



Department
for Transport

Consultation on the Enforcement of Vehicle Tyre Labelling Regulations.

April 2014

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Foreword

Your comments are invited on the proposed regulations (Annex A) which put in place the enforcement powers required to supplement the EC Regulation on tyre labelling. The draft regulations are intended to introduce enforcement powers and penalties which are proportionate and which go no further than is necessary in order to meet the requirements of the European legislation.

Executive summary

Tyre design affects safety and the pollution, noise, and CO₂ emissions from vehicles. The purchase of fuel efficient and safe tyres also relies on the provision of consistent, comparable, information to consumers. Previously this information has not been available, so there were deficiencies in consumer information. To address this market failure, from November 2012 new requirements for consumer labelling of tyres came into effect by means of EU Regulation (EC) No 1222/2009.

The new regulations will enforce directly applicable EU obligations, with the objective of encouraging consumers to purchase tyres that will reduce the environmental impact of motoring through reduced fuel consumption and noise.

The Department's chosen approach to enforcing these requirements is to appoint a Market Surveillance Authority (as required by EU legislation) and introduce the minimum legislation necessary to support the enforcement of tyre labelling using a risk-based approach. This ensures that monitoring and enforcement will impose a minimal burden on business, while complying with Hampton principles¹.

¹ <http://www.bis.gov.uk/brdo/resources/knowledge/better-regulation-principles>

How to respond

The consultation period began on 10th April 2014 and will run until 23rd May 2014. Please ensure that your response reaches us before the closing date. If you would like further copies of this consultation document, or would like it in an alternative format (Braille, audio CD, etc) please contact Phil Bailey.

Please send consultation responses to

Phil Bailey
1/32 Great Minster House
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33 Horseferry Road
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020 7944 2973
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When responding, please state whether you are responding as an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

If you have any suggestions of those who may wish to be involved in this process please contact us.

Freedom of Information

Information provided in response to this consultation, including personal information, may be subject to publication or disclosure in accordance with the Freedom of Information Act 2000 (FOIA) or the Environmental Information Regulations 2004.

If you want information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence.

In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information, we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Department will process your personal data in accordance with the Data Protection Act (DPA) and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Consultation principles

The consultation is being conducted in line with the Government's key consultation principles which are listed below. Further information is available at

<https://www.gov.uk/government/publications/consultation-principles-guidance>

If you have any comments about the consultation process please contact:

Consultation Co-ordinator
Department for Transport
Zone 1/29 Great Minster House
London SW1P 4DR
Email consultation@dft.gsi.gov.uk

The proposals

The proposed new UK regulations address the tyre labelling requirements of Regulation (EC) No 1222/2009 by creating the necessary enforcement powers and penalty provisions required by EU law.

The Regulations are intended to ensure the Department is able to enforce its EU obligations. Our approach to enforcement is to appoint a Market Surveillance Authority (as required by EU legislation) and introduce the minimum legislation necessary to support the enforcement of tyre labelling using a risk-based approach. This ensures that monitoring and enforcement will impose a minimal burden on business, while complying with Hampton principles.

The Department has appointed a tyre enforcement authority (the National Measurement Office) which will be responsible for organising a risk-based market surveillance approach and for the application of appropriate enforcement measures that impose the minimum burdens necessary to meet our EU obligations. This will be through the use of criminal offences that can be enacted using the primary legislation powers under which the new tyre Regulations will be drafted (Consumer Protection Act 1987). Where necessary section 2(2) of the European Communities Act 1972 will be used to create enforcement provisions in respect of the obligations created by European Regulations and those enforcement provisions will effectively adopt the 1987 Act enforcement regime. This is consistent with the current sanctions that are in place for contravention with regulatory requirements on tyres.

This approach maintains a similar methodology to the existing regime by promoting a risk-based approach to market surveillance and enforcement. It is intended, through the use of methods such as education, warning letters and cautions, to create behavioural change and promote compliance, giving regulated entities opportunities to comply before prosecution. It is noted that regulatory requirements for tyre labelling are new and the focus of the Enforcement Authority will be on educating retailers as to their obligations in the first instance, and only pursuing prosecutions against persistent non-conforming suppliers.

This risk-based approach will be guided by the Government's regulatory principles which require enforcement to be intelligence led, based on an assessment of risk, and proportional.

Consultation questions

1. Do you consider that the proposed approach to enforcement is an appropriate and proportionate way of enforcing the regulations? If not please explain how you think it could be improved.

2. At a later stage the department intends to consolidate and simplify existing tyre related provisions contained within the Motor Vehicle Tyre Safety Regulations 1994 and Road Vehicle Construction and Use Regulations 1986. As a result we wish to understand the financial benefits of simplified and consolidated legislation to your businesses and other organisations. The simplification is judged to provide benefits primarily to those that have to refer directly to the legislation by reducing the amount of time spent reading and understanding it.
 - (a) Does your business directly read the legislation?
 - (b)
 - (i) How many man days per year do you currently spend reading and understanding the current legislation?
(e.g. two people spending a week each reading through the legislation would mean 10 man days.)

 - (ii) How many man days per year do you believe your organisation will save from simplifying the regulations?

 - (iii) What sector is your business or organisation in?

 - (iv) For what reason does your business or organisation refer to the legislation?

(Further guidance on how to write consultation questions can be found at <http://www.bis.gov.uk/policies/better-regulation/consultation-guidance>)

What will happen next?

A summary of responses, including the next steps, will be published within three months of the consultation closing. Paper copies will be available on request.

Question and answer brief

Below is a list of questions that you might wish to ask about these proposals. If you still have questions after you have read this section please contact:

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Q1. Will this measure not push up the costs of motoring by placing compliance burdens upon tyre distributors and excluding less expensive tyres from the market?

A1. No. The compliance costs will be minimal (as shown in our Impact Assessment) because tyres are almost invariably labelled already and the burden of bringing the characteristics of the tyres to the attention of the purchaser will be very small. No tyres that meet the current minimum performance standards will be excluded from the market, although the expectation is that more consumers will balance price against other characteristics when purchasing tyres in the future.

Annex A – Draft Regulations (stc)

STATUTORY INSTRUMENTS

2014 No. 0000

CONSUMER PROTECTION

The Tyre Labelling Regulations 2014

Made - - - - 2014

Laid before Parliament 2014

Coming into force - - 2014

1.The Secretary of State [for Transport] makes the following Regulations in exercise of the powers conferred by sections 11 and 27(2) and (3) of the Consumer Protection Act 1987⁽²⁾ (“the 1987 Act”) and by section 2(2) of, and paragraph 1A of Schedule 2 to, the European Communities Act 1972⁽³⁾ (“the 1972 Act”).

2.The Secretary of State [for Transport] is a Minister designated for the purposes of section 2(2) of the 1972 Act in relation to the environment⁽⁴⁾.

3.These Regulations make provision for a purpose mentioned in section 2(2) of the European Communities Act 1972 and it appears to the Secretary of State that it is expedient for a reference to any of Annexes I to III to Regulation (EC) No 1222/2009⁽⁵⁾ to be construed as reference to those Annexes or to that Annex as amended from time to time.

4.The Secretary of State has, in accordance with section 11(5) of the Consumer Protection Act 1987, consulted such organisations as appear to the Secretary of State to be representative of interests substantially affected by the following Regulations, the Health and Safety Executive in relation to the application of the following Regulations to Great Britain, and such other persons as the Secretary of State considers appropriate.

Citation and commencement

These Regulations may be cited as the Tyre Labelling Regulations 2014 and come into force on [] 2014.

⁽²⁾ 1987 c.43; section 11(5) was amended by S.I. 2008/960.

⁽³⁾ 1972 c.68. Section 2(2) was amended by the Legislative and Regulatory Reform Act 2006 c.51, section 27(1), and by the European Union (Amendment) Act 2008 c.7, section 3(3) and Part 1 of the Schedule.

⁽⁴⁾ S.I. 2008/301.

⁽⁵⁾ Regulation (EC) No 1222/2009 of the European Parliament and of the Council of 25 November 2009 on the labelling of tyres with respect to fuel efficiency and other essential parameters, OJ No L 342, 22.12.2009, p.46, amended by Commission Regulation (EU) No 228/2011 of 7 March 2011 (OJ No L 62, 9.3.2011, p.1) and Commission Regulation (EU) No 1235/2011 of 29 November 2011 (OJ No L 317, 30.11.2011, p.17).

Interpretation

In these Regulations—

“1972 Act” means the European Communities Act 1972;

“1987 Act” means the Consumer Protection Act 1987;

“enforcement authority” means the Secretary of State and includes any person appointed under regulation [8(2)] to assist in the discharge of the Secretary of State’s enforcement duty;

“market surveillance authority” means a person or body appointed by the Secretary of State under regulation [8(3)] to act as a market surveillance authority within the meaning of Regulation (EC) No 765/2008⁽⁶⁾; and

“Regulation (EC) No 1222/2009” means Regulation (EC) No 1222/2009 of the European Parliament and of the Council of 25 November 2009 on the labelling of tyres with respect to fuel efficiency and other essential parameters, as amended by such EU instruments as are in force on the day the Tyre Labelling etc Regulations 2013 are made.

Offences relating to labelling requirements under Regulation (EC) No 1222/2009

—(1) A person who fails to comply with any of the requirements of any of Articles 4 to 7 of Regulation (EC) No 1222/2009, including the requirements of, as the case may be, any of Annexes I to III to that Regulation commits an offence.

Subject to regulations [4] and [7], an offence under paragraph (1) is to be dealt with as if it were a breach of safety regulations made under section 11 of the 1987 Act.

Application of certain provisions in the 1987 Act

—(2) A person who is subject to the requirements mentioned in regulation [3] is also subject to the provisions contained in—

sections 12 to 18 in Part II of the 1987 Act,

sections 27 to 35 in Part IV of the 1987 Act, and

Schedule 2 to the 1987 Act,

and the requirements of those provisions apply in relation to a breach of regulation [3] as if it were a breach of a safety regulation made under section 11 of that Act.

A person mentioned in paragraph (1) may, in addition to any offence under regulation [3] commit, as the case may be, an offence under—

section 12 (offences against safety regulations),

section 13 (prohibition notices and notices to warn),

section 14 (suspension notices),

section 18 (power to obtain information), or

section 32 (obstruction of an authorised officer),

of the 1987 Act, in relation to the requirements of regulation 3.

Modification of the 1987 Act

—(3) For the purposes of these Regulations the 1987 Act is to be read as modified as follows.

A reference in the 1987 Act to—

an enforcement authority,

a weights and measures authority in Great Britain, or

a district Council in Northern Ireland

is to be read as if it were a reference to the Secretary of State or any person or body appointed by the Secretary of State under regulation [8(2)].

A reference in the 1987 Act to—

a duly authorised officer,

⁽⁶⁾ Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93, OJ No L 218, 13.8.2008, p.30.

an officer of the authority, or
an officer.

is to be read as if it includes a person authorised by the Secretary of State or by a person or body appointed under regulation [7(2)] to act as such an officer.

A reference in—

section 28 (test purchases),
section 29 (powers of search etc),
section 30 (provisions supplemental to s.29),
section 32 (obstruction of authorized officer), or
section 33 (appeals against detention of goods),

to an enforcement authority or to an officer is to be read as if it includes, in addition to any person or body mentioned in paragraph (2) or (3), or appointed under regulation [8(2)], the market surveillance authority or person acting on that authority's behalf.

Penalties

—(4) Subject to paragraph (2), a person who is guilty of an offence under regulation [3] or [4] is liable—
on summary conviction, to a penalty not exceeding level 5 on the standard scale;
on indictment, to a fine.

Where a person is guilty of an offence under regulation [4(2)], sections 12(5), 13(4) and 14(6) of the 1987 Act, where applicable, are to be read as if for the words after “summary conviction” there were substituted “to a fine not exceeding level 5 on the standard scale”.

Offences by bodies corporate

—(5) Where—

an offence under these Regulations has been committed by a body corporate, partnership, Scottish partnership or other unincorporated association; and

it is proved that the offence was committed with the consent or connivance of, or was attributable to any neglect on the part of—

a relevant individual; or

an individual purporting to act in the capacity of a relevant individual,

the individual as well as the body corporate, partnership, Scottish partnership or unincorporated association, is guilty of an offence and is liable to be proceeded against and punished accordingly.

In paragraph (1), “relevant individual” means—

in relation to a body corporate—

A director, manager, secretary or other similar officer of the body; or

Where the affairs of the body are managed by its members, a member;

in relation to a partnership or Scottish partnership, a partner;

in relation to an unincorporated association other than a partnership or Scottish partnership a person who is concerned in the management or control of the association.

Enforcement authority and market surveillance authority

—(6) It is the duty of the Secretary of State to enforce these Regulations.

The Secretary of State may from time to time appoint any person or body to provide assistance for the purpose of facilitating the carrying out by the Secretary of State of the duty mentioned in paragraph (1).

In relation to regulation [3], the Secretary of State must, for the purpose of Article 12 of Regulation (EC) No 1222/2009, appoint a person or body to act as a market surveillance authority.

The person or body appointed under paragraph (3) may be the same person or body as that appointed (if any) under paragraph (2).

Review

—(7) The Secretary of State must from time to time—
carry out a review of regulations [3 to 8],
set out the conclusions of the review in a report, and
publish the report.

In carrying out the review the Secretary of State must, so far as is reasonable, have regard to how Regulation (EC) No 1222/2009 is enforced in other member States.

The report must in particular—

set out the objectives intended to be achieved by the regulatory system established by those regulations,
assess the extent to which those objectives are achieved, and

assess whether those objectives remain appropriate and, if so, the extent to which they could be achieved with a
system that imposes less regulation.

The first report under this regulation must be published before the end of the period of five years beginning with the day on which these Regulations first come into force.

Reports under this regulation are afterwards to be published at intervals not exceeding five years.

