EXPLANATORY MEMORANDUM TO

THE ENVIRONMENTAL PERMITTING (ENGLAND AND WALES) REGULATIONS 2007

2007 No.

1. This explanatory memorandum has been prepared by the Department for Environment, Food and Rural Affairs and is laid before Parliament by Command of Her Majesty. This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Description

2.1 The draft Regulations introduce a single streamlined environmental permitting and compliance regime to apply in England and Wales. They do this by integrating the existing regimes covering waste management licensing (WML) and Pollution Prevention and Control (PPC). They intend to reduce the administrative burden of regulation on industry and regulators without compromising the environmental and human health standards previously delivered by these separate regimes.

3. Matters of special interest to the Joint Committee on Statutory Instruments

3.1 Defra indicated in the Explanatory Memorandum to the Pollution Prevention and Control (Public Participation) (England and Wales) Regulations 2005 (S.I. 2005/1448) that it intended to consolidate the Pollution Prevention and Control (England and Wales) Regulations 2000.

3.2 The Department also indicated, in the Explanatory Memorandum to the Waste Management (Amendment and Related Provisions) (No. 2) Regulations 2005 (S.I. 2005/1528), that it intended to consolidate the Waste Management Licensing Regulations 1994 (1994/1056).

3.3 The Department subsequently corresponded with both the Joint Committee on Statutory Instruments and the House of Lords Committee on the Merits of Statutory Instruments to explain that it no longer proposed to pursue these consolidations because of the incorporation of the substance of both sets of Regulations into the draft Environmental Permitting (England and Wales) Regulations. The Department explained that consolidation of extremely lengthy existing Regulations a short time before implementing the draft Regulations would require the relevant regulators and the regulated businesses to adapt to two changes in quick succession. Each change would also have required substantial revision to the numerous guidance documents that are produced by the Department and by regulators.

3.4 The draft Regulations therefore fulfil a commitment to replace both regimes with a single instrument as an alternative to consolidation.

4. Legislative Background

4.1 The draft Regulations are being made to streamline and replace existing regimes covering waste management licensing and pollution prevention and control.

Existing environmental legislation in this area is perceived as unnecessarily complex and burdensome for industry, regulators and the public and so in need of simplification. The draft Regulations simplify the procedures for environmental permitting without changing:

- who the regulator is (although Ministers may by direction allow a single site to have a single regulator rather than two or more, if appropriate);
- what is regulated; or
- what standards or requirements have to be met.

4.2 The draft Regulations replace over forty statutory instruments dealing with environmental permitting with a single instrument covering:

- who needs a permit or to register an exemption;
- how to apply for, vary, transfer, surrender and enforce against a permit; and
- the delivery through permitting of national policy and 11 European Directives on environmental protection.

4.3 The Regulations will re-transpose the 11 Directives mentioned. A transposition note is annexed to this note, which includes details of the European scrutiny history. Their subject matter covers:

- the prevention and reduction of environmental pollution by asbestos (Directive 1987/217/EC);
- reduction and eventual elimination of pollution from the titanium dioxide industry (Directive 1992/11/EC);
- the control of volatile organic compound emissions from petrol storage and distribution (Directive 1994/64/EC);
- integrated pollution prevention and control (Directive 96/61/EC);
- the limitation of emissions of volatile organic compounds due to the use of organic solvents (Directive 1999/13/EC);
- the landfill of waste (Directive 1999/31/EC);
- end-of life-vehicles (Directive 2000/53/EC);
- incineration of waste (Directive 2000/76/EC);
- the limitation of emissions of certain pollutants into air from large combustion plants (Directive 2001/80/EC and 2001/81/EC)
- waste electrical and electronic equipment (Directive 2002/96/EC); and
- waste management (Directive 2006/12/EC).

4.4 The draft Regulations aim to clearly separate procedure from substantive environmental protection requirements. It is intended that few of the rules concerning environmental permitting procedure (applications, transfers, variations etc.) in the draft Regulations will need amendment in the event of changes to national or EU legislation covering the scope of activities needing environmental permits or imposing detailed regulatory requirements.

5. Territorial Extent and Application

5.1 This instrument applies to England and Wales including the sea to the edge of territorial waters.

5.2 Separate systems covering waste management licensing and pollution prevention and control apply in Scotland and Northern Ireland.

