 <b>Regulatory Policy Committee</b>	<b>OPINION</b>	
<b>Impact Assessment (IA)</b>	Pubs statutory code and adjudicator	
<b>Lead Department/Agency</b>	Department for Business, Innovation and Skills	
<b>Stage</b>	Consultation	
<b>Origin</b>	Domestic	
<b>IA Number</b>	BIS0395	
<b>Date submitted to RPC</b>	15/2/2013	
<b>RPC Opinion date and reference</b>	26/3/2013	RPC13-BIS-1717
<b>Overall Assessment</b>	<b>AMBER</b>	
<p>The IA is fit for purpose. In order to facilitate an effective consultation, the IA should provide specific analysis and evidence to support the assumptions used to derive the current estimates of both costs and benefits. In addition, the IA should include a more detailed consideration of the potential adverse impacts on pub-owning companies.</p>		
<p><b>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</b></p> <p><i>Cost and benefit estimates.</i> It is not clear from the IA how a number of estimates presented within the analysis have been derived. In particular, the best estimate for average annual costs of £1.9m for option 2 does not appear to be consistent with the breakdown of the monetised costs shown on page 3.</p> <p>In addition, the analysis in the IA draws heavily on estimates and assumptions used for proposals relating to the Groceries Code Adjudicator (GCA). A number of these estimates have simply been re-stated but without any supporting analysis. In order to facilitate an effective consultation, the IA should provide more detail to explain how all estimates and assumptions have been derived. Quantification of other costs and benefits at the final stage would help to explain why Option 2 is preferred to Option 3 when the latter has a higher (ie, marginally less negative) NPV and lower costs to business.</p> <p><i>Viability of pub-owning companies.</i> The IA says that, due to the transfer from pub-owning companies to licensees, “... <i>the policy could have an impact on the viability of pub owning companies</i>” (page 12). However, the IA provides very little information regarding the likely significance of any such adverse impacts. In particular, the IA would benefit from explaining what proportion of pub-owning companies’ profits is likely to be transferred to licensees. The consultation should be used to strengthen the supporting evidence base so that the likely impacts of the proposal - on pub-owning companies in particular - can be understood better at final stage.</p> <p><i>Number of investigations.</i> The IA says it is assumed that, in line with the GCA, the pubs adjudicator would carry out between two and four investigations per year (paragraph 52). However, there is no assessment of whether or not the tied-pub market is sufficiently similar to the groceries market to justify the use of such an</p>		

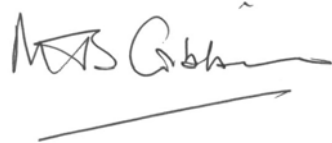
assumption. The IA should provide a more detailed consideration of how reliable this assumption is likely to be.

*Impacts on un-tied pubs.* As a result of the proposal, it is expected that there will be a transfer from pub-owning companies to licensees although the exact nature of this transfer is unclear. If this transfer is achieved through a reduction in rents paid by licensees, it appears possible that this could have an impact on competition between tied and un-tied pubs. The IA should consider, in particular, whether the proposal could have any unintended consequences on the trade in un-tied pubs.

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

The IA says that the proposal is for a regulatory measure that will impose a net cost to business (an IN). This is consistent with the Better Regulation Framework Manual (paragraph 2.9.10) and provides a reasonable assessment of the likely direction of impacts. The analysis and evidence supporting the estimated EANCB will have to be strengthened so that it can be validated at final stage.

**Signed**

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

**Michael Gibbons, Chairman**