Signed by authority of the Secretary of State for Transport

Date

Parliamentary Under Secretary of State
Department for Transport

- **EXPLANATORY NOTE**

- *(This note is not part of the Regulations)*

These Regulations create enforcement provisions in relation to the labelling requirements for new tyres created by Regulation (EC) No 1222/2009 of the European Parliament and of the Council of 25 November 2009 on the labelling of tyres with respect to fuel efficiency and other essential parameters (OJ No L 342, 22.12.2009) (“the EC Regulation”).

Regulation 3 creates offences in relation to a failure to comply with the requirements of Articles 4 to 7 or Annexes I to III of the EC Regulation. Those articles contain obligations on the suppliers and distributors of tyres and vehicles in relation to the labelling of new tyres with consumer information on their rolling resistance (fuel efficiency), wet grip and external rolling noise characteristics.

For the purposes of enforcing the EC Regulation these Regulations treat offences under *regulation 3* as breaches of safety regulations under section 11 of the Consumer Protection Act 1987 (“the 1987 Act”). *Regulation 4* applies certain other parts of the 1987 Act to make use of the enforcement provisions contained in that Act and *regulation 5* modifies the reading of the relevant parts of the 1987 Act for particular context of these Regulations.

Regulation 6 sets out the penalty for breach of these Regulations and modifies the penalties for an offence committed by reference to a breach of certain provisions of the 1987 Act to make them consistent with the penalties applicable to a breach of these Regulations.

Regulation 7 provides that members and officers of corporate bodies or partnerships who have contributed to a failure to comply with the EC Regulation are also liable to be prosecuted.

Regulation 8 creates a duty on the Secretary of State to enforce these Regulations and to appoint a person or body to act as a market surveillance authority. Article 12 of the EC Regulation provides that the market surveillance authority appointed must verify compliance with its requirements. It is envisaged that the Secretary of State will appoint the National Measurement Office in this regard.

[A full impact assessment of the effect this instrument will have in relation to the 2009 Regulation on the costs of business and the voluntary sector, is available from the Department for Transport, 33 Horseferry Road, London, SW1P 4DR, telephone number 020 7944 2116 and is also published with the Explanatory Memorandum alongside the instrument on the UK legislation website, www.legislation.gov.uk.]

A copy of the European Regulations referred to in this Explanatory Note may be viewed in the Official Journal of the European Union via the EUR-Lex website at <http://eur-lex.europa.eu>.

Annex B - Impact assessment

When responding to the consultation, please comment on the analysis of costs and benefits, giving supporting evidence wherever possible.

Please also suggest any alternative methods for reaching the objective and highlight any possible unintended consequences of the policy, and practical enforcement or implementation issues.

The impact assessment considers three things:

- the enforcement regime for the tyre labelling requirements introduced by EU Regulation No. 1222/2009,
- the consolidation of existing UK tyre regulations, and
- the transposition of the tyre related requirements set out in EU Regulation No. 661/2009.

These changes to UK legislation are to be implemented in two stages. The first will be to create enforcement powers and associated penalties concerning the tyre labelling requirements of EU Regulation 1222/2009. The second will be the consolidation of existing UK tyre regulations and transposition of the tyre regulations contained in EU Regulation No. 661/2009. This consultation concerns the first of these. We will be consulting on the second stage in the future.

Title: Impact Assessment for The Motor Vehicle Tyres Regulations 2012 IA No: DfT00185 Lead department or agency: Department for Transport Other departments or agencies:	Impact Assessment (IA)		
	Date: 23/11/2012		
	Stage: Consultation		
	Source of intervention: Domestic		
	Type of measure: Secondary legislation		
Contact for enquiries: Phil Bailey 02079442973			
Summary: Intervention and Options			RPC: AMBER

Cost of Preferred (or more likely) Option

Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as One-Out?
£3066m	£0m	£0m	YES	OUT

What is the problem under consideration? Why is government intervention necessary?
 Driving results in pollution externalities due to noise, and CO₂ emissions, which are affected by tyre design. The purchase of fuel efficient and safe tyres relies on the provision of consistent, comparable, information to consumers. This has not been available, so that there are currently deficiencies in consumer information. From November 2012, new requirements for tyre performance standards and tyre consumer labelling introduced by EU Regulations 661/2009 and 1222/2009 come into effect to address these market failures. In addition, the Red Tape Challenge identified that current domestic legislation for the sale and use of vehicle tyres could be simplified and consolidated, reducing regulatory burdens on business. This impact assessment relates to combining the enforcement of the EU requirements with existing UK tyre construction and supply requirements in a single Statutory Instrument.

What are the policy objectives and the intended effects?
 This measure provides the enforcement for directly applicable EU obligations which have the objective of encouraging consumers to purchase tyres that will reduce the environmental impact of motoring, and improving safety by reducing the fuel consumption and noise of vehicles and setting minimum standards for wet grip performance. It simplifies current domestic requirements. Recasting current domestic requirements and consolidating them with the requirements of EU Regulations 661/2009 and 1222/2009 is intended to simplify the regulatory regime, remove an administrative burden on industry stakeholders, and make the regulation easier to understand.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 There is a mandatory obligation to enforce the requirements of Regulation (EC) Nos 661/2009 and 1222/2009 into domestic law.
 Option 0 – do nothing - risks infraction.
 Option 1a-c - full compliance testing of all tyre models put on the market, or risk-based enforcement with a mix of either criminal and/or civil sanctions without domestic consolidation or simplification.
 Option 2 (the recommended approach) - appoint the required Market Surveillance Authority and introduce the minimum legislation necessary to support the enforcement of tyre labelling, and the minimum performance requirements, using a risk-based approach. This ensures that monitoring and enforcement will impose a minimal burden on business, while complying with Hampton principles, and provides DfT with the opportunity to consolidate and simplify existing domestic tyre legislation, so benefitting all stakeholders.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** January / 2018

Does implementation go beyond minimum EU requirements?			No		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro YES	< 20 YES	Small YES	Medium YES	Large YES
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: NA		Non-traded: -13.0

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister

Date: _____

Summary: Analysis & Evidence Policy Option 1(a)

Description: Minimum requirements and testing compliance of all tyre models on the market

Price Base Year 2012	PV Base Year 2012	Time Period Years 14	Net Benefit (Present Value (PV)) (£m)		
			Low: -557	High: 7,903	Best Estimate: 2,623

COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	0	195	2,175
High	0		345	3,654
Best Estimate	0		262	2,868

Description and scale of key monetised costs by 'main affected groups'

Cost to consumers of tyre minimum standards £2,220m and labelling £180m;

Cost to business of administration of tyre labelling: £7m;

Cost to business of enforcement activity audits and remedial work: £28m;

Cost to Government of increased enforcement activity: Tyre Testing: £405m; Audits: 28m;

Other key non-monetised costs by 'main affected groups'

None

BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	295	3,097
High	0		976	10,078
Best Estimate	0		532	5,490

Description and scale of key monetised benefits by 'main affected groups'

Benefit to consumers of tyre minimum standards: £5,373m

Benefit to consumers of tyre labelling: £100m

Benefit to consumers of improved compliance: £18m

Other key non-monetised benefits by 'main affected groups'

The improvements in wet weather tyre performance as a result of this measure are likely to reduce the number and severity of accidents on the road by incrementally improving the average braking distance of vehicles across the fleet of vehicles in use in the UK. These benefits have not been monetised here.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Note the impacts for tyre labelling (now Regulation EC No 1222/2009) and standards (now Regulation EC No 661/2009) are taken from the relevant impact assessments. The benefits related to improved compliance are illustrative, as data on actual levels of compliance were not available.

BUSINESS ASSESSMENT (Option 1a)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 228	Benefits: 0	Net: 228	YES	IN

Summary: Analysis & Evidence Policy Option 1(b)

Description: Minimum requirements and enforcement using risk based approach combined with use of criminal offences

Price Base Year 2012	PV Base Year 2012	Time Period Years 14	Net Benefit (Present Value (PV)) (£m)		
			Low: -77	High: 8,161	Best Estimate: 3,066

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	156	1,740
High High	Optional	303	3,174
Best Estimate		222	2,407

Description and scale of key monetised costs by 'main affected groups'

Cost to consumers minimum standards: £2,220m; Labelling £180m;
 Cost to business of administration of tyre labelling: £7m;
 Cost to Government of additional enforcement activity: £170,000

Other key non-monetised costs by 'main affected groups'

None

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	295	3,097
High	Optional	957	9,901
Best Estimate		530	5,473

Description and scale of key monetised benefits by 'main affected groups'

Benefit to consumers of tyre minimum standards: £5,373m
 Benefit to consumers of tyre labelling: £100m

Other key non-monetised benefits by 'main affected groups'

The improvements in wet weather tyre performance as a result of this measure are likely to reduce the number and severity of accidents on the road by incrementally improving the average braking distance of vehicles across the vehicle fleet of vehicles in use in the UK. These benefits have not been monetised here.

Key assumptions/sensitivities/risks

Discount rate (%)

3.5

Note the impacts for tyre labelling (now Regulation EC No 1222/2009) and standards (now Regulation EC No 661/2009) are taken from the relevant impact assessments. The benefits related to improved compliance are illustrative, as data on actual levels of compliance were not available.

BUSINESS ASSESSMENT (Option 1b)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 226	Benefits: 0	Net: 226	No	NA

Summary: Analysis & Evidence Policy Option 1(c)

Description: Minimum requirements and enforcement using risk based approach combined with criminal offences and civil sanctions

Price Base Year 2012	PV Base Year 2012	Time Period Years 14	Net Benefit (Present Value (PV)) (£m)		
			Low: -77	High: 8,161	Best Estimate: 3,066

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	156	1,740
High	0	303	3,174
Best Estimate	0	222	2,407

Description and scale of key monetised costs by 'main affected groups'

Cost to consumers minimum standards: £2,220m; Labelling £180m;
 Cost to business of administration of tyre labelling: £7m;
 Cost to Government of additional enforcement activity: £170,000

Other key non-monetised costs by 'main affected groups'

None

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	295	3,097
High	0	957	9,901
Best Estimate	0	530	5,473

Description and scale of key monetised benefits by 'main affected groups'

Benefit to consumers of tyre minimum standards: £5,373m
 Benefit to consumers of tyre labelling: £100m

Other key non-monetised benefits by 'main affected groups'

The improvements in wet weather tyre performance as a result of this measure are likely to reduce the number and severity of accidents on the road by incrementally improving the average braking distance of vehicles across the vehicle fleet of vehicles in use in the UK. These benefits have not been monetised here.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Note the impacts for tyre labelling (now Regulation EC No 1222/2009) and standards (now Regulation EC No 661/2009) are taken from the relevant impact assessments. The benefits related to improved compliance are illustrative, as data on actual levels of compliance were not available.

BUSINESS ASSESSMENT (Option 1c)

Direct impact on business (Equivalent Annual) £m:	In scope of OIOO?	Measure qualifies as
Costs: 226	No	NA
Benefits: 0		
Net: 226		

Summary: Analysis & Evidence Policy Option 2

Description:

Minimum requirements and enforcement using risk based approach combined with criminal and civil sanctions, including consolidation and simplification of UK tyre legislation

Price Base Year 2012	PV Base Year 2012	Time Period Years 11	Net Benefit (Present Value (PV)) (£m)		
			Low: -77	High: 8,161	Best Estimate: 3,066

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0	156	1,740
High High	0	303	3,174
Best Estimate	0	222	2,407

Description and scale of key monetised costs by 'main affected groups'

Cost to consumers minimum standards: £2,220m; Labelling £180m; (totalling £2,400m)
 Cost to business of administration of tyre labelling: £7m; (approximately £500,000 per year)
 Cost to Government of additional enforcement activity: £170,000

Other key non-monetised costs by 'main affected groups'

None

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	295	3,097
High	0	957	9,901
Best Estimate	0	530	5,473

Description and scale of key monetised benefits by 'main affected groups'

Benefit to consumers of tyre minimum standards: £5,373m
 Benefit to consumers of tyre labelling: £100m
 (Total benefit to consumers of £5,473m)

Other key non-monetised benefits by 'main affected groups'

The improvements in wet weather tyre performance as a result of this measure are likely to reduce the number and severity of accidents on the road by incrementally improving the average braking distance of vehicles across the vehicle fleet of vehicles in use in the UK. The simplification and consolidation of UK tyre legislation will benefit the industry although this has not been monetised here however at consultation stage industry views will be sought on this issue. These benefits have not been monetised here.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Note the impacts for tyre labelling (now Regulation EC No 1222/2009) and standards (now Regulation EC No 661/2009) are taken from the relevant impact assessments. The benefits related to improved compliance are illustrative, as data on actual levels of compliance were not available.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	Yes	OUT

Evidence Base (for summary sheets)

1. Problem under consideration

The Government's Red Tape Challenge identified that existing UK regulations covering the supply and fitting of tyres to road vehicles and their trailers could be simplified. The current tyre requirements set out in the Motor Vehicle Tyres (Safety) Regulations 1994 (S.I. 1994/3117) and the Road Vehicles (Construction and Use) Regulations 1986 (S.I. 1986/1078) are complex and spread across a number of individual regulations which make it difficult for industry and the end-user to understand the overall requirements. Following an informal consultation with industry stakeholders, we plan to simplify and consolidate the existing provisions to make them more accessible to the tyre supply and fitting industry, road vehicle users, and enforcement entities.

As part of the same exercise we intend to implement the tyre requirements of Regulation (EC) No 661/2009 and to provide the minimum necessary enforcement powers and penalty provisions that are required for this and Regulation (EC) No 1222/2009 (relating to consumer information labelling of tyre performance). EU Regulations are directly applicable in law. Regulation 661/2009, however, is formulated in such a way that its requirements in respect of marketing of replacement tyres are addressed to national authorities, rather than to tyre suppliers.

