

Impact assessment for the removal of safety and security requirements for exported empty units moved under a transport contract and inter-port transshipment exports

Lead department	HM Revenue and Customs
Summary of proposal	The proposal amends The Customs (Safety and Security Procedures) Regulations 2022, removing administrative requirements for empty units exported from the UK and transshipments moved between UK ports.
Submission type	Impact assessment (IA) – 04 July 2022
Legislation type	Secondary legislation
Implementation date	01 July 2022
Policy stage	Final
RPC reference	RPC-HMRC-5209(1)
Opinion type	Formal
Date of issue	28 September 2022

RPC opinion

Rating¹	RPC opinion
Fit for purpose	Following the department's response to the Initial Review Notice (IRN), the RPC now considers the IA fit for purpose. Overall, the analysis is well-evidenced, and the methodology is set out clearly. The evidence supporting the EANDCB and SaMBA is now considered sufficient. However, there are still several areas for improvement, particularly on the wider impacts and monitoring and evaluation.

Business impact target assessment

	Department assessment	RPC validated
Classification	Qualifying regulatory provision	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	-£35.0 million (initial IA estimate) -£39.3 million (final IA estimate)	-£39.3 million (2019 prices, 2020 pv)

¹ The RPC opinion rating is based only on the robustness of the EANDCB and quality of the SaMBA, as set out in the [Better Regulation Framework](#). RPC ratings are fit for purpose or not fit for purpose.

Business impact target (BIT) score	-£196.7 million	-£196.5 million
Business net present value	£338.6 million	
Overall net present value	£338.6 million	

RPC summary

Category	Quality²	RPC comments
EANDCB	Green	The IA identifies a range of monetised and non-monetised impacts for businesses who export from the UK, as well as for intermediaries and other relevant firms that help facilitate the completion of Export Summary Declarations (EXS). Following the concern raised in the RPC's IRN, the department now treats lost profit for intermediaries and software providers as 'resources used to comply with regulation' and correctly excludes it from the EANDCB estimate.
Small and micro business assessment (SaMBA)	Green	The IA provides a breakdown of the number of small and micro businesses (SMBs) that are required to complete export summary declarations (EXS). As the proposal is expected to be net-beneficial to all businesses, the department does not propose any exemptions. The IA would be strengthened by assessing whether mitigation actions might be appropriate to address any disproportionality of impacts across regions.
Rationale and options	Satisfactory	The IA clearly explains why regulatory intervention is required to remove the requirement for these declarations. The consideration of options has been strengthened and now provides clear justification why alternative options would not be sufficient in meeting the set policy objectives.
Cost-benefit analysis	Satisfactory	The analysis included in the IA is supported by evidence and well presented. The department has used a range of sources and highlights the main caveats associated with the data available. The IA would be improved through greater clarity in some assumptions.
Wider impacts	Weak	The IA includes a very brief assessment of the potential impact of the proposal on trade, the environment and the public sector. The IA would benefit from providing a more detailed assessment of these, including considering the potential regional impacts of transshipment being easier to implement.
Monitoring and evaluation plan	Weak	The department does not make a formal review commitment but does note that Border Force will monitor the policy through current practices. The IA needs to further consider what outcomes should be achieved, and what metrics are necessary, to determine the success of the policy.

² The RPC quality ratings are used to indicate the quality and robustness of the evidence used to support different analytical areas. Please find the definitions of the RPC quality ratings [here](#).

Response to initial review

As originally submitted, the IA was not fit for purpose due to concerns with the EANDCB and the SaMBA.

The initial IA incorrectly included lost profit for intermediaries and software providers in the EANDCB estimate. The RPC's IRN explained that this impact fell within the 'resources used to comply with regulation' category in RPC guidance.³ The IA now correctly excludes it from the EANDCB. As a result, the EANDCB has reduced from -£35.0 million to -£39.3 million (2019 prices, 2020 present value base year).

The SaMBA in the initial IA did not provide an estimate of the number of SMBs in scope of the regulatory change. The revised IA now includes an estimate of this and provides a more detailed discussion of why exemption is not deemed appropriate. As a result of these amendments, the RPC now considers the IA to be fit for purpose.

Summary of proposal

At present, the UK's approach to safety and security (S&S) declarations requires that prior to shipments leaving the UK, an Exit Summary declaration (EXS) must be made. The department has identified that for some transshipments, such as empty units (i.e., those leaving the country empty) moved under a transport contract and inter-port transshipments (i.e., those moving between ports, prior to leaving the UK), it is not proportionate to require the completion of these declarations in relation to the low security risk these movements pose.

The department has considered two options in the IA:

- Option 0: Do-nothing; and
- Option 1: legislate to remove the requirement for EXS S&S declarations to be made for exported empty units and inter-port transshipments.

The main monetised cost, as identified by the department in the IA, is the loss of profit for intermediaries or third-party software providers (that exporters may use) from a reduction in declarations made for the affected movements. In addition, the department note there likely will be unmonetised one-off costs, such as those to carriers and intermediaries who may need to change their systems, and familiarisation costs. The quantified benefits that the department discuss, largely reflect the inverse of the costs, with the savings to carriers from the range of costs currently faced in preparing and submitting declarations under the current regulations. The IA estimates a net present value and EANDCB of £338.6 million and -£39.3 million (2019 prices; 2020 present value base year, respectively, over a 10-year appraisal period.