6. European Convention on Human Rights

6.1 The Minister for Climate Change, Biodiversity and Waste, Joan Ruddock, has made the following statement regarding Human Rights:
In my view the provisions of the Environmental Permitting (England and Wales) Regulations 2007 are compatible with the Convention rights.

7. Policy background

7.1 Environmental permitting and compliance systems have arisen largely independently of each other. They have adopted, often for good reasons, a variety of approaches to the same aspects of environmental permitting and compliance to achieve similar outcomes. This has led to an overall regulatory system that is often perceived and experienced as too complex for industry and regulators. The draft Regulations aim to change that.

7.2 The House of Commons Environment Transport and Regional Affairs Select Committee inquiry into the work of the Environment Agency (May 2000, HC 34-1) recommended that the Government review the different approaches and philosophies of environmental regulation, to establish a more efficient regulatory system. This led to a joint Environment Agency/Defra review of modernising legislation that in turn led to Defra's Waste Permitting Review in 2003-4. The draft Regulations build on the work done by that Review and the support from stakeholders and in particular the waste management licence holders.

7.3 The Better Regulation Task Force in its report "Less is More, Reducing Burdens, Improving Outcomes", March 2005 (http://www.brc.gov.uk/upload/assets/www.brc.gov.uk/lessismore.pdf) commented that "Various licensing requirements are set out in different pieces of legislation and may impose different administrative requirements on industry. The procedures relating to IPPC for an industrial process that might pollute the air, water or land are different to those required for waste management – yet their objective, to protect the environment, is the same. Many businesses will need to deal with both permitting systems"

7.4 Defra's Five Year Strategy "Delivering the Essentials of Life", December 2004 Cm 6411 (http://www.defra.gov.uk/corporate/5year-strategy/5year-strategy.pdf) set out a specific initiative addressing this problem by "launching a programme, with the Environment Agency and other stakeholders, of modernising environmental permitting. This could include progressively putting different regulatory streams on to a common footing, supported by more streamlined systems. A modernised permitting and compliance system, in line with EU requirements and sound environmental policy as well as the Government's principles of good regulation, should provide quantifiable efficiencies both for the regulatory process and for those regulated."

7.5 Other reports have recommended modernising the Waste Management system including the 2002 National Audit Office Report, "Protecting the Public from Waste" HC 156 Session 2002-2003: 18 December 2002 (http://www.nao.org.uk/publications/nao_reports/02-03/0203156.pdf) and the "Review of Legislation Affecting Integration within the Environment Agency", Defra, May 2003 (http://www.defra.gov.uk/environment/ea/legreview/ea_legreview.pdf) .

7.6 Further, the Lisbon Agenda of the European Union (http://www.eu2005.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1114071804875) focuses on the key priorities of jobs and economic growth. In response, the UK Government has devised a forward-looking agenda of reforms to deliver long term sustainable economic growth and to increase employment opportunity. The draft Regulations look at ways to reform the burden of regulation on business while maintaining standards of protection for the public.

7.7 The Better Regulation Commission has proposed and the Government has accepted that departments measure the administrative burdens of regulation on business and reduce them by 25% (http://www.brc.gov.uk/scrutiny/simplification_plans.aspx), which is already a Defra commitment in the Five Year Strategy (see paragraph 7.4, above). Further, Philip Hampton wrote a key report on better regulation "Reducing administrative burdens: effective inspection and enforcement", for the HM Treasury in March 2005. In that report Hampton explains how risk-based regulation can maintain or improve outcomes: "Proper analysis of risk directs regulators' efforts at areas where it is most needed, and should enable them to reduce the administrative burden of regulation, while maintaining or even improving regulatory outcomes". The Government has accepted the recommendations of the Hampton Report and the Better Regulation Task Force Report.

7.8 On 3rd May 2006, the Environment, Food and Rural Affairs committee published a report on "the Environment Agency", Seventh Report of Session 2005-06, HC780-I (http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvfru/780/780i.pdf). The committee considered that developing legislation at the national level within separate regulatory "silos" can create problems for the effective interpretation and enforcement of policy and can complicate matters for businesses and individuals affected by that legislation. The committee welcomed the moves to develop the common regulatory regime contained within the draft Regulations. They recommended that Defra and the Environment Agency seek to extend this common framework to other systems and EU directives as a next step. In November 2006, the Davidson Review on Implementation of EU Legislation, Final Report welcomed the environmental permitting programme (http://www.cabinetoffice.gov.uk/regulation/documents/davidson_review/davidson_review.pdf).