2. Rationale for intervention

Government must intervene to discharge our EU legal obligations and ensure legislative clarity for industry of the requirements of Regulation (EC) No 661/2009 that require transposition in UK law. The regulation places mandatory obligations on European Member States to enforce its provisions.

Vehicle engineering improvements and new vehicle technologies have had a significant impact on UK road safety. Accidents due solely to vehicle failure are not common, so any changes to vehicle engineering or technologies which help good drivers, compensate for bad ones and mitigate the effect of mistakes can deliver huge benefits. Although some benefits have already been realised through the better protection of vehicle occupants, safer vehicles still have more to contribute and improvements can be gained from both accident avoidance and mitigation measures.

Tyres provide the fundamental connection between a moving vehicle and the road surface, and so their performance is of paramount importance to road safety. This includes characteristics such as grip (in both dry and wet conditions) and their suitability for the vehicle to which they are fitted in respect of withstanding the loads imposed upon them and withstanding the vehicle speeds to which they will be exposed.

Great Britain has a comparatively good road safety record. Nevertheless, in 2011, 1,901 people were killed and 23,122 were seriously injured in road accidents in Great Britain. In total around 203,950 people suffered injuries due to road accidents⁷. These cause inestimable human suffering and also represent a serious economic burden. In 2010, the economic welfare cost of reported road accidents was estimated to be around £15 billion⁸

The 2011 road accident casualty statistics show current reductions, when compared with the average for 2005-09, of:

- 17% in the numbers of people killed or seriously injured in road accidents;
- 21% reduction in the numbers of children killed or seriously injured; and a
- 16% reduction in number of reported accidents.

⁷ <http://assets.dft.gov.uk/statistics/releases/reported-road-casualties-gb-main-results-2011/reported-road-casualties-in-great-britain-main-results-2011.pdf>

⁸ <http://assets.dft.gov.uk/statistics/releases/road-accidents-and-safety-annual-report-2010/rccgb2010-00.pdf>

Tyres also have potential to contribute to a reduction in road transport CO₂ through the introduction of more fuel efficient designs offering lower levels of rolling resistance.

Transport accounted for 21 per cent of UK domestic greenhouse gas emissions in 2010, almost the same as either the domestic or industrial sectors on an end user basis. Carbon dioxide is the main greenhouse gas emitted by transport, and rolling resistance is responsible for approximately 25% of a road vehicle's CO₂ emissions⁹. Consequently, measures to reduce rolling resistance can make a significant contribution to reducing road transport CO₂. This is recognised in the EU's strategy for reducing vehicle CO₂ emissions, where new vehicle fleet-average CO₂ targets are supplemented by a package of complementary measures¹⁰ which included the introduction of low rolling resistance tyres (LRRT).

To promote a reduction in vehicle CO₂ emissions, and in associated costs from ill health due to vehicle noise, and to improve vehicle safety through the reduction of road accidents, the European Commission published Regulation (EC) No 661/2009, 'The General Safety Regulation', whose provisions came into effect in November 2012. The provisions relating to tyres come into effect on a rolling basis from November 2014. The Regulation sets mandatory maximum limits for the rolling resistance (fuel economy) and rolling sound (noise) and minimum limits for wet grip (safety) performance of tyres fitted to passenger vehicles, and to commercial vehicles and their trailers. The rolling noise requirements supersede those currently set out in Directive 2001/43/EC and reflect technical improvements seen in tyre design since publication of that Directive. Minimum wet grip limits and maximum permissible rolling resistance values are new requirements within tyre legislation. Recently adopted implementing measures in Regulation (EC) No 523/2012 will require tyres to be approved to certain Regulations published by the United Nations Economic Commission for Europe (UNECE) in order to demonstrate that the performance requirements of the General Safety Regulation for rolling resistance, rolling noise, and wet grip performance are met.

The General Safety Regulation places an obligation on Member States to appoint national authorities to enforce requirements for replacement tyres placed on the market (that is, sold), so that they meet the latest technical standards from 1st November 2014. In addition, Regulation (EC) No 1222/2009 (EU Tyre Labelling Regulation) requires the appointment of a suitable authority to enforce requirements placed on tyre manufacturers and tyre distributors to provide end-users with information on the rolling resistance, wet grip and noise performance of tyres from 1st November 2012. The provision of this information is intended to influence purchasing decisions and promote the uptake of tyres which exceed the minimum performance requirements of the General Safety Regulation by allowing end-users to make a more informed purchasing decision.

The Government's Red Tape Challenge identified that current UK regulations prescribing minimum requirements of tyres supplied and fitted to road vehicles and their trailers are complex and could be simplified and consolidated. They also predate the technical requirements written into European law by Regulation (EC) No 661/2009. An opportunity therefore exists for the Department to carry out both the consolidation work of the Red Tape Challenge, and to enforce the tyre performance requirements of Regulation (EC) No 661/2009 and the labelling requirements of Regulation (EC) No 1222/2009 by creating the necessary enforcement powers and penalty provisions required by EU law as part of the same exercise.

Enforcement powers and penalties are required to comply with the EU Tyre Labelling Regulation (EC) No 1222/2009, from 1st November 2012. If these enforcement provisions are not put in place, then the UK will run a risk of infraction proceedings because the Government would be unable to act against non-compliance, and would be unable to safeguard the benefits of the Regulation, including the creation of a level playing field for compliant businesses.

9 http://transportenvironment.org/sites/default/files/media/2007-10_tyres_consultation_response_rr_2.pdf Response to Commission's consultation - Reducing car CO₂ emissions through the use of low rolling resistance tyres - European Federation for Transport and Environment (T&E)

10 [http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0019:FIN:EN:PDF:COM\(2007\)19](http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2007:0019:FIN:EN:PDF:COM(2007)19) - Results of the review of the Community Strategy to reduce CO₂ emissions from passenger cars and light-commercial vehicles

3. Purpose and structure of this Impact Assessment

This Impact Assessment supports the drafting of new Regulations that will

- provide simplified and consolidated requirements covering the supply and fitting of tyres on road vehicles and their trailers and
- will include provisions required for enforcing EU tyre requirements.

The new Regulations will put in place the minimum enforcement provisions and penalties necessary to fulfil EU obligations for minimum tyre performance and consumer labelling requirements. In addition they will simplify, consolidate and update current UK tyre requirements, making them easier for industry and businesses to understand and delivering deregulation where possible without adversely affecting road safety.

This impact assessment examines the costs and benefits for a number of options as they apply to the United Kingdom. It takes into consideration previous cost and benefit analyses carried out by the Department for tyre labelling¹¹ and elements relating to tyre minimum standards within the General Safety Regulation¹². As the UK has no discretion over the application of EU law for these elements, it was not considered proportionate to update the previous analysis of those measures within this impact assessment.

This impact assessment considers a range of options for transposition into United Kingdom law of the European Directives. These options (Options 1a, 1b, and 1c) differ only in terms of the monitoring and enforcement regimes that they incorporate. An additional option (Option 2) is considered which combines the best of the transposition options with simplification of the UK Regulations.

4. Background

National requirements exist in legislation for the supply of replacement tyres for most types of road vehicle, and for the fitting and use of tyres on road vehicles and their trailers, to ensure that they are suitable with regard to their condition, loading capacity, speed rating and use for the vehicle on which they are fitted.

4.1. Tyre Safety Regulations

The Motor Vehicle Tyres (Safety) Regulations 1994 make provisions for the sale and supply of replacement tyres within the United Kingdom to ensure that tyres provide a minimum level of safety. The Regulations have been amended, most recently in 2003. Many provisions within the Regulations have not, however, been amended to account for technical progress. The provisions are enforced through local Trading Standards Officers (and by local district councils in Northern Ireland) under the Consumer Protection Act 1987. The Regulations prohibit the supply of tyres for certain road vehicles that do not bear an approval mark indicating compliance with specified minimum technical requirements. Provisions are made for the supply of new tyres, retreaded tyres and part-worn tyres (that is, second hand tyres). The Regulations indirectly require tyres to meet specified standards by making it an offence to supply tyres that do not bear an approval mark indicating compliance with the specified standards and making it an offence to supply tyres that bear a false mark. The current Regulations (as amended) contain a complex set of requirements that are difficult for industry and consumers to interpret, and for authorities to enforce.

4.2. Construction and Use

The Road Vehicles (Construction and Use) Regulations 1986 have wider scope than the tyre safety requirements and make provisions on the construction and use of all road vehicles in Great Britain. Provisions not only cover legal requirements for tyres but also brakes, steering, emissions, testing and conditions related to use amongst other things.

Specifically concerning tyres and their fitting:

- Regulation 24 makes provisions for the types of tyre to be fitted to road vehicles;

¹¹ <http://webarchive.nationalarchives.gov.uk/tna/20100927131008/http://www.dft.gov.uk/consultations/archive/2009/tyrelabellingdirective/annexc.pdf>

¹² <http://webarchive.nationalarchives.gov.uk/tna/20100927131008/http://www.dft.gov.uk/consultations/archive/2009/motorvehiclessafety/ia.pdf>

- Regulation 25 makes requirements for the load, noise and speed rating of the tyres;
- Regulation 26 prohibits the fitting of tyres with dissimilar structures on the same axle (and in other specific configurations); and
- Regulation 27 contains provisions for the condition and maintenance of tyres that are fitted to road vehicles. This includes aspects such as tyre structure and minimum tread depths.

Whilst the Construction and Use Regulations have been amended over time, the tyre provisions have not been updated to account for the evolution of vehicle and tyre types in the fleet. The result is a complex, oft-amended, set of requirements which are difficult for the tyre industry to interpret and understand. Examples of these requirements include provisions for the fitting of types of tyre which are no longer manufactured for passenger-car-sized vehicles or trailers, and the use of out-dated vehicle classifications (such as heavy motor car), that can now be simplified into more common vehicle groups based around vehicle type-approval categorisation.

4.3. EC General Safety Regulation ¹²

Regulation (EC) No 661/2009 (the 'General Safety Regulation') makes provisions for the general safety of motor vehicles, their trailers and systems, components and separate technical units. The Regulation repeals a large number of older European Directives for motor vehicles and their components that are or will be replaced by reference to equivalent UNECE Regulations. This avoids duplication of effort in developing EU and UNECE standards and improves future competitiveness and access to international markets as approvals to UNECE standards are also accepted by some non-EU countries.

Tyres must be type-approved before they can be placed on the European market. The approval process requires the testing of a representative sample of tyres against minimum safety and noise provisions as set out in various UNECE Regulations according to the type of tyre tested. Regulation (EC) No 661/2009 covers "C1" tyres intended primarily for passenger cars and their trailers, "C2" tyres intended for light commercial vehicles and their trailers, and "C3" tyres intended for heavy commercial vehicles including buses and coaches and their trailers. The Regulation specifies a phased implementation beginning from November 2014 of a number of new technical requirements to ensure that all tyres on sale comply with minimum performance criteria. These include maximum limit values for rolling resistance (relating to fuel economy) and rolling sound (noise) emissions, and minimum limit values for wet grip (safety) performance. The Regulation places a mandatory obligation on national authorities to prohibit the sale and entry into service of new replacement tyres which do not meet its technical requirements. The new technical requirements are discussed below.

As part of the phased implementation measures the Regulation allows a sell-off period based on the date of tyre manufacture. To reduce the likelihood that dealers and retailers are left with unsold and non-compliant stock, tyres manufactured up to the week before a particular technical requirement comes into force may continue to be sold for 30 months.

4.3.1. Rolling Resistance - Fuel economy

The regulation introduces rolling resistance limits in two stages and covers all three tyre categories (C1, C2 and C3). Implementation dates for replacement tyres are phased depending on the tyre category and run over the time period from the 1st November 2014 to the 1st November 2020. For replacement tyres, the first stage limits apply for category C1 and C2 tyres from 1 November 2014 and for category C3 tyres from 1st November 2016. The second stage limits apply for C1 and C2 tyres from 1 November 2018 and for C3 tyres from 1st November 2020. The limit values of rolling resistance in the two stages are shown in Table 1.

Performance data on the rolling resistance of tyres available on the market in 2004 was submitted to the European Commission by the European Tyre & Rubber Manufacturers Association (ETRMA). These data were used to estimate the costs and benefits of the Regulation 661/2009 rolling resistance limits. It is noted that conflicting data were submitted by the environmental NGO Transport and Environment (T&E) suggesting that tyre rolling resistance performance may have been rather better than was initially suggested by ETRMA. If correct this

would result in a reduction in both the costs and the benefits of rolling resistance limits estimated in the initial impact assessment.

Table 1 Limit values for rolling resistance for C1, C2 and C3 tyres

Tyre category	Max value (kg/tonne) 1st stage	Max value (kg/tonne) 2nd stage
C1	12.0	10.5
C2	10.5	9.0
C3	8.0	6.5

ETRMA data shows that 1st stage rolling resistance limit values set within Regulation (EC) No 661/2009 are similar to the 2004 average performance values for C1 and C2 tyres. In the case of C3 tyres the average performance of existing tyres is already well below the 1st stage limit set in Regulation (EC) No 661/2009.

4.3.2. Rolling sound (noise) emissions

Tyre noise limit values set by Regulation (EC) No 661/2009 are shown in Table 2. In the case of C1 (passenger car) tyres wider section tyres are afforded higher limit values, but to accommodate the trend towards wider tyres, the width class descriptors were changed from those specified in Directive 2001/43/EC (which set the previous limits for noise). All replacement tyres sold after 1 November 2016 must comply with the rolling noise limits below.

Table 2 Noise limit values for Class C1, C2 and C3 tyres

From Annex 1 to Regulation EC (No). 661/2009		
Tyre class	Nominal section width (mm)	Limit value dB(A) all tyres
C1A	≤ 185	70
C1B	> 185 ≤ 215	71
C1C	> 215 ≤ 245	71
C1D	> 245 ≤ 275	72
C1E	> 275	74
	All tyre widths	
C2	Normal	72
	Traction (snow) tyres	73
	Special	No category
C3	Normal	73
	Traction (snow) tyres	75
	Special	No category

Note that C1 limit values depend on the nominal section width, but not the diameter of the tyre and that limit values for C2 and C3 tyres are independent of nominal section width and of diameter of the tyre that has been tested.

