 Regulatory Policy Committee	OPINION	
Impact Assessment (IA)	Carriers' Liability Penalty Charge Consultation	
Lead Department/Agency	Home Office	
Stage	Consultation	
Origin	Domestic	
IA Number	HO0079	
Date submitted to RPC	21/12/2012	
RPC Opinion date and reference	27/02/2013	RPC12-HO-1689
Overall Assessment	AMBER	
<p>The IA is fit for purpose. However, the IA should include a better description of why government intervention is justified and why options outside the preferred range have been disregarded.</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>Range of options.</i> The IA explains that as the current penalty charge has not changed since 1991, it has lost its value in real terms, reducing its deterrent effect and it is proposed to increase this to between £7,000 and £10,000. However, the IA should include further discussion of why options outside of the preferred range of penalties have been disregarded. For example, the IA says that had the penalty increased in line with inflation, it would now stand at around £3,500 (page 5) while the international evidence provided (Table B1) would indicate a lower penalty charge than the proposed increase could be appropriate. To help facilitate the consultation, the IA would benefit from appraising the deterrent effect of lower charges.</p>		
<p>The evidence supporting the impact of the higher deterrent penalty charge on the volume of inadequately documented arrivals (IDAs) will have to be strengthened during the consultation.</p>		
<p><i>Rationale for government intervention.</i> The drafting of the IA should be improved as currently it does not appear to justify the rationale for Government intervention coherently. The volume of IDAs appears to have been declining since 1999 despite the claimed lack of deterrent effect of the existing penalty. There also appears to have been a lack of discussion with carriers regarding the underlying drivers for the existing levels of IDAs or the potential impacts of the different levels of charges. As such, in order to support a meaningful consultation the IA would benefit from a clearer discussion of the drivers behind levels of IDAs and how the proposed levels of fines will be expected to achieve the policy objectives as, for example, the IA as currently drafted appears to suggest that there will be a limited impact on the number of IDAs.</p>		
<p><i>Costs for compliant businesses.</i> The IA states that the policy objective is “to encourage carriers to perform more effective checks on their passengers”, yet the IA does not consider whether it is likely that there will be any increased costs to all</p>		

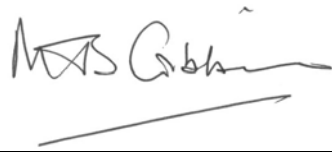
businesses in the carrier industry of undertaking a more stringent/rigorous checking process in response to introducing a higher deterrent level. As such additional burdens would be scored for One-in, One-out (OIOO) purposes, the consultation will have to be used to test what would be the impact of this on businesses.

In the summary sheet the IA identifies the increased revenue from changes to the penalty to the exchequer as a benefit while not including costs to non-compliant businesses of paying the increased fines. This is consistent with standard practice for policies of this type. However we recommend that the issue of how costs and benefits of fines should be treated is reviewed at a cross Whitehall level to ensure that the method used best reflects the information required by decision makers.

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

As the proposal relates to a change in fines and penalties, it is potentially out of scope of One-in, One-out (OIOO) in accordance with the current OIOO Methodology (paragraph 16, ix). However, as stated above, if there is any impact on compliant businesses, then this will be in scope of OIOO. If this is the case, the evidence supporting the estimated Equivalent Annual Net Cost to Business (EANCB) will have to be further strengthened so that it can be validated at final stage.

Signed



Michael Gibbons, Chairman