7.9 Finally, the Environment Agency, a key partner in developing the draft Regulations considers that its efforts to modernise the way it regulates continue to be hampered by unnecessary differences between regulatory systems for which it is the competent authority.

7.10 The draft Regulations are a better regulation initiative, responding to the better regulation agenda, designed to reduce costs for business and regulators by cutting red tape, without changing levels of protection for the environment and human health or what is regulated. The new more flexible regime will encourage regulators and industry to adopt and promote risk based and proportionate regulation. That new flexibility is only limited where necessary to deliver Directive requirements and protect the environment or human health, for example for landfills financial provision must be made to ensure that the environment is protected in the long term and technically competent staff are employed. It will

also continue to implement European legislation fully and increase clarity for the operators of facilities, the public and the regulator. It does this by streamlining and simplifying environmental permitting and compliance regimes.

7.11 These regimes aim at minimising the environmental impact of business (e.g. by determining whether to give approvals for more potentially polluting processes, and where approvals are issued by including operating conditions which must be met). The draft Regulations enable them to do this more efficiently and effectively, cutting out unnecessary bureaucracy associated with Waste Management Licensing and Pollution Prevention and Control.

7.12 The draft Regulations intend to ensure that European legal obligations continue to be met through a new regime that maximises the positive and minimises the negative impact of change on all concerned. For example:

- those already holding permits under existing regimes will be moved to the new regime immediately without having to make fresh applications;
- the new regime contains more flexible approaches to transfer, variation and surrender of environmental permits; and
- the new regime allow standard permits to be obtained which are intended to be simpler, cheaper and quicker to obtain with less paperwork and simpler guidance.

Consultation

7.13 Over a thousand representatives from a broad range of industry, regulators and other stakeholders have been consulted:

- A First Consultation on policy ran from 20 February to 15 May 2006. 110 responses were received;
- A Second Consultation on revised policy and draft regulations ran from 13 September to 6 December 2006. 75 responses were received;
- A Third Consultation on Government Guidance to Environment Agency regulated sites to underpin the draft regulations ran from 15 January to 11 April 2007. 53 responses were received;
- A Fourth Consultation on Government Guidance to Local Authority regulated sites to underpin the draft regulations ran from 12 June to 4 September 2007. 8 responses were received; and
- A Fifth Consultation on more detailed Government Guidance on Directives and on Waste Technical Competence ran from 18 July to 10 October 2007.

The Second to Fifth Consultations and Summaries of Responses to the Second and Third Consultations can be found at http://www.defra.gov.uk/environment/epp/. Other documents can be obtained from the contact at paragraph 9, below.

7.14 The draft Regulations are put forward following extensive engagement with a broad range of representatives from industry, regulators and other stakeholders. Respondents to the consultations conducted by the Environmental Permitting Programme were generally very supportive of the consultation process including the level of stakeholder involvement. Some suggested that it had followed a model that should be adopted more widely by Defra.

7.15 Respondents were also generally supportive of the ideas and aims of the initiative, backing a risk based, proportionate system that will lead to more consistency and clarity. Efforts to reduce the administrative burden were overwhelmingly welcomed. At each stage many wanted to see more detail and welcomed the intention to hold further consultations on that. The draft regulations replace two very different approaches and compromises between these have been required to develop a simpler common system that still protects the environment and human health. Key areas of debate where divergent views were encountered surrounded were:

- Who decides whether extra information is needed for an application where there is a dispute – the original proposal that the regulator should decide this was changed in the light of respondents' concerns so an independent appeal body would decide instead;
- Implementing a risk based approach – several stakeholders felt that there was little evidence of the Environment Agency implementing this approach on the ground. The Environment Agency provided further information on this issue in the Second and Third Consultations;
- Standard rules permits – many agreed that simpler standard types of permits were a good idea but wanted to be involved in their design. To address this the Second Consultation contained a draft standard permit and the draft regulations and proposed Government Guidance require regulators to engage with industry and others in their design through consultation before standard rules permits are adopted or varied. An Environment Agency Consultation on standard rules permits runs from 13 September to 6 December 2007 (http://www.environment-agency.gov.uk/yourenv/consultations). Defra will look at the practicability of standard rules permits for local authorities after 2 years of practical experience by the Environment Agency;
- Loss of the due diligence defence from waste management - under the draft regulations it is proposed that the due diligence defence currently available under the waste licensing system be dropped, meanwhile the emergency defence, available only to waste operators at present, be extended to PPC. While the extension of the emergency defence has been universally welcomed by industry the loss of due diligence has been a cause for concern for industry. The Government considers that the retention of this defence in a common system is not justified and that there are adequate safeguards for those holding permits;
- Changing the regulator – several stakeholders felt that sites with more than one regulator should at times be allowed to have a single regulator. A mechanism was put into draft regulations following the Second and Third Consultations to allow this.