4.3.3. Wet Grip (Safety) Performance

Regulation (EC) No 661/2009 uses the same wet grip requirements as those defined in UNECE Regulation 117 for C1 tyres. In order to gain approval new tyres will have to meet or exceed the prescribed wet grip index limits. Table 3 shows the wet grip index limits for category C1 tyres. The index is a comparative measure whereby the performance of new tyre model is compared to a specific reference model, for example, a normal C1 road tyre will have to perform at least 10% (1.1 times) better in wet braking tests than the reference model in order to gain approval. The reference tyre model is used as a known baseline to ensure that the levels of wet grip performance seen in current tyre models are maintained and are not compromised by the introduction of rolling resistance limits, or as a result of the drive towards developing more fuel efficient tyres.

Table 3 Wet Grip Requirements for Class C1 tyres

Category of use	Wet grip index (G)
Snow tyre with a speed symbol ("Q" or below minus "H") indicating a maximum permissible speed not greater than 160 km/h	≥ 0.9
Snow tyre with a speed symbol ("R" and above, plus "H") indicating a maximum permissible speed greater than 160 km/h	≥ 1.0
Normal (road type) tyre	≥ 1.1

4.4 Tyre Labelling Regulation¹¹

The EU Tyre Labelling Regulation (EC) No 1222/2009 requires tyre manufacturers and tyre distributors from November 2012 to display a consumer information label on all C1, C2 and C3 tyres manufactured after July 2012. Some tyres, such as temporary-use spare tyres, studded winter tyres and retreaded tyres, are excluded from the scope of the regulation. The information label is to inform consumers of the fuel efficiency, noise, and wet grip (safety) performance of their intended purchase at the point of sale so as to promote the uptake of quieter, safer and more fuel-efficient tyres. The Regulation requires the appointment of a national authority to enforce labelling requirements from 1st November 2012.

4.5 Current enforcement to verify conformity with approval requirements

The current enforcement regime for marking and verification of conformity with approval requirements consists of conducting a limited number of "point of sale" checks to ensure that tyres offered for sale are marked with the necessary approval markings, thereby showing compliance with minimum technical standards. The enforcement activity includes the dynamic testing of selected new tyres judged to be at a higher risk of non-compliance so as to ensure that they comply with technical requirements.

At present enforcement is undertaken by an appointed enforcement authority and funded through the departmental single enforcement budget (SEB). On average this enforcement involves 50 point of sale checks, and physical testing of 15 models of tyre annually. Follow-up actions in relation to tyre manufacturers take into consideration the nature, effect, and likely cause of failure, and further enforcement actions could be carried out including contact with the approval authority or manufacturer, and informing the Vehicle Safety Branch within VOSA.

The current enforcement powers and penalty provisions for non-compliance with tyre legislation are applied through either the Road Traffic Act 1988 (for Construction and Use offences) or the Consumer Protection Act 1987 (for offences relating to the supply of tyres under Motor Vehicle Tyres (Safety) Regulations 1994). Penalties resulting from prosecution for non-compliance with this legislation can result in a fine on a sliding scale up to level 5 (maximum of £5000).

5. Sectors and Groups affected

5.1 UK Tyre Manufacturers and Market

In the UK there are several trade organisations that represent the new tyre industry. The main ones are the BTMA (British Tyre Manufacturers' Association) and ITMA (Imported Tyre Manufacturers' Association). There are also a number of importers who are not affiliated to any group. Within the UK the major manufacturers are Cooper Tires (Avon), Michelin (with factories in the Midlands, Scotland and Northern Ireland), Pirelli, and Goodyear-Dunlop (Midlands) who produce some specialist tyres. ITMA members do not have a manufacturing presence in the UK but their members also need to ensure the tyres they import comply with the requirements of UK and European legislation.

In addition to the trade organisations mentioned above The Tyre Industry Federation incorporating BTMA, ITMA, National Tyre Distributors Association (NTDA), Retread Manufacturers Association (RMA), and the Tyre Recovery Association (TRA), has been set up to act as umbrella trade association for the tyre related industries to co-ordinate on issues of common concern.

In 2010 the size of the UK market for all tyres was estimated¹³ to be approximately 47.5 million tyres per annum including tyres supplied direct to car manufacturers as original equipment. Sales of loose replacement tyres totalled 36 million units for all vehicle types. Approximately 300 brands of tyre are sold in the UK with 48% coming from the EU and 52% from non-EU origin.

The market size and share of tyres is shown in Table 4.

Table 4 Market size of tyres in the UK market and source (from limited data)

Tyre Type	Original Equipment*	Replaced*	Total Sales*	BTMA	ITMA	Non-affiliated
C1 Tyres (Passenger Car)	10	32	42	50%	25%	25%
C2 Tyres (Van and Light Commercial)	1	3	4	50%	28%	22%
C3 Tyres (Commercial)	0.5	1	1.5	85%	10%	5%

* Millions of tyres sold

5.1. Retreaded tyre industry

Retreaded tyres are outside the scope of Regulations (EC) No 661/2009 and 1222/2009, although the European Commission intends to review whether retreads will be brought into scope of tyre labelling from 2016.

5.2. Tyre Distributors

Data obtained from the Tyre Industry Federation suggests that there are approximately 3,000 specialist tyre outlets in the UK. In addition, about 20,000 garages and other outlets sell new

replacement tyres as part of a wider service offering. Table 6 analyses the market share for different tyre retailer groups within the UK. Tyre specialists employ about 16,000 people in the UK and tend to operate on low margins in a highly competitive market. Total retail sales of replacement tyres stands in the order of £3.2 billion per year.

The market share of the replacement tyre market by type of tyre distributor is shown in table 5.

Table 5 Estimated market share by type of tyre distributor

Type of Retailer		Number of Outlets	Market Share	Approx number of tyres sold (millions)
Specialists	National Chains	1500	35%	12.6
	Regional Chains	500	10%	3.6
	Local Chains	1000	10%	3.6
Generalists	Vehicle Franchised Dealers	4000	20%	7.2
	National Service Centres	1100	5%	1.8
	Independent Garages	12000	20%	7.2

5.3. Tyre Life

Most cars and many light commercial vehicles in the national fleet are now front wheel drive. Passenger car tyres (C1) on a front wheel drive vehicle typically last 20,000 miles (32,000 km) on the front axle and 40,000 miles (64,000 km) on the rear axle ¹². High mileage cars may get through a set of tyres in less than a year over a greater distance as a result of the tyres being subject to less wear when travelling on motorways, but more typically it would take 2 to 3 years. As vehicles age, tyres may remain on the vehicle for much longer as the distance travelled per year declines.

Light vans and commercial vehicle (C2) tyres typically last between 20,000 to 35,000 miles dependant on the type of use (32,000 to 60,000 km approximately).

Heavy commercial vehicle (C3) tyres typically last 200,000 miles (320,000 km) over 2 to 4 years, where the life of the tyre carcass is extended through re-treading and re-grooving. Data from the Tyre Industry Federation suggests that 8 retreaded tyres are sold in the UK for every 10 new tyres sold (therefore 800k retread and 1 million new C3 tyres per year).

6. Options considered

Aside from option 0, all the options considered involve the appointment of a market surveillance authority and enforcement of minimum requirements as required by EU Regulations (EC) 661/2009 and 1222/2009. The impact of these Regulations has already been identified and assessed within the Tyre Labelling¹¹ and the General Safety Regulation¹² impact assessments.

Since these policy measures have already been negotiated and agreed, this impact assessment does not further analyse those requirements, and it is the results of the previous analysis that are reproduced below. The previous impact assessments did not consider in detail, however, the practicalities of enforcement. There is a need to consider an appropriate enforcement level in order to implement the policies in a proportionate manner which will not be overly burdensome on industry (and in particular, on retailers) whilst safeguarding the benefits previously identified.

The primary difference between the options 1a-c detailed is the level and type of enforcement that the department will introduce to satisfy the EU requirement for the application of proportionate, dissuasive and effective enforcement measures.

Option 0 (Do nothing)

Maintains the current status quo with unmodified requirements for the supply of new replacement tyres, retreaded tyres and part-worn tyres within the Motor Vehicle Tyres (Safety) Regulations 1994 and enforced under the provisions contained within the Consumer Protection Act 1987. Similarly, requirements for the fitting and use of tyres on road vehicles would remain within current Road Vehicles (Construction and Use) Regulations 1986 and be enforced under the Road Traffic Act 1988 (and Road Traffic Offenders Act 1988).

6.1 Option 1 (Transposition of mandatory EU requirements on tyre performance and enforcement of tyre performance and tyre labelling)

6.1.1 Option 1a (Testing compliance of all tyre models on the market against requirements)

The tyre enforcement authority appointed to assist the Secretary of State in this option is responsible for the organisation of market surveillance and provides appropriate enforcement action to help ensure that replacement tyres comply with legislation. It considers the testing of tyre conformity against minimum standards, along with verification that displayed values on the tyre label matches the performance offered by the product, for all models and brands of tyre available on the market.

6.1.2 Option 1b (risk-based enforcement and use of criminal law sanctions)

In this option the tyre enforcement authority appointed to assist the Secretary of State is responsible for organising a risk-based market surveillance approach and for the application of appropriate enforcement measures that impose the minimum burdens necessary to meet EU obligations. This will be through the use of criminal offences that can be enacted using the primary legislation powers under which the new tyre Regulations will be drafted (Road Traffic Act 1988 and Consumer Protection Act 1987). Where necessary, section 2(2) of the European Communities Act 1972 will be used to create enforcement provisions in respect of the obligations created by European Regulations and those enforcement provisions will effectively adopt the 1987 Act enforcement regime. This is consistent with the current sanctions that are in place for contravention with regulatory requirements on tyres.

The intention here is that by preserving similar methodology to the existing regime and promoting a risk-based approach to market surveillance the enforcement will, through the use of methods such as education, warning letters and cautions, create a behavioural change and promote compliance that gives regulated entities an opportunity to comply before prosecution. It is noted that regulatory requirements for tyre labelling are new and the focus of the Enforcement Authority will be on educating retailers as to their obligations in the first instance, and only pursuing prosecutions against persistent non-conforming suppliers.

The risk-based approach would be guided by the Hampton Principles which require enforcement to be intelligence led, and be based on an assessment of risk and proportionality. The approach outlined in Option 1b is the approach to monitoring and enforcement that is incorporated in Option 2 (the preferred option).

6.1.3 Option 1c (risk-based enforcement and the use of both criminal law and civil sanctions)

This option builds on the use of criminal offences to deter non compliance described in option 1b and would introduce a suite of civil sanctions to run in parallel. The envisaged civil sanctions adopted could include compliance notices, stop notices, enforcement undertakings and variable monetary penalties. Sanctions of this kind would be in keeping with the Macrory principles which recommend that regulators have access to more flexible enforcement measures to use in ways proportionate to the extent and seriousness of non-compliance.

The focus of the Enforcement Authority would be to adopt an educational approach over the initial enforcement period (3 years), which would result in information and advice being given to those retailers who do not meet their obligations and where prosecution would only be pursued in cases of persistent non-compliance.

6.2 Option 2 (Transposition, enforcement and simplification of existing tyre regulations) (The Preferred Option)

This option considers implementation of a monitoring and enforcement regime identical to that detailed in Option 1b with the addition of simplified national requirements for the supply, fitting and use of tyres for motor vehicles and their trailers consolidated into one set of regulations.

As part of the same exercise, the new Regulations would revoke the Motor Vehicle Tyres (Safety) Regulations 1994 (as amended) and requirements in current Road Vehicles (Construction & Use) Regulations 1986 that relate to tyre noise limits (that will be superseded by Regulation (EC) No 661/2009) and to construction (rather than tyre condition and maintenance) requirements. The new Regulations would consolidate all tyre supply and fitting requirements within a single new Statutory Instrument. Requirements concerning tyre condition and maintenance requirements would remain within the current Road Vehicles (Construction & Use) Regulations 1986. This approach has been prompted by the Government's Red Tape Challenge, which identified that existing UK requirements for the supply and fitting of tyres were complex and spread across a wide number of regulations, making it difficult for industry and the end-user to understand them.

Following informal consultation with key stakeholder groups such as the Tyre Industry Federation, Agricultural Equipment Association and Federation of British Historic Vehicle Clubs, amendments to existing regulations laid out in Annex 1 are proposed and would be transferred to the new Regulations. This would have the effect of improving the clarity of the requirements and their effectiveness, and would lead to a reduction in the burden of compliance upon both the tyre industry and the public.

Because it has been difficult to quantify the benefits of recasting UK tyre legislation, we propose to ask stakeholders some questions, during the consultation, on the perceived benefits of simplifying legislation. These questions will be designed to assist us in quantifying the undoubted costs associated with understanding existing legislation, and so will illuminate both the current work and our approach to the simplification of similarly complex legislation in other areas. A sample consultation question is shown in Figure 1, below.

Figure 1 Sample consultation question

We wish to understand the financial benefits of simplified and consolidated legislation to your businesses and other organisations. The simplification is judged to provide benefits primarily to those that have to refer directly to the legislation by reducing the amount of time spent reading and understanding it.

(a) Does your business directly read the legislation?

If yes, please answer the following questions. If no, please move on to the next question.

(b) (i) How many man days per year do you currently spend reading and understanding the current legislation? (e.g. two people spending a week each reading through the legislation would mean 10 man days.)

(ii) How many man days per year do you believe your organisation will save from simplifying the regulations?

(iii) What sector is your business or organisation in?

(iv) For what reason does your business or organisation refer to the legislation?