³ <https://www.gov.uk/government/publications/rpc-case-histories-other-bit-methodology-issues-march-2019>

EANDCB

Direct and indirect impacts

The IA explains that the analysis in this IA is based on the estimated volumes of safety and security declarations that will no longer be required and the associated costs of submitting these declarations. The department has correctly identified the direct benefits to business arising from savings associated with submission fees and data collection. The IA clearly sets out the methodology and evidence source used to calculate the EANDCB estimate.

Non-monetised impacts

The department states that while there are expected to be familiarisation costs to Community Systems Providers (CSPs) and intermediaries, these are expected to be small and as a result have not been monetised. The IA would benefit from either attempting to quantify these impacts or including further discussion of why they are expected to be small.

Counterfactual

In the department's consideration of the impacts, the change in the overall volume of trade (and the corresponding increase in the number of eligible EXS declarations) is factored into the analysis.

SaMBA

The IA provides a satisfactory assessment of impacts on small and micro businesses (SMBs). The department uses IDBR data from the ONS to estimate that 47% of EXS completed for empty units are submitted by SMBs. Although the IA states that it does not foresee any direct ongoing costs to SMBs as a result of the proposal, it would benefit from considering whether mitigation action might be appropriate to avoid disproportionate familiarisation and implementation costs to SMBs. The IA states that, given the deregulatory nature of the proposal, the majority of the impacts will be beneficial to exporting businesses, including SMBs stand to gain like other businesses seeking to export.

Rationale and options

The IA provides a rationale for intervention and makes a clear case for why legislative change is required to remove the requirements for the EXS declarations. The IA would benefit from further evidence to support the assertion that removing these requirements presents an insignificant risk to both the Border Force and consumers. Although the department has only discussed a do-nothing option in addition to the preferred legislative option, the revised IA provides a section to explain why no non-legislative options would achieve the policy objectives. It also includes a discussion on why it would be challenging to reduce the volume of empty units exported for the UK.

The IA states that the “*UK’s approach the safety and security declarations is in line with the World Custom Organisation’s SAFE Framework for standards*” (page 4). The IA would benefit from explaining whether the proposal would still ensure that the UK’s framework continues to meet the SAFE Framework standards.

Cost-benefit analysis

Evidence and methodology

The IA makes use of internal HMRC data, direct engagement with affected parties and publicly available data to inform the analysis. In addition, where appropriate the department acknowledge the limitations of the available evidence and the implications for the estimates. The department clearly set out the methodological approach taken in estimating the impacts and the description of the calculations is clear.

Assumptions, risk, and sensitivity

The IA includes a range of assumptions and while, generally, these are informed by the evidence that the department has collected and considered, there are some, such as that relating to the percentage of transit movements that start at airports, which could be more clearly explained. The RPC commends the department’s use of Monte Carlo analysis to understand the sensitivity in the range of benefits that could occur. The IA would be strengthened by including more evidence on the merits and potential risks of the proposal against the counterfactual.

Enforcement costs

The IA does not consider the enforcement impacts of the policy. The IA should consider what impact there may be upon the enforcement capability of Border Force, and whether this will be redeployed elsewhere, with the expected reduction in declarations for them to monitor.

Wider impacts

International trade and investment

The IA includes a limited discussion of the impacts upon trade, noting that the policy will support businesses and supply chains, through removing frictions at borders and reducing potential delays. The department also states that a non-monetised benefit of the policy is the reduction in the risk of carriers re-routing shipments to avoid Great Britain and avoid potential delays. The IA would benefit from explaining this benefit in more detail, in particular it should set out whether this is to do with post-Brexit EU shipments that had to start submitting EXS after the cut-off date. If so, the IA should provide evidence to support that shipments are being diverted. In addition, as the EXS declarations came into force recently for export to the EU but existed previously for non-EU countries; the IA should distinguish the potential trade impacts of the proposal between EU and non-EU countries.

More broadly, the IA would be improved by considering whether the policy will have any effect on the composition of trade. For example, by making it easier to move empty units out of the UK will this increase the share of these relative to non-empty units as anticipated in the counterfactual?

Environmental impact

The IA notes that the environmental impact of the proposal is expected to be minimal as it does not anticipate the waiver to have a significant impact on the volume of empty units. The IA would be strengthened by providing evidence to support this assertion. In addition, the IA would benefit from assessing the potential environmental impact of empty units leaving the UK versus non-empty units (e.g., the comparative greenhouse gas emissions footprint).

Distributional impact

As the proposal will remove the declaration requirements for inter-port transhipments, the IA should consider whether this would have an impact on the distribution of freight across the UK. Easier movement of goods between ports may distort how goods are held and moved within the UK, and affect the final ports from which they are exported.

Competition impact

The IA should consider whether the proposal could lead to a reduction in number of intermediaries or the services that they offer. In addition, the IA would benefit from considering the potential competition impacts on the market for empty containers and haulier companies.

Monitoring and evaluation plan

The IA provides a brief monitoring and evaluation plan on page 21. Although the IA does not include a formal commitment to review the policy, it does state that the department will monitor the proposal's impact through regular engagement with affected businesses and the Border Force. In particular, the department intends to monitor the number of EXS declarations received to measure the proposal's effectiveness. The IA would be strengthened by explaining what other metrics will be used to determine the extent to which the policy objectives have been met. In addition, the IA would benefit from setting out how potential risks and unintended consequences will be identified and monitored.

Regulatory Policy Committee

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