additional costs to business are minimised.”

Comments on the robustness of the OITO assessment

The proposal is of European origin. HSE is proposing to retain certain requirements that go beyond the minimum strictly necessary to comply with the requirements of the EU Regulation. Retaining these requirements, however, does not represent an increase in costs to business. It is, therefore, out of scope of ‘One-in, Two-out’, in accordance with the Better Regulation Framework Manual (paragraph 1.9.8. ii).

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

The proposal is of European origin. A SaMBA is, therefore, not required.

Quality of the analysis and evidence presented in the IA

HSE explains that the proposal will affect a wide range of organisations, with a total net cost of between £3.2 million and £8.7 million. The best estimate is £5.7 million: this includes a £1.2 million cost to the public sector. The best estimate of the net cost to business is £4.5 million. All costs fall in the first year. The significant costs to business are made up of:

- Familiarisation costs resulting from changes to workplace signage requirements – HSE estimates that approximately 43,000 premises that are required to use such signs are classified as ‘high’ sign users with a best estimate cost of £39 per premises. Approximately 140,000 premises are classified as ‘low’ sign users with a best estimate cost of £20 per premises. Total costs are in the region of £4.4 million. Of the premises identified, approximately 130,000 are identified as private sector / civil society organisations. The total cost to business is estimated to be £3.3 million.
- Businesses will also be required to replace a small proportion of hazardous substances signs to comply with the new regulations – HSE estimates that around 160,000 signs will need to be replaced, with a best estimate cost of approximately £5 per sign, totalling approximately £810,000. HSE’s best estimate of the labour cost to business will be in the region of £3 per sign,

totalling approximately £500,000. Once signs have been replaced there will be no additional on-going costs. The total cost to business is estimated to be £1.2 million.

As referred to above, HSE acknowledges that a considerable degree of uncertainty remains around the underlying assumptions. HSE explains that considering the *“...very broad scope of industry sectors covered would necessitate a correspondingly wide array of detailed follow up consultations at considerable cost, which is disproportionate to the very low average costs per premises estimated... We therefore consider that the refined assumptions and analysis reflect the best information available given the justified, proportionate approach taken.”* (paragraph 138). HSE adds that: *“In order to reflect uncertainty around assumptions, we have provided low, high, and best estimate assumptions... HSE believe this range provides a reasonable reflection of uncertainty around the possible range of costs.”* (paragraph 139).

HSE has used the assumption that approximately 15% of signs will need to be changed to comply with the requirements of the EU Regulation. The impact assessment could be improved by explaining the basis for this assumption.

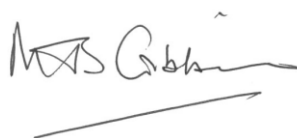
In the impact assessment, HSE explains in its impact assessment that there is the possibility of wider changes to be made to the regulatory regime. However, stakeholders at consultation perceived these changes to be potentially controversial presenting a reduction to worker protection. The HSE Board did consider making wider amendments to the regulatory regime, but did not believe there was sufficient evidence available to propose such changes. The Board did, however, agree that further work should be done to consider the issues with a view to possible proposals in the future (paragraph 32).

The impact assessment could be improved by strengthening the case to explain how HSE determined that the limited changes in scope of the regulations will not increase the administrative costs to business (paragraph 112).

HSE also explains that the proposal may bring wider benefits from using a harmonised system of classification and labelling of chemicals. However, HSE has not been able to monetise these benefits, *“...given the level of data required and uncertainty as to how they may manifest. However, HSE expect that costs of inconsistent and confusing legislation to businesses, and potentially to workers, would be considerable.”* (paragraph 133).

On the basis of the evidence presented, HSE’s estimated equivalent annual net cost to business of £0.41 million appears to provide a reasonable assessment of the likely impacts, and is consistent with the Better Regulation Framework Manual (paragraph 1.9.11).

Signed



Michael Gibbons, Chairman