7. Analysis of Options

To compare the enforcement policy options three criteria were used to select the preferred enforcement regime:-

- costs and benefits of the enforcement regime
- alignment with principles of better regulation
- alignment with the principles of the Hampton review

All options incorporate the already existing EU Regulations. The associated monetised costs and benefits of these EU regulations are reported in section 7.2 for clarity, followed by a description of the analysis used to determine the favoured monitoring regime.

Option 2 (the preferred option) is the same as Option 1b in terms of the enforcement regime, with the addition of the simplification and consolidation of existing UK tyre legislation in response to the Red Tape Challenge.

At the end of the analysis of options a section summarising the total costs and benefits for the options is provided. This also sets out the costs and benefits for the preferred option.

7.1 Option 0: Do nothing

The baseline enforcement regime for tyres is the current mechanism that consists of conducting a limited number of point of sale checks by the current market surveillance authority and some dynamic testing of tyres as detailed in paragraph 4.5. Do nothing, or business as usual, is used as a baseline for the comparison of options. However, failure to enforce mandatory and directly applicable EU requirements would result in a risk of infraction proceedings from the EU, and the lack of an effective enforcement regime would put the previously identified benefits at risk. It would also be detrimental to the Department's reputation since, broadly, the industry is very supportive of the introduction of tyre labelling.

Furthermore, this option would ignore a conclusion reached during the Government's Red Tape Challenge, that current tyre regulations were overdue for simplification and consolidation. Industry stakeholders welcomed the opportunity presented by the Red Tape Challenge to simplify and clarify UK tyre legislation.

7.2 Monetised and non-monetised costs and benefits from the EU Regulations. (These apply to all options considered)

7.2.1 Costs

7.2.1.1 Increased tyre costs due to placing on market requirements of Regulation (EC) No 661/2009.

Regulation (EC) No 661/2009 places a mandatory obligation on national authorities to prohibit the placing on the market of new replacement tyres that do not meet its technical requirements. The requirements mandate minimum standards for essential parameters such as braking performance (wet grip) and environmental impact (noise and fuel economy). There is a phased implementation of these requirements that is dependent upon tyre type and which begins from November 2014.

Compliance with the requirements on noise, wet grip and rolling resistance will require changes to some tyre designs, potentially including tread patterns, the mix of compounds used and other aspects. The manufacturing process and the costs of manufacture will remain largely unchanged. Any increased costs for extra research and development would initially be borne by the tyre manufacturer, but would be passed on to the consumer either directly (in the case of replacement tyres) or via the vehicle manufacturer (in the case of original equipment tyres). Costs for implementing these requirements were originally presented in the UK Impact Assessment for 661/2009. As the UK has no discretion over the application of these EU requirements, it has not been considered proportionate to revise or update the previous analysis of these measures within this impact assessment. The results of the previous analysis are included in this section for transparency.

Costs for meeting the new rolling resistance limits imposed by Regulation (EC) No 661/2009 reflect the increased design and development costs and run to 2020 when C3 tyres must comply with Stage 2. Producing tyres that meet the new standard has an impact on the material costs since tyre manufacturers will need to use more diverse and specialised compounds. The Netherlands Organisation for Applied Scientific Research (TNO)¹⁴ estimated that 50% of tyres currently available on the market already meet the proposed standard, so it can be assumed that the increased costs would only apply to 50% of tyres. TNO estimated these costs at €42 (£33 at £1.00 = €1.265 (July 2012)) per vehicle (this estimate appears to apply to C1 or car tyres). This estimate was used in the Commission's impact assessment¹⁵ and was considered to be the best figure available for the UK impact assessment. This has been applied to 50% of UK tyre sales data for each year.

Table 6 Summary of costs to conform to Regulation (EC) No 661/2009 rolling resistance limits

Average annual costs (2012-2025)	Low	
	Central	£119m
	High	
Total costs (PV)		£1,128m

Research into tyre/road noise requirements conducted by FEHRL¹⁶ (Forum of European National Highway Research Laboratories) on behalf of the Commission suggested that the only

14 Review and analysis of the reduction potential and costs of technological and other measures to reduce CO₂-emissions from passenger cars Final Report- TNO Contract nr. SI2.408212 http://ec.europa.eu/enterprise/automotive/projects/report_co2_reduction.pdf

15 EU Impact Assessment on the Proposal for a Regulation concerning Type-approval requirements for the general safety of motor vehicles http://ec.europa.eu/enterprise/sectors/automotive/files/safety/sec_2008_1908_en.pdf

16 Study SI2.408210 Tyre/Road Noise Volume 1 Final Report http://ec.europa.eu/enterprise/automotive/projects/report_tyre_road_noise1.pdf
Study SI2.408210 Tyre/Road Noise Volume 2 Appendices http://ec.europa.eu/enterprise/automotive/projects/report_tyre_road_noise2.pdf

major cost to manufacturers lies in discontinuing production of any tyre lines that do not meet the proposed noise limits. There would, of course, be tooling costs for replacing tyre moulds, but it was thought that the time-span for introduction of these requirements should fit in with the normal product replacement cycle (bearing in mind that not all tyre variants will need to be replaced).

FEHRL concluded that 35% of C1 tyres on sale in 2000-2005 already met the noise limits. The analysis indicated that tyres already achieving the new noise limits are apparently being mass produced without difficulty, and are price competitive with non-compliant tyres. As there appeared to be no price difference, the FEHRL analysis assumed an increase in R&D expenditure to improve tyre performance. This assumed an increase in expenditure of 50%, which was then used to estimate a per tyre cost. This cost was assumed to accrue from 2012 to 2016, at which point all tyres sold will have been redesigned to comply with Regulation (EC) No 661/2009 requirements. After this time R&D spend on this aspect of tyres will cease and tyre unit costs will return to baseline levels.

Table 7 Summary of costs to conform to Regulation (EC) No 661/2009 tyre noise limits

Average annual costs (2012-2025)	Low	£18m
	Central	£51m
	High	£83m
Total costs (PV)		£205m to £947m

There are many aspects of tyre performance, and tradeoffs exist between these factors such that changing a tyre's design to improve one factor may have adverse effects on other factors. Compliance with the improvements in noise performance and rolling resistance could potentially have an impact on grip. Wet grip limits were therefore included in Regulation (EC) No 661/2009 to ensure that this important safety aspect of tyre performance is not compromised in meeting the other requirements.

As current tyre designs are considered to meet the requirements of Regulation (EC) No 661/2009, there is unlikely to be any additional development or production costs involved in meeting the wet grip requirements. The only additional cost to the manufacturer is likely to be the cost of approval testing, which is estimated at €1,000 per tyre type, with a per tyre value as €0.01 based on 100k units.

Table 8 Summary of costs to conform to Regulation (EC) No 661/2009 wet grip limits

Average annual costs (2012-2025)	Low	
	Central	£0.2m
	High	
Total costs (PV)		£1.9m

The implementing measures of Regulation (EC) No 661/2009 require tyres to meet technical requirements prescribed in specific UN-ECE Regulations for tyres. This ensures that tyres conform to minimum technical requirements for items such as load rating and speed rating. Tyres are typically approved for sale on the global market and all tyres sold in the EU must already meet the standards in the UN-ECE regulations applicable to the type of tyre. Therefore there are no cost implications resulting from Regulation (EC) No 661/2009 implementing minimum provisions applied under UN-ECE Regulations.

7.2.1.2 Increased tyre costs due to Tyre Labelling under Regulation (EC) No 1222/2009.

Costs for implementing Tyre Labelling requirements were originally presented in the UK Impact Assessment for Regulation (EC) No 1222/2009. As the UK has no discretion over the application of these EU requirements, it has not been considered proportionate to revise or

update the previous analysis of this measure within this impact assessment. The results of the previous analysis are discussed below for transparency.

The European Commission’s view was that labelling of tyres should not increase tyre prices to the consumer. They argued that low-cost tyres will still be provided for sale on the market, with the only change being that objective information on tyre parameters will be provided to consumers so that competition will not operate on price alone. This will be especially important as tyre manufacturers from outside of the EU begin to have a bigger presence in the market.

For the UK impact assessment, costs to consumers were included. These were calculated by multiplying the assumed change in purchasing decisions as a proportion of all sales by a price premium for better-performing tyres drawn from the EPEC study¹⁷. As noted in that study, costs to consumers may decline over time as technological advances and economies of scale are realised. These effects are not included in the consumer cost estimates, which may therefore be over-estimates, particularly in later years. Costs to industry comprise the cost of producing the label, the cost of applying the label to each tyre, and any administrative costs. The cost to tyre manufacturers has been estimated by assuming a cost per tyre of £0.03, which has been multiplied by the estimated size of the UK replacement tyre market. The costs incurred by consumers are primarily the voluntarily incurred costs of choosing lower rolling resistance tyres.

Table 9 Summary of Costs for Consumer and Industry

Average Annual Costs (£m)	Consumer	Industry	Total
High	60	1	61
Central	23	1	24
Low	0	1	1
Present Value of Total Costs (2012-2022) (£m)	Consumer	Industry	Total
High	388	8	395
Central	146	8	154
Low	0	8	8

7.2.2 Benefits

7.2.2.1 Less CO₂ and noise emissions through the use of better performing tyres (as required by Regulation (EC) No 661/2009).

The benefits of reducing road traffic noise are health-related. The Impact Assessment for Regulation (EC) No 661/2009 calculated the benefits of tyre/road noise reductions using a valuation of noise that was established by the EU Working group on Health and Socio-Economic Aspects in 2003¹⁸. This put a valuation per decibel, per household, per annum of reductions in road traffic noise as €25 at 2003 prices (€28 at 2007 prices). TRL were commissioned by the Department to estimate the impact of the noise limit values¹⁹ in Regulation (EC) No 661/2009 and these were monetised as per table 10.

17 http://ec.europa.eu/energy/demand/legislation/doc/consultation_forum/2008_05_27/2008_07_31_epec_report_annexes_en.pdf EPEC 2008 study

18 http://ec.europa.eu/environment/noise/pdf/valuatio_final_12_2003.pdf Valuation Of Noise - Position Paper Of The Working Group On Health And Socio-Economic Aspects

Table 10 Summary of benefits for tyre noise limits in Regulation (EC) No 661/2009

Average annual benefits (2012-2025)	Low	£63m
	Central	£159m
	High	£254m
Total benefits (PV)		£537m to £2,127m

The benefits of low rolling resistance tyres come from improved efficiency and reduced CO₂ emissions. Research by TRL²⁰ suggests that in general a 10% reduction in vehicle rolling resistance will result in a 3% reduction in fuel consumption. This assumption has been applied to the average reduction in rolling resistance resulting from Regulation (EC) No 661/2009 limits. The current average rolling resistance of tyres is based on ETRMA data, which is based on minimum and maximum values for each category. The average values in rolling resistance resulting from the Stage 1 and 2 limits in Regulation (EC) No 661/2009 are estimated as the mid-point between ETRMA's current minima and the limits. The TRL assumption on fuel and CO₂ savings is applied to the reduction between the current average and the average that will apply in each of Stage 1 and 2.

Table 11 (i) Low rolling resistance tyres – benefits stage 1 limits

Rolling resistance (kg/t)	Current average value†	Stage 1 limits	Assumed Stage 1 average value	% change in RR‡	Change in fuel consumption		
					Low	Central	High
C1	12.10	12.00	10.10	-16.53%	-1.65%	-2.48%	-3.31%
C2	10.70	10.50	9.05	-15.42%	-1.54%	-2.31%	-3.08%
C3	6.60	8.00	5.90	-10.61%	-1.06%	-1.59%	-2.12%

† Average current rolling resistance based on ETRMA data

‡ % change in RR is based on previous average to new average values, which take the previous minima and maxima, and replace maximum values with proposed limit values.

Note: A negative value is an improvement

Table 11 (ii) Low rolling resistance tyres – benefits Stage 2 limits

Rolling resistance (kg/t)	Current average value†	Stage 2 limits	Stage 2 average value	% change in RR‡	Change in fuel consumption		
					Low	Central	High
C1	12.10	10.50	9.35	-22.73%	-2.27%	-3.41%	-4.55%
C2	10.70	9.00	8.30	-22.43%	-2.24%	-3.36%	-4.49%
C3	6.60	6.50	5.15	-21.97%	-2.20%	-3.30%	-4.39%

Table 12 Summary of costs and benefits for rolling resistance limits measure

Average annual benefits (2012-2025)	Low	£198m
	Central	£298m
	High	£562m
Total benefits (PV)		£1,849m to £5,296m

The wet grip performance limits proposed are met by most existing tyres, so the measure contains no additional safety benefits.

Table 13 Summary of costs and benefits for wet grip limits measure

Average annual benefits (2012-2025)	Low	£0
	Central	£0
	High	£0
Total benefits (PV)		£0

7.2.2.2 Less CO₂ and noise emissions achieved by consumers making more informed tyre purchasing decisions due to tyre performance labelling (Regulation (EC) No 1222/2009).

The principal benefits from tyre labelling are fuel and Carbon Dioxide savings realised as a consequence of consumers switching to lower rolling resistance tyres. These benefits are summarised in table 22 and table 23 below. A number of assumptions were made in the original impact assessment in quantifying estimates of benefits. These included:

- Assumptions on future road transport fuel consumption
- Assumptions on the future Carbon content of road fuels

- Fuel savings resulting from additional reductions in rolling resistance resulting from consumer purchasing choices.

The assumed levels of fuel savings resulting from reduced rolling resistance were drawn from the European Commission's impact assessment.

There are a number of uncertainties regarding these assumptions. For example, if market transformation towards a low Carbon Dioxide emitting fleet is more rapid than anticipated, then the baseline fuel consumption before the influence of lower rolling resistance tyres will be lower than anticipated. Equally, if total road transport fossil fuel consumption is lower in the future than anticipated, then the benefits estimated in this impact assessment will also be lower.