Guidance

7.16 Government Guidance was consulted on by the Third, Fourth and Fifth Consultations (see paragraph 7.13, above and http://www.defra.gov.uk/environment/epp/index.htm). A plain English leaflet has been prepared and consulted upon to help those affected understand the changes: "Simplifying Regulation for Waste Management and Pollution Prevention and Control" (http://www.defra.gov.uk/corporate/consult/envpermitprog4/pdf/epp-booklet.pdf). Two overarching Guidance documents describe the new system in detail, one for those regulated by the Environment Agency (see the Third Consultation) and the other for those regulated by Local Authorities (see the

Fourth Consultation) . These guidance documents are underpinned by separate Government Guidance on each of the Directives to be re-transposed through the new system (see the Fourth and Fifth Consultations).

7.17 Final Guidance will be published early in 2008 in good time before the new system comes into force in April 2008.

8. Impact

7.18 A full Regulatory Impact Assessment is attached to this memorandum.

7.19 The impact on the public sector is described in the full Regulatory Impact Assessment.

9. Contact

Nigel Atkinson at the Department for Environment, Food and Rural Affairs Tel: 020 7238 4665 or e-mail: nigel.atkinson@defra.gsi.gov.uk can answer any queries regarding the instrument.

Annex - Transposition Note

Memorandum showing how the main elements relating to permitting of the following Directives ("the Directives") have been re-implemented in the Environmental Permitting Regulations (England and Wales) Regulations ("the Regulations"):

- Council Directive 87/217/EEC on the prevention and reduction of environmental pollution by asbestos, as amended (OJ No. L 85, 28.3.1987, p40) ("the Asbestos Directive");
- Council Directive 92/112/EEC on procedures for harmonizing the programmes for the reduction and eventual elimination of pollution caused by waste from the titanium dioxide industry (OJ No. L 409, 31.12.1992, p11) ("the Titanium Dioxide Directive") ;
- European Parliament and Council Directive 94/63/EC on the control of volatile organic compound (VOC) emissions resulting from the storage of petrol and its distribution from terminals to service stations, as amended (OJ No. L 365, 31.12.1994, p24) ("the Petrol Vapour Recovery Directive");
- Council Directive 96/61/EC concerning integrated pollution prevention and control, as amended (OJ No. L 257, 10.10.1996, p26) ("the IPPC Directive");
- Council Directive 1999/13/EC on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain activities and installations, as amended (OJ No. L 85, 29.3.1999, p1) ("the Solvent Emissions Directive");
- Council Directive 1999/31/EC on the landfill of waste, as amended (OJ No. L 182, 16.7.1999, p1) ("the Landfill Directive") and as read with Council Decision 2003/33/EC (OJ No. L 11, 16.1.2003, p27);
- Directive 2000/53/EC of the European Parliament and of the Council on end-of life vehicles, as amended (OJ No. L 269, 21.10.2000, p34) ("the End-of-Life Vehicles Directive");
- Directive 2000/76/EC of the European Parliament and of the Council on the incineration of waste, (OJ No. L 145, 28.12.2000) ("the Waste Incineration Directive");
- Directive 2001/80/EC of the European Parliament and of the Council on the limitation of emissions of certain pollutants into the air from large combustion plants (OJ No. L 309, 27.11.2001, p1) ("the Large Combustion Plants Directive");
- Directive 2002/96/EC of the European Parliament and of the Council on waste electrical and electronic equipment (WEEE), as amended (OJ No. L 37, 13.2.2003, p24) ("the WEEE Directive");
- Directive 2006/12/EC of the European Parliament and of the Council on waste (OJ No. L 114, 27.4.2006, p9) ("the Waste Framework Directive").

Approach of the Regulations

The Directives all make provision in relation to pollution of the environment. The Regulations re-implement those elements of the Directives which must be implemented through permits, and those which are capable of being implemented through permits.

They replace the previous implementations which were