



Ivory Bill

Factsheet - Impact Assessment

23 May 2018

Overview

The Impact Assessment (IA) sets out: the rationale for government intervention; different policy options considered (including non-regulatory options); the expected impacts of the intervention; and quantification of the expected costs and benefits.

The IA has been scrutinised by the regulatory policy committee, and received a 'green opinion'. At implementation stage a 'green opinion' is an independent view that the analysis used to calculate the EANDCB (defined below) is robust and fit for purpose.

This document summarises the key points from the IA in Q&A format, and defines key terms used within the IA.

Q&A

How many businesses will be affected?

We anticipate that the main affected parties will be:

1. Antique dealers, including street stalls engaged in the sale of antiques;
2. Auction houses

Evidence suggests that there are approximately 2,500 antique dealers/stalls, and 1,000 auction houses in the UK. However, not all of these businesses will sell ivory products. A recent survey in London found that only 15% of antique stalls and shops offered ivory items for sale.

What will be the impact on affected businesses?

Affected businesses will incur a cost of inventory in the stock of ivory items that can no longer be sold, and on an ongoing basis, they will no longer be able to earn profit from the sale of ivory items. Businesses will also need to familiarise themselves with the new arrangements, and specifically the precise nature of the exemptions. The IA estimates the costs to business of each of these different effects.

We estimate the total direct cost to business over the 10 year appraisal period to be between £53m and £102m, with a best estimate of £74.6m in present value terms. This equates to an Equivalent Annual Net Direct Cost to Business (EANDCB) of £7.4m. Some

of this cost is likely to be mitigated by the carefully targeted exemptions, however it has not been possible to quantify this reduction.

What data sources have been used in estimating this impact?

- ONS Annual Business Survey
- ONS Annual Survey of Hours and Earnings
- The British Art Market Foundation report on The British Art Market in 2014 (prepared by: Arts Economics)
- Two Million Tusks (2017) Ivory: The Grey Areas. A Study of UK auction house ivory sales – The missing evidence
- Consultation response from the British Antique Dealers Association, referencing information from onlinegalleries.com
- Consultation response submitted on behalf of a number of NGOs (The Environmental Investigation Agency (EIA), Stop Ivory, The David Shepherd Wildlife Foundation, The Wildlife Conservation Society, The Zoological Society of London) referencing information from the-saleroom.com

How many individuals/households will be affected?

No reliable data is available on the number of private individuals and households which have their own items made of or containing ivory. However, anecdotal evidence suggests that the number of items in UK homes is significant.

What will be the effect on individuals/households?

Whilst the ban would not affect the right to inherit, gift and bequeath, ending the domestic trade in ivory containing products would eliminate the legal financial value of such assets and represent an overall loss of wealth to British households. Some of this might be mitigated where items could be repurposed to remove the ivory in order to retain some legal financial value.

As with the costs to business, it is likely to be the case that some of these potential losses do not materialise, insofar as those households owned ivory items that fall within exemption categories.

Does the policy disproportionately impact on small businesses?

The IA references evidence on business size by affected sector. In view of the structure of the antiques industry in particular, we would expect the majority of businesses affected to be small and micro businesses.

We would not consider the burden on small business as disproportionate in as much as the costs in terms of lost stock value and lost trading margins is expected to be proportional to the size of the business. So for example, if ivory typically accounts for 1% of antique sales, that percentage will imply a larger absolute loss for a larger firm than for a smaller firm.

Further to this, the principle of targeted exemptions, to the extent that these are not based on criteria related to business size, should not disproportionately disadvantage smaller firms.

Key definitions

In order to compare options which have costs and benefits occurring at different times we need to adjust the estimates by discounting the impacts to the same point in time, to estimate the present value of the impacts. In line with HMT Green Book guidance a discount rate of 3.5% is applied in the IA.

Net present value is the net impact to society and the economy as a whole (including businesses). It shows the present value of all benefits (including benefits to business and society at large) less the present value of all costs (to business and society at large).

Business net present value shows the present value of all benefits to business less the present value costs to business.

Note: the IA only monetises costs to business, therefore the net present value and business net value listed in the IA are identical

Transition costs are transient, or one-off costs or benefits that occur, which normally relate to the implementation of the measure.

The Equivalent Annual Net Direct Costs to Business (EANDCB) is the Government's chosen metric for measuring the economic impact of each qualifying regulatory provision. This is the annualised value of the present value of net costs to business.

To generate the contribution of a measure to the Business Impact Target (BIT) score, the EANDCB is multiplied by five, to assess the impact over the first five years for which the measure will be in force.

The small and micro-business assessment (SaMBA) is a compulsory component of the IA, and is intended to ensure that new regulatory proposals are designed and implemented so as to mitigate disproportionate burdens on small and micro-businesses.



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