A similar uncertainty exists surrounding the Carbon Dioxide emissions resulting from the use of road transport fuels. If road transport fuels contain less fossil carbon than expected in the future then this will reduce Carbon Dioxide emissions from vehicles, and therefore reduce the Carbon Dioxide benefits estimated in this analysis.

Table 14 Summary of benefits of altering consumer behaviour

Average Annual Benefits (£m)	Fuel	CO₂	Total
High	23	5	28
Central	9	2	11
Low	0	0	0
Present Value of Total Benefits (2012-2022) (£m)	Fuel	CO₂	Total
High	179	40	219
Central	67	15	82
Low	0	0	0

7.2.3 Summary of Costs and Benefits

This section summarises the overall cost and benefits for minimum standards and labelling separately, at 2012 prices. Finally, it details the total costs and benefits and updates these to 2012 prices (discounted to 2012). (For information, the summary of total costs and benefits at 2007 prices are provided in annex 2.)

Table 15: Summary of Minimum Standards Costs and Benefits (2012 prices)

		Low	Central	High
Annual Average Costs and Benefits	Costs	155	193	229
	Benefits	295	517	923
Total Costs and Benefits (PV)	Costs	1730	2220	2693
	Benefits	3097	5373	9635
Net Present Value		403	3153	7904

The overall cost and benefits for labelling are provided below.

Table 16: Summary of Tyre Labelling Costs and Benefits (2012 Prices)

		Low	Central	High
Annual Average Costs and Benefits	Costs	1	29	74
	Benefits	0	13	34
Total Costs and Benefits (PV)	Costs	10	187	480
	Benefits	0	100	266
Net Present Value		-480	-88	257

The overall costs and benefits for tyre labelling and minimum standards combined are provided below. These are updated to 2012 prices and discounted from 2012.

Table 17: Overall Costs and Benefits for Tyre Labelling and Minimum Standards 2012 Prices (Discounted to 2012)

		Low	Central	High
Annual Average Costs and Benefits	Costs	156	222	303
	Benefits	295	530	957
Total Costs and Benefits (PV)	Costs	1740	2407	3174
	Benefits	3097	5473	9901
Net Present Value		-77	3066	8161

7.3 Analysis of Monitoring and Enforcement only Options: Option 1 (a), (b) and (c)

Option 1 (a), (b) and (c) examine the costs and benefits of different tyre enforcement regimes. The costs relating to each enforcement regime include the cost to HMG of running a Tyre Enforcement Authority (to assist the Secretary of State), and the cost to business of complying with the enforcement authority and any remedial work necessary to resolve non-compliance.

Baseline testing follows a risk based approach, where an appointed enforcement authority conducts a limited number of point of sale checks and carries out a programme of dynamic tyre testing to ensure that replacement tyres offered for sale are marked with the necessary approval markings and comply with minimum technical standards. Currently this involves 50 point of sale checks at a cost of £95,000 each year. Costs for dynamic tyre testing vary year to year, as this follows a risk-based approach to target non-conforming tyre models from the previous year's programmes. Costs for dynamic testing have previously been in the region of £20,000 per year.

²¹ Here and in other tables costs and benefits may not add exactly to totals due to rounding.

The Regulations will require the designated Enforcement Authority to monitor the use of the EU tyre label to ensure that it is displayed at point of sale and correctly reflects the performance characteristics of the tyre, in addition to the current activity of checking point of sale markings and dynamic testing. As the new EU requirements may not be well understood by smaller non-affiliated tyre retailers, the focus of the appointed Enforcement Authority will be to adopt an educational approach towards compliance. This will result in information and advice being given to retailers in the first instance, so they can bring themselves into compliance. Legal sanctions will only be pursued in cases of persistent abuse. Tyre labelling requirements have been welcomed by the tyre industry as a whole, due to the benefits they can bring with regard to informing end-users of the performance offered by different tyres and justifying the purchase of better performing tyres. Therefore it is expected that compliance rates will be quite high and prosecution rates considered unlikely to increase from the current regime.

The current enforcement authority has provided estimates of the time taken to conduct a typical point of sale audit and given an indicative time taken for remedial action to correct any non-compliance. These estimates are recorded below in tables 18 (i and ii). They provide an indication of the time taken for businesses to assist in monitoring activities (as an employee will probably escort the Enforcement Officer) and will also reflect the time taken for the Enforcement Authority to visit the site. For the Enforcement Authority there will also be travel time and time taken to write up the visit. It is assumed that travel time is an average of 2 hours (1 hour journey each way) and write-up times are 2 hours. It is also assumed that Enforcement Authority staff average wage rates are equivalent to admin and secretarial staff and that business wage rates are equivalent to managers and senior officials, from ONS statistics. An overhead of 30% is applied to account for other costs related to their employment. (The wage figures used are provided in Annex 2). (The following estimates of costs are calculated in 2012 prices)

Table 18(i): Average Time Taken for Audits from Business (hours)

	Low	Central	High
Audit time	2	5	7
Remedial time	1	2	4

Table 18(ii): Average Time Taken by Enforcement Authority for Audits (hours)

	Low	Central	High
Audit time	6	9	11

Point of sale checks for minimum approval and noise marking ensure that tyres placed on the market are marked with an 'E' and 'S' mark, to confirm that they meet current minimum EU requirements for safety and rolling noise emissions. The Enforcement Authority conducts overt audits of retail premises and ensures that they only place on the market tyres bearing the appropriate approval marks. A common reason for non-compliance lies with the sales outlet, where they have supplied old stock and have not understood the requirements correctly.

7.3.1 Monetised Costs and Benefits of Option 1 (a) - Full testing to ensure compliance with the Regulations

7.3.1.1 Costs

A full testing regime to ensure compliance with the Regulations is likely to be an excessively costly and inefficient way to drive compliance with the regulations. In addition, this option is not seen to follow the Hampton Principles for intelligence led enforcement and proportionality. As the Regulations require both compliance with minimum standards and labelling this would require an enforcement regime that tested each type and size of tyre as well as each tyre retailer.

To ensure compliance with minimum standards we would require an annual test of each brand of tyre. Tyres need to be tested against regulatory requirements to assess a number of different parameters including load and speed endurance, noise, wet grip and rolling resistance performance. Costs for testing tyres vary therefore, depending on the test carried out and on the number of failures found. Tyre approval testing standards prescribe the number of retests that are required under each assessment and indicative costs are shown in Table 19. Typically each tyre type would need to be tested against each criteria under this option, including retests where required.

Table 19 Indicative costs for tyre testing including verification of non-conforming tyre models.

Tyre Test	Indicative cost of testing Tyre (Phase 1) £	Number of retests if non-compliances found	Cost of additional tests (Phase 2) £	Total potential cost per tyre (Phase 1 & 2) £
Load/Speed Endurance Test	2625	1	1075	3700
Noise Test	7345	3	6225	13570
Wet Grip Performance Test	8245	3	8925	17170
Rolling Resistance Test	5045	3	4725	9770
Minimum cost per model	23260	Maximum cost per model		44210

The costs are assumed to arise from testing each size of tyre annually. There are approximately 300 brands of tyre sold in the UK²². Each brand of tyre will typically consist of a number of models having different attributes and available in a variety of sizes. It was not possible to identify a data source that detailed the total number of models available on the market. Internet research identified that the largest 20 manufacturers had an average of 17 models available. Discussions within industry sources suggest that of the remaining 280 manufacturers, approximately 230 would sell 5 models and the remaining 50 manufacturers would sell only 1 model. Adding together the models in each group gives a total estimate of 1,540 models.

Current tyre noise conformity enforcement is to ensure that the tyres for sale in the UK meet the required noise emission levels. Monitoring consists of visiting retailers and verifying that the only tyres offered for sale are compliant with requirements, this involves checking the relevant approval markings. A risk based approach is used to target retailers and tyres that are most likely to be non-compliant.

Failure rates for noise conformity testing are provided below. Understandably the main reason for tyres not bearing appropriate markings is down to the retailer as the revised noise requirements were phased in over several years and non conforming tyres are predominantly old stock. It is assumed that this reflects a reasonable proxy for the rate of tyre non-compliance under the new regime. However, the rates of non-compliance below overestimate the actual rate of non-compliance, as monitoring currently targets the most likely offenders.

It has not been possible to identify data that could be used to determine the increase in identified non-compliance using a risk based approach versus a random compliance regime. If this data had been available it could have been used as a proxy to identify the actual rate of non-compliance. Owing to broad industry support of the Regulations it is thought non-compliance will be relatively low and mainly limited to non-tyre specialist, smaller firms, which may not be aware of the regulatory change. Data from the tyre industry federation suggest that these small firms make up approximately 20% of the market²³. If it is assumed that a risk based approach increases the rate of identification of non-compliance by 50%, then the actual overall rate of non-compliance will be 10% of the rate of non-compliance identified by the risk-based approach.

The failure rate below is 11.9%, this suggests an average non-compliance rate of 1.2%. To reflect the uncertainty in this estimate a range including an upper bound of 11.9% and a lower bound of 0% is applied around this central estimate.

Table 20: Failure Rates for Noise Conformity Testing

Failure Rates	Visits	Non-compliances	% Failure Rate
2011-12	50	5	10%
2010-11	34	5	14.7%
Total	84	10	11.9%

Table 21: Estimated Failure Rates for Labelling Compliance

	Lower	Central	Upper
Failure rates	0%	1.2%	12%

Tyre conformity testing requires a physical test of the performance characteristics of the tyre to verify compliance with type-approval requirements. Prior to sale, representative tyres are tested to demonstrate that they comply with type approval requirements, and manufacturers must ensure that the tyres they subsequently produce are identical to the type tested. In addition type-approval requires tyre manufacturers to have processes in place to ensure conformity of production to the specification of the tested tyre. As a result of internal measures put in place by manufacturers it is expected that the vast majority of tyres will pass independent verification testing of type approval requirements. This is illustrated by data from the most recent years, when all tested tyres have passed. It is assumed, again, that the average rate of non-compliance is one-tenth of the identified rate, and on this basis the average failure rate would be 0.6%. To reflect the uncertainty in this estimate a range including an upper bound of 6% and a lower bound of 0% is applied around this estimate.

Failure Rates for Tyre Conformity Testing

Year	Tyre Tests	Non-Compliances	% Failure Rates
2011-12	16	0	0%
2010-11	3	0	0%
2009-10	58	5	9%

²³ <http://www.tyreindustryfederation.co.uk/wp-content/uploads/2011/12/tif-factbook-0712.pdf>

2008-09	24	1	4%
Total	101	6	6%

Table 22: Failure rates for conformity testing

	Lower	Central	Upper
Failure rates	0%	0.6%	6%

The annual cost without retests for one test per model would be £36m. If 0.6% of tyres would require a retest under one of the testing specifications, then this would increase total costs by approximately £49,000 annually, to approximately £36m.

Table 23: Costs of Full Compliance Testing Regime

	Lower	Central	Upper
Annual Cost (£m)	£36	£36	£36
PV Cost (£m)	£405	£405	£410

To ensure compliance with labelling requirements the regulatory regime would also require a full monitoring regime for tyre retailing outlets. There are around 20,000 retail outlets which sell tyres, so that this would require 20,000 visits²⁴. To estimate the annual costs to business of dealing with the Enforcement Authority, the time taken at the site is multiplied by the wage rate, including a mark up for overheads, which is finally multiplied by the number of visits. Secondly, the cost of remedial action is estimated by multiplying the estimated time taken to complete remedial work, likelihood of remedial action required, the number of visits, and the wage rate (including overheads).

Similarly the costs to regulators are estimated by multiplying the time taken for agency visits, the number of visits and the wage rate (including overheads). The present value estimates are taken over a 14 year period to ensure these are consistent with cost and benefit estimates for Minimum Standards and Labelling impacts. The introduction of the minimum tyre performance requirements necessitates a staggered implementation period to allow manufacturers to design, test, approve and manufacture new tyre models. Furthermore, the regulation allows a 30 month sell-off period for tyres manufactured prior to November 2014. To account for the phased lead in a lifetime of 14 years was used in the original IA to cover the initial 4years during which compliance with policy begins to occur, and then a full 10 year period, as per the usual recommendation for Impact Assessments.

This provides the following annual costs.

Table 24: Average Annual Cost of Full Monitoring Regime (£m)

	Low	Medium	High
Business Monitoring Cost	1.0	2.4	3.4
Business Remedial Cost	0	0.01	0.23
Agency Monitoring Cost	1.6	2.5	3.0
Total Annual Cost	2.6	4.9	6.6

The present value costs below are split approximately equally between costs to business and to the agencies of monitoring. The relevant costs are applied to each group in the covering sheets.

Table 25: Total Present Value Costs of Full Monitoring Regime (£m)

	Low	Medium	High
Business Monitoring Cost	11	28	39
Business Remedial Cost	0	0.1	2.6
Agency Monitoring Cost	18	28	34
Total PV Cost (£m)	30	55	75

7.3.1.2 Benefits

For tyre testing, the benefits of testing every model of tyre for would be reduction in the non-compliance of tyre manufacturers and retailers to close to zero, and effective full compliance with the Regulations. The current enforcement authority has figures for the number of identified incidents of non-compliance, although this is not considered to be a reliable indicator of the level of non-compliance across the industry due to the risk based approach to site visits and testing. Targeted enforcement is focused in areas where non-compliance is considered likely. Therefore, it would be expected that actual non-compliance rates will be lower than this. Additionally, there is a robust European Framework for component type approval already in place covering tyres which ensures that manufacturers maintain strict conformity with production requirements. This ensures that production processes are maintained and that the performance of tyres is monitored with each batch produced. The vast majority of tyres on the road can, in consequence, be assumed to be meeting the minimum requirements.

This assessment provides illustrative calculations on the impact of improving compliance on the basis of low levels of current non-compliance assumed. These calculations assume that the policy results in compliance rates improving by 0%, 0.6% and 6%. This will result in the benefits from minimum standards being more fully realised, or secured. The illustrative benefits estimate is obtained by multiplying the Net Present Value of minimum standards by the improvement rates.

