 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	Waste Electrical and Electronic Equipment (WEEE) system	
Lead Department/Agency	Department for Business, Innovation and Skills	
Stage	Final	
IA number	BIS 0393	
Origin	European	
Expected date of implementation (and SNR number)	By 14 February 2014 (SNR7)	
Date submitted to RPC	7/8/2013	
RPC Opinion date and reference	30/9/2013	RPC13-BIS-1712(2)
Overall Assessment	GREEN	
<p>RPC comments</p> <p>The IA is fit for purpose. The One-in, Two-out (OITO) assessment and the estimate for the equivalent annual net cost to business figure of -£2.3m are reasonable. The IA has addressed the Regulatory Policy Committee's comments in its opinion (dated 22 March 2013) on the consultation stage IA. There are a couple of areas where the IA would benefit from greater explanation, as detailed below.</p>		
<p>Background (extracted from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p>Market failures borne by regulatory failures include: Monopoly behaviour by some producer compliance schemes (PCS) which are able to take advantage of a guaranteed buyer, low rates of producer members switching between schemes and the low impact producer membership is likely to have on their profitability. Price discrimination on larger producers is more likely as their ability to switch is lower. Moral hazard arises as the PCS acting on behalf of the producer will have asymmetric information on costs incurred/revenues obtained as a result of contracts between various agents. Given inelastic and guaranteed producer demand as a result of obligations being aligned to market share for 100% of designated collection facility WEEE, excessive charging occurs.</p> <p>What are the policy objectives and the intended effects?</p> <p>Following the environmental Red Tape Challenge, the Government committed in the Budget 2012 to rationalise environmental regulation, including by consulting on preventing excessive compliance costs for business from the WEEE regulations. The objective is to address concerns from producers of EEE that the actual cost of compliance with their financial obligations set out in the existing WEEE regulations is significantly higher than the true cost of collection, treatment, recovery, re-use, recycling, and environmentally sound disposal of WEEE that they are required to finance.</p> <p>The preferred option combines a number of features of the existing WEEE system with some features derived from the batteries regulations related to portable batteries, combined with an option to pay a "compliance fee" by PCS in the event that they do not achieve their collection target.</p>		

Comments on the robustness of the OITO assessment

The Department considers that the proposal is out of scope of OITO. Although the proposal is beneficial to business, the IA states (paragraph 277, page 66) that it “...cannot be counted as an OIT because it is not strictly a removal of gold plating of an EU Directive.” This appears to be a reasonable assessment and consistent with OITO methodology. The original implementation was not considered to be gold plating and, while the Department appears to now find that costs to business can be reduced, the cost saving is not treated as being in scope of OITO.

The estimate for the equivalent annual net cost to business figure of -£2.3m is reasonable. The IA would be improved by including the additional information provided by the Department separately on how the Business NPV, which drives the EANCB, has been calculated.

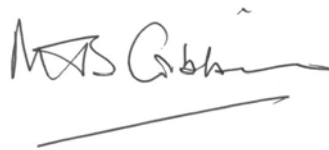
Comments on the robustness of the small & micro-business assessment (SMBA)

The proposals are of international origin and therefore the SMBA is not applicable. However, it is noted that the proposal is aimed at reducing burdens on business and is not expected to have a disproportionate impact on SMEs.

Quality of the analysis and evidence presented in the IA

The IA addresses the comments made in the RPC’s opinion (dated 22 March 2013) on the consultation stage IA. In particular, the IA now includes an up-front breakdown of costs with an explanation (page 4), additional information on risk (pages 28-29), and sensitivity analysis (pages 60-62). The IA provides a useful detailed report on the outcome of the consultation (pages 35-39) and how this has informed the preferred option. The IA would be improved by greater explanation of how the upper and lower estimates of costs and benefits of this option have been revised post-consultation.

Signed



Michael Gibbons, Chairman