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|  Regulatory Policy Committee | OPINION | |
| Impact Assessment (IA) | Transfer of private water supply pipes to Water and Sewerage Company ownership | |
| Lead Department/Agency | Department for Environment, Food and Rural Affairs | |
| Stage | Consultation | |
| Origin | Domestic | |
| Date submitted to RPC | 15/03/2013 | |
| RPC Opinion date and reference | 24/04/2013 | RPC13-DEFRA-1735 |
| Overall Assessment | RED | |
| <p>The IA is not fit for purpose. The IA does not provide sufficient analysis and evidence to enable an effective assessment to be made of the costs and benefits of the options. The One-in, Two-out (OITO) assessment lacks sufficient detail to enable determination of whether it is robust or not.</p> | | |
| <p>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</p> | | |
| <p><i>Primary legislation and regulation</i></p> | | |
| <p>The IA is not consistent with the Better Regulation Framework (BRF) Manual (March 2013). This Guidance says that “Where you are implementing a measure through primary legislation, or through a combination of primary legislation and secondary legislation made using powers provided in the primary legislation, the primary legislation impact assessment should quantify the total expected impact of the measure.” (Para 3.3.45). The IA fails to do this.</p> | | |
| <p><i>Incomplete assessment of policy options.</i></p> | | |
| <p>The IA contains two options to deal with the issues surrounding the current private ownership of certain water supply pipes. Option 1 is called ‘a voluntary code of practice’ and Option 2 is called ‘create a power to regulate’. The IA provides very little detail on what these options entail and how they would operate in practice. For example, there is little quantitative or qualitative analysis of the possible impacts on insurance companies, plumbers and others whose business may be adversely affected. Also, there is no discussion of the likely income distribution impacts of the proposals, or that some water consumers may gain at a cost to all water consumers in higher charges. More generally, the IA provides no estimates of the potential costs and benefits of either option, or the time period over which they are assessed.</p> | | |
| <p>The IA needs to provide estimates of the costs and benefits of the alternative options available, over a specified time period, and in terms of who will be impacted and when, to enable a meaningful consultation on its content. If quantification is not possible at this stage, then the reasons need to be set out and the expected effects discussed qualitatively.</p> | | |

Other options

The IA does not explain if there are other feasible options to resolve the problem under consideration, such as placing more stringent obligations on private owners to increase the quality of their supply pipes.

Rationale for intervention

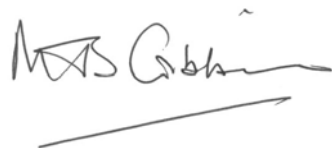
The IA appears to base the rationale for intervention on a 'merit good' argument. Issues concerning clean water supplies are normally considered in the context of public good and common resource arguments. The IA needs to provide greater detail on the economic or other rationale for the proposal.

Have the necessary burden reductions required by One-in, Two-out (OITO) been identified and are they robust?

The IA says that the preferred option (Option 2 'create a power to regulate') would be an IN *"..of a small or zero net cost.."* (Page 8). However, the IA provides insufficient analysis and evidence for this to be considered a robust conclusion.

The IA needs to explain in more detail why the regulatory requirement for water companies mandatorily to adopt private water supply pipes would necessarily lead to a small or zero net cost. The BRF Manual (paragraphs 2.9.22 - 2.9.23) explains that while the transferred asset is a direct benefit, where assets are transferred in a dilapidated state the cost of maintenance and remedy is a direct cost. As the water pipes subject to the proposed regulation are said to be subject to high leakage and poor repair, it is reasonable to assume that there will be appreciable direct costs.

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons", with a long horizontal line underneath it.

Michael Gibbons, Chairman