Table 26: Secured Benefits from Improved Compliance on Minimum Standards

Percentage Improvement	0%	0.6%	6%
Secured Annual Net Benefits	0.0	1.9	19.3
Secured Net Benefits PV	0	19	187

The benefits of visiting every retail outlet would similarly consist of the improvement in compliance rates multiplied by the benefits of improved compliance. Again, owing to the existing risk based approach to testing, the rates of non-compliance are likely to be less than the rates of non-compliance experienced. Furthermore major tyre retailers have voiced their support for the Labelling Regulations, as this provides useful information to consumers - which will boost sales of more expensive tyres – and therefore increase company turnover. Considering the commercial incentive to display tyre labels it is expected that compliance will improve.

Although without reliable data on the actual rates of non-compliance it is not possible to accurately predict the improvement in non-compliance, compliance rates are expected to be high. Again, illustrative calculations are provided on improvements in compliance. As there is no type-approval testing it is assumed that the level of non-compliance would be higher, and therefore potential behaviour change would be greater. The illustrative calculations assume improvements of 0%, 1% and 2%. The illustrative benefits estimate is obtained by multiplying the Net Present Value of labelling by the improvement rates.

Table 27: Secured Benefits from Improved Compliance on Labelling

Percentage Improvement	0%	1.2%	12%
Secured Annual Net Benefits	0	-0.19	-0.38
Secured Net Benefits PV	0	-1.0	-10.4

7.3.1.3 NPV of increased compliance testing under Option 1 (a)

The explanation above shows that using a full testing regime would result in significant costs to business and government. This would help secure the benefits of the policy, but it is unlikely that such an approach would deliver overall benefits to society, given the high levels of compliance that are expected. As can be seen below, even assuming the most pessimistic rates of non-compliance the benefits of a full testing regime would be outweighed by the costs. The full testing regime would result in very significant costs of monitoring, which would be unlikely to outweigh the benefits.

Table 28: Net Present Value of Full Compliance Testing

	Low	Central	High
Total Costs (£m)	38	41	43
Total Benefits (£m)	0	1.7	18.9
PV Costs (£m)	435	461	480
PV Benefits (£m)	0	18	177
Net Present Value (£m)	-480	-443	-258

7.3.2 Monetised Costs and Benefits of Option 1 (b) - Risk-based enforcement approach and use of criminal offences (identical to the enforcement approach in Option 2)

7.3.2.1 Costs

This approach is an extension of the current regime where an enforcement authority is responsible for organising risk-based market surveillance and provides appropriate enforcement measures to impose the minimum burdens necessary to meet EU obligations. This option would also result in a continuation of the current approach of using criminal offences as a deterrent. This would be through the use of sanctions enacted using the primary powers under which the new tyre regulations will be drafted (Road Traffic Act 1988 and Consumer Protection Act 1987, using also section 2(2) of the European Communities Act 1972 where necessary). Maintaining these sanctions and deploying a risk-based approach to market surveillance and enforcement will, through the use of informal methods such as education, warning letters and cautions that give regulated entities an opportunity to comply before prosecution, create a behavioural change and promote compliance. As EU tyre labelling requirements may not be well understood by all stakeholders (especially smaller non-affiliated tyre retail premises), the focus of the Enforcement Authority will be on educating retailers as to their obligations in the first instance, and only pursuing prosecutions against persistent non-conforming suppliers. The outcome of this option is considered to involve only minor additional burdens falling on business or government.

The enforcement regime will require combined visits to sites (by way of overt audit) to ensure compliance with tyre marking, labelling and conformity with minimum standards. This will result in minimal extra burdens to business, as similar monitoring already takes place. Under this option the monitoring requirement will result in some extra time taken on site to ensure compliance with the new tyre labelling requirements, as well as existing tyre noise approval requirements. The extra time, however, is expected to be negligible. There is no expectation that the number of visits will increase under the new regime.

When tyre market surveillance testing and verification of tyre labelling data occurs this will result in some additional burden on regulators, as a number of additional tests on tyres will have to be undertaken. However, this should not result in any material differences to business as the costs

of testing are borne by Government. The additional costs result from the additional types of tyre testing that will arise due to the new requirement posed by EU legislation, namely labelling requirements for wet grip, rolling resistance and noise performance.

Table 29: Costs of Tyre Conformity Testing

Tyre Test	Indicative cost of testing Tyre (Phase 1)
Load/speed test to R30	£2625
Load/speed test to R54	£4425
Noise Test	£7345
Wet Grip Performance Test	£8245
Rolling Resistance Test	£5045

Owing to the nature of enforcement work – and the fact that we cannot foresee how well tyres will perform against the labelled grading - we are unable to specify a firm number of dynamic tests that will be carried out each year under the enforcement regime. Costs for conducting individual tyre dynamic tests are shown in table 29 and these are seen to be quite expensive if a full suite of tests were to be completed for each tyre, due to the requirement for specialist equipment and accredited test facilities. In addition, failure of any tyre in an assessment will require a defined number of repeat tests to be carried out, as required by EU legislation. This would result in increased costs if a tyre were found not to comply with requirements. It is considered prudent, therefore, to contract dynamic test work on a call-off basis with costs fixed to £20k per annum. These tests will be targeted and carried out on an ad-hoc basis using an intelligence-led approach so to capture tyre models or brands likely to not comply.

Currently we undertake 50 point of sale checks each year and conduct dynamic testing. Under the new regime, a new contract appointing a Tyre Enforcement Authority to assist the Secretary of State will include a requirement to conduct a number of overt audits and “mystery shopper” exercises in addition to a suite of dynamic tests. This will cover enforcement and market surveillance testing of existing tyre performance requirements and also of the new tyre labelling requirements. The extra enforcement will result in additional costs in the region of £15,000 per annum. In comparison to the current expenditure this results in an additional present value cost of £170,000 over 14 years.

7.3.2.2 Benefits

This option maintains the level of enforcement that is already in place, while maintaining the minimum level of enforcement to be compliant with EU Regulations. Therefore, no further secured benefits are applied to this option. As discussed previously, it is expected that compliance rates will be high and prosecution rates be unlikely to increase under this regime.

7.3.3 Monetised Costs and Benefits of Option 1 (c) - Risk based enforcement approach and use of both criminal offences and civil sanctions

This option builds on the enforcement, testing and use of criminal offences described above (1 b) by introducing, in addition, a suite of civil sanctions such as compliance notices, stop notices, enforcement undertakings and variable monetary penalties to run in parallel.

Civil sanctions of this kind would be in keeping with Macrory principles - which recommend that regulators should have access to more flexible enforcement measures to be applied in a proportionate manner, having regard to the extent and seriousness of non-compliance. Nevertheless, in the case of small businesses (which include many tyre retailers) a new civil sanction scheme could be considered to impose undue burdens at a time when the requirements of the tyre legislation are not fully understood.

This option could be reviewed at a future date once Tyre Labelling requirements have been implemented into the market place and when the effectiveness of the preferred enforcement regimes can be re-evaluated.

7.3.4 Compliance with Hampton Principles

Option 1 (a) - Full testing to ensure compliance with the regulations

Option 1 (b) - Using a risk-based approach and use of criminal offences.

Option 1 (c) - Using a risk based approach and use of both criminal offences and civil sanctions

Option 1(a) is inconsistent with Hampton principles as there is no proportionality in the application of the testing regime and the blanket testing of all tyre models is indiscriminate with no intelligence led enforcement.

Option 1(c) follows a risk-based approach to market surveillance and enforcement which aligns with Hampton principles. However, the creation and maintenance of a tyre specific civil sanctions regime is considered disproportionate having regard to the anticipated low level of non-compliance and the broad support from within the industry for tyre labelling.

Option 1 (b) is considered to be the most proportionate option, and to provide the best fit to Hampton principles in that it would apply a risk-based approach to market surveillance and enforcement. All enforcement action would be intelligence-led and proportionate to the nature and level of any non-compliance. It would involve, in addition, the use of informal methods (to be set out in a Code of Practice) such as information and education, as well as the issue of warning letters or cautions to create a positive behavioural change. This would promote compliance and allow regulated entities the opportunity to comply before threat of prosecution, thereby minimising disproportionate impact upon their business activities.

7.3.5 Fit with Better Regulation

Option 1 (a) - Full testing to ensure compliance with the regulations

Option 1 (b) - Using a risk-based approach and use of criminal offences.

Option 1 (c) - Using a risk based approach and use of both criminal offences and civil sanctions

Option 1 (a), full testing of all tyre models on the market, is not considered to be in line with the principles of better regulation as, whilst the purchasing and testing of tyres would be carried out by the market surveillance authority, it would be onerous and unnecessary considering the relatively low levels of non-compliance detected using the existing enforcement regime.

Option 1 (c), which involves adding civil sanctions (through monetary penalty or through restricting sale of product) to criminal ones, could be considered disproportionate, and might impose considerable burden on smaller retailers without giving them the opportunity to make steps towards compliance. This is because the EU Tyre Labelling requirements may not be well known by all groups of stakeholders, particularly smaller non-affiliated tyre retail premises.

In the case of small businesses (which include many tyre retailers) there is a view that monetary fines should be subject to the supervision of the courts only and not applied through civil sanctions. For this reason the preference is not to impose any new civil sanction schemes at this time. Should the need arise, this option 1 (c) could be reviewed at a future date once Tyre

Labelling requirements have been implemented in the market place and when the effectiveness of the preferred enforcement regimes can be evaluated.

Option 1 (b) is considered to fit best with better regulation principles as the enforcement mechanism limits any additional costs on small businesses, either through the burden of increased enforcement activity or from restrictive monetary penalties. It is expected that compliance rates will be high and prosecution rates be unlikely to increase, so this option is considered to provide a proportionate and effective method of enforcing both EU & UK requirements for tyres.

7.3.6 Conclusion on monitoring and enforcement - option 1 (b) (the preferred monitoring and enforcement regime carried forward into Option 2)

The appointment of a Market Surveillance Authority (MSA) and enforcing the minimum requirements of EU Regulations 661/2009 and 1222/2009, using a risk based approach and by means of criminal offences is considered the best enforcement option. It aligns with Hampton and Better Regulation principles and will facilitate a positive behaviour change that promotes compliance and gives regulated entities the opportunity to comply before the threat of prosecution arises.

7.4 Non-monetised costs and benefits from Option 2 - The simplification and consolidation of national tyre legislation incorporating preferred enforcement regime option 1b

It is expected that the simplification and consolidation of national requirements will result in benefits to business through reduced time taken to read and understand currently complicated regulations.

This will principally arise when companies have to read and interpret tyre regulations for specific vehicles. Most companies currently have difficulty understanding the tyre regulatory regime, and rely largely on their existing accumulated knowledge of the legislation. Therefore, it is unlikely they refer to the regulations regularly. However, when there is a specific query or question then identifying the appropriate course of action may take a disproportionate amount of time.

7.4.1 Cost

7.4.1.1 Impact on road safety as some vehicles are taken outside of detailed scope of requirements.

Existing tyre legislation contains detailed technical requirements relating to the supply, fitting and use of tyres for all categories of road vehicles. The Red Tape Challenge and subsequent informal consultation of stakeholders identified a large number of requirements that could be simplified or revoked, thereby improving the clarity of legislation and reducing the burden on industry. There is a theoretical risk that the revocation of detailed requirements for tyres might impact upon road safety, as there will be fewer vehicle-category specific requirements. This risk, however, is considered to be very small as specialist equipment will still be required to be fitted with tyres suitable for the use to which the vehicle is put.

7.4.2 Benefits

7.4.3 Reduction in burden for industry through deregulation and simplification of requirements.

The evolution of tyre legislation in recent years has meant that tyre-related requirements are spread across the statute book. This has resulted in a process of cross referencing different regulations to determine requirements for certain vehicle groups and a lack of clarity in the general provisions for the sale and fitting of tyres. The Red Tape Challenge identified the opportunity to simplify and consolidate current UK tyre requirements, and to achieve maximum benefit it is considered that the whole body of regulation relating to the supply and fitting of tyres should be brought together into a single statutory instrument. This consolidation is expected to marginally improve compliance rates within the vehicle operating and tyre fitting industry due to an improved awareness and understanding of the rules.

The new Regulations will make the general understanding and compliance with the requirements easier by means of consolidation and simplification. This is considered likely to reduce time taken to read and understand the Regulations. However, it is expected that the scale of time savings is likely to be small in relation to other costs and benefits reported in this IA. This is because, in the vast majority of instances, when a tyre is replaced legislation is not referenced directly as vehicle owners mostly want the vehicle to be fitted with an identical sized and rated approved tyre in line with the vehicle manufacturer's recommended specification.

Furthermore, when a new tyre type is fitted, in general the industry uses a database of vehicle and tyre combinations to ensure that they supply and fit tyres that are in accordance with vehicle manufacturer's guidance. Tyres are manufactured and sold on the global market and are produced in standardised sizes to conform to minimum standards as specified in UN-ECE Regulations; therefore a replacement tyre will generally meet at least the same minimum standards as the original on the vehicle, for a given specification.

It is probable that manufacturers of tyres and vehicles will make reference to national legislation when designing a new product for very specific types of vehicles. However, given the small number of new products of this nature that enter the market it is expected that the instances of reference are likely to be relatively infrequent. Nevertheless, this is deemed a good opportunity to improve drafting, and to remove any outdated references within the current Regulations, given that the new EU rules are coming into force at this time.

The new Regulations will simplify a number of diverse vehicle categories into those based on the more familiar groups currently used in vehicle type-approval (that is, passenger vehicle, commercial vehicle, trailer and motorcycle). For example, classifications such as "locomotive" and "motor tractor" are not used within the recast tyre legislation and the vehicles that would have fallen into these categories are considered to be commercial vehicles. A number of requirements relating to these older vehicle classes are also removed. Agricultural vehicles are taken outside of scope of detailed requirements and instead required to comply with generic provisions which ensure the same level of safety. Tyres for the more obscure vehicle classes will continue to comply with requirements of ECE R30 (passenger car size tyres) and ECE R54 (commercial tyres).

Current legislation exempts tyres designed primarily to fit vehicles manufactured prior to 1st January 1933 from supply, construction and in use requirements. The intention is to maintain this exemption in the new Regulations. The additional technical requirements relating to noise, wet grip and rolling resistance will not apply to tyres designed primarily for vehicles registered before 1st November 1990.

The simplification exercise will replace detailed provisions relating to older types of tyre (such as bias-belted or cross-ply) with generic provisions to ensure that vehicles will still be fitted with tyres suitable for the use to which the vehicle is put.

7.5 Overall Monetised Costs and Benefits

It is clear is that the benefits of the already published European legislation are of a different and larger order of magnitude when compared with the costs associated with the enforcement mechanisms considered. A summary of costs and benefits is laid out in table 30. The full testing and monitoring regime described in Option 1(a) would be unnecessarily onerous, and would lead to a drop in the overall benefits of the policy. Option 1 (b) and Option 1 (c) provide a more proportionate approach that minimises the additional burdens of enforcement, whilst maintaining existing levels of tyre monitoring and business support, which it is envisaged will result in high levels of compliance in relation to tyre labelling. The difference between these two options is likely to consist of the potential burdens placed on smaller businesses as a result of non-compliance. Option 1 (b) will avoid an undue impact on these smaller businesses, and should ensure improved compliance of the Regulations with better regulation principles.

The final option, 2, includes the simplification of the existing regulatory regime in addition to the application of the preferred enforcement regime that is set out in option 1(b). It is understood from discussion with industry that the benefits of simplification are likely to be small, and

therefore it has not been considered proportionate to monetise them further here. However, since simplification represents best practice it is chosen as the preferred option.

The preferred option provides an enforcement mechanism for the mandatory EU requirements on tyre performance and implements enforcement of tyre performance and tyre labelling using a risk based monitoring approach with criminal offences, whilst also simplifying the existing regulatory regime. .

Table 30(i) Summary of Costs and Benefits of Options Considered (£m)

Costs		Option			
		1(a)	1(b)	1(c)	2
	Minimum Standards	2220	2220	2220	2220
	Labelling	187	187	187	187
	Business Monitoring Costs	28	0	0	0
	Business Remedial Costs	0.1	0	0	0
	Agency Monitoring Costs	28	0	0	0
	Agency Tyre Compliance Testing	405	0	0	0
Benefits	Minimum Standards	5373	5373	5373	5373
	Labelling	100	100	100	100
	Secured Compliance on Minimum Standards	19	0	0	0
	Secured Compliance on Labelling	-1	0	0	0

Table 30(ii) Overall Costs and Benefits of options considered

Option	EU Regulation Benefits (£m)	Enforcement Net Benefits (£m)	Net Benefit Total (£m)
1(a)	3,066	-443	2,623
1(b)	3,066	0	3,066
1(c)	3,066	0	3,066
2	3,066	0	3,066

7.6 One In One Out

In relation to the One-In-One Out policy (OIOO), the implementation of the enforcement and monitoring regime required by European legislation is outside scope. However the response to the Red Tape Challenge addressed in option 2 involves recasting of existing regulations to reduce burdens and consequentially is classified as an OUT under OIOO. Table 31 below summarises the classifications of the measures considered in relation to OIOO.

Option 1 (a) results in an increased level of monitoring and enforcement, which will impose increased costs on business when visits occur or when remedial action is required. It is classified as IN to reflect an excessively burdensome enforcement regime that goes far beyond the minimum required by EU legislation.

Options 1 (b) and (c) are outside scope of one in one out methodology as they involve the enforcement of directly applicable EU Regulations in a manner that imposes the minimum possible burden.

Table 31 Summary of One In One Out of options considered

Option	PV Cost to business (£m)	Equivalent Annual Net Cost to Business (£m)	OIOO Classification
1 (a)	28	2.6	IN
1 (b)	0	0	Outside scope
1 (c)	0	0	Outside scope
2	0	0	OUT

Option 2 will reduce the costs to business, but at this stage the magnitude of the cost saving to business has not been monetised. The consultation period will be used to gather information from industry to support an estimate of cost savings. The simplification will result in net benefits, however these are reported as zero as the extent of these benefits is not currently estimated.

7.7 Rationale and evidence that justify the level of analysis used in the IA (proportionality approach);

- The major costs and benefits are related to impacts already agreed within Europe and therefore no longer negotiable. The relevant IAs relating to the negotiation of these policies have already been agreed. Business also supports the introduction of minimum standards and labelling, and therefore these policies are not contentious.
- The elements of the proposal that are now open for decision are of small value, and are uncontroversial. The regulatory option has been chosen so as to minimise additional costs on business, and represents the simplest enforcement option compliant with EU obligations.
- Full quantitative analysis of the effects of monitoring and enforcement is not possible. There is insufficient evidence concerning the level of non-compliance, as well as on the change in compliance likely to occur as a result of the different potential monitoring regimes. Owing to the wide support for the policy, levels of non-compliance are expected to be low. There will be the opportunity to increase monitoring and enforcement following implementation of the proposed Regulations if non-compliance rates are identified to be higher than anticipated.

8. Competition Assessment

The sector affected by the proposed Regulations is primarily the UK replacement tyre market. The proposal is not expected to have a significant impact on competition, since the requirements will apply equally across the market as required by EU law.

Since the tyre performance requirements of Regulation (EC) No 661/2009 have been adopted from UN-ECE Regulations which have a broader scope of application than the EU, there should be little or no negative effect on international competitiveness resulting from the introduction of these measures.

9. Small Firms Impact Assessment

Tyres are manufactured almost exclusively by large organisations. There are a few specialist tyre manufacturers producing tyres in limited quantities to old patterns for historic vehicles. The proposals, however, do not apply any new requirements to tyres intended solely for vehicles, manufactured prior to 1980, so that there should be no impacts on small firms in this manufacturing sector.

Since tyre labels will, in practice, either be affixed by the tyre manufacturers or supplied to retailers in addition to the tyres and commercial documentation, the additional burden of the legislation upon small retailers will be limited to making the information that has been supplied to them available to end users during the purchasing process. In principle this will be a small additional burden, but should not be a significant one since distributors already provide a significant proportion of their customers with advice on purchasing.

10. Enforcement, Sanctions & Monitoring

The Department will appoint a suitable body to assist the Secretary of State as the enforcement authority in the enforcement of the requirements of the proposed Regulations. This will involve point of sale checks on tyre labelling and for the presence of approval marks indicating compliance with the relevant tyre performance requirements, auditing of tyre manufacturers' data supporting labelled performance values and a programme of tyre testing to double check conformity with mandatory performance requirements and labelled values. Penalty provisions will be based on existing penalties for the supply of non-compliant vehicle components under the Road Traffic Act 1988 and for non-compliance with point of sale requirements under the Consumer Protection Act 1987.

11. Public Consultation

The Department has had detailed informal discussions with tyre industry stakeholders in developing the proposed Regulations. The Department will conduct a formal public consultation in due course, following which this section will be completed.

12. Legal Aid

It is not anticipated that the introduction of this Regulation would either increase or decrease the work of the courts. In consequence, no impact upon the legal aid budget is anticipated.

13. Sustainable Development

The impact of the EU tyre requirements upon sustainable development is expected to be small, but positive as tyre labelling will raise awareness amongst both consumers and retailers of the relative fuel efficiency of tyres suitable for particular vehicles.

14. Carbon Assessment

The enforcement of EU requirements by means of the proposed Regulations will lead to a decrease in CO₂ emissions in consequence of the use of lower rolling resistance tyres as a result of the application of labelling and minimum standards. The total impact of these measures was calculated within the UK impact assessments relating to the EU regulations^{11 12}. It is estimated that in 2020 there will be a saving of 0.3 Mt of CO₂ from labelling and 1.4Mt of CO₂ savings from minimum rolling resistance standards. The total savings from both labelling and minimum

standards over the lifetime of the measures are estimated to be 0.8Mt CO₂ and 11.2Mt CO₂ respectively.

15 Other Environmental Impacts

In addition to the CO₂ savings mentioned above, the tyre related road traffic noise impact of the proposals has been modelled as part of an assessment into a European Commission vehicle noise proposal, and currently unpublished figures estimate a 1.17 dB(A) reduction by 2038. (Awaiting publication of TRL Report RPN2153 into Commission vehicle noise proposal – dossier number 2011/0409(COD))

16 Health Impacts

Exposure to excess noise is associated with sleep disturbance and hypertension. The noise reductions would be expected to result in some health improvements.

17 Race Equality

There are no race equality issues associated with this measure.

18. Disability Equality

There are no disability equality issues associated with this measure. No disproportionate costs are expected to be borne by owners of vehicles adapted for the use of disabled drivers.

19. Gender Equality

There are no gender equality issues associated with this measure.

20. Human Rights

The measure will not impinge upon human rights in the areas of privacy, property, freedom to choose and practice a profession, or the right to a fair hearing.

21. Rural Proofing

There should be no increases in costs to rural communities over and above the costs borne by all motorists for consumables such as tyres.

22. Summary & Recommendation

The proposed Regulations provide an enforcement mechanism for mandatory EU requirements on tyre performance and enforcement of tyre performance and tyre labelling. In addition, they consolidate and simplify archaic and oft-amended UK legislation on the sale and fitting of tyres. This is in line with conclusions of the Government's Red Tape Challenge and informal consultation with industry stakeholders which identified that existing UK requirements for the supply and fitting of tyres to road vehicles were complex, spread across a wide number of regulations, and difficult for industry and the end-user to understand.

The recommended approach is to adopt new simplified Regulations for tyres which consolidate all tyre supply and fitting requirements within a single new Statutory Instrument and revoke the Motor Vehicle Tyres (Safety) Regulations 1994 (as amended) as well as requirements in the Road Vehicles (Construction & Use) Regulations 1986 that currently relate to tyre construction. The recommended enforcement approach is to appoint a Market Surveillance Authority to enforce the minimum requirements as required by EU Regulations (EC) Nos. 661/2009 and 1222/2009, using a risk based approach to enforcement and relying on criminal sanctions as at present.

The recommended option imposes a burden upon industry for administration of the tyre labelling regulations which is estimated to be approximately £7 million over the thirteen year period of the

assessment. It has a net present value benefit over the same period which is estimated to be £3,066 million.

The recommended enforcement approach follows Better Regulation principles and the use of a risk-based approach to market surveillance and enforcement aligns well with the Hampton Principles. All enforcement action will be intelligence led and be proportionate to the nature of the non-compliance. It will also include the use of informal methods such as the provision of information and education and the issue of warning letters or cautions.

This approach will help industry to create a positive behaviour change to promote compliance, give regulated entities the opportunity to comply before threat of prosecution and lead to a reduction in burden from compliance on the tyre industry and the public alike.

23. Contact point for enquiries and comments

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Annex 1 Summary of amendments to existing tyre legislation

Source Legislation	Action	Revised requirement
Motor Vehicle Tyres (Safety) Regulations 1994	Simplification	Removal of requirements relating to retreaded motorcycle tyres and part-worn tyres. Removal of references to out of date tyre requirements.
Motor Vehicle Tyres (Safety) Regulations 1994	New 1994 Regulations to be revoked when the necessary requirements have been adopted in the new Instrument	Motor-caravans included within scope for tyre supply provisions as required to comply with European Community Whole Vehicle type Approval (ECWVTA)
Road Vehicles (Construction & Use) Regulations 1986	Simplification	Specialist vehicle groups (i.e. agricultural, plant equipment, locomotive, motor tractor) taken outside scope of detailed requirements and will instead be required to meet generic provisions relating to type, suitability, size, load rating of tyres.
Road Vehicles (Construction & Use) Regulations 1986	Simplification/ Deregulation	Removal of complex provisions for tyre fitting and their replacement with simplified, generic requirements.
Road Vehicles (Construction & Use) Regulations 1986	Simplification	Regulations relating to type approval requirements for tyres fitted to road vehicles are simplified.
Road Vehicles (Construction & Use) Regulations 1986	Simplification	Requirements relating to the variation in tyre load capacity depending on vehicle speed are simplified and aligned with mandatory EU legislation (Directive 92/23 and ECE R54)
Road Vehicles (Construction & Use) Regulations 1986	Simplification/ Deregulation	Detailed regulations relating to the fitting of cross-ply tyres are revoked and replaced by simplified generic provision.
Road Vehicles (Construction & Use) Regulations 1986	New	Requirement that tyres fitted to vehicles shall only be fitted to a wheel rim of the appropriate size.
Road Vehicles (Construction & Use) Regulations 1986	Revocation of relevant provisions	Replace reference to previous noise limits called for through Directive 2001/43/EC by the current regulation (Regulation (EC) No 661/2009)

Annex 2: Figures to support summary of Costs and Benefits

Table 1: Wage estimates for managers and workers

	Hourly Rate	Overheads	Total
Managers and Senior Officials	18.8	5.6	24.4
Sales and Customer Services	10.5	3.1	13.6

Table 2: Summary of Minimum Standards Costs and Benefits (2007 prices)

		Low	Central	High
Annual Average Costs and Benefits	Costs	137	170	202
	Benefits	261	457	816
Total Costs and Benefits (PV)	Costs	1,333	1,710	2,075
	Benefits	2,386	4,140	7,423
Net Present Value		1,053	2,430	5,348

Table 3: Summer of Labelling Standards Costs and Benefits (2008 prices)

		Low	Central	High
Annual Average Costs and Benefits	Costs	1	24	61
	Benefits	0	11	28
Total Costs and Benefits (PV)	Costs	8	154	395
	Benefits	0	82	219
Net Present Value		-395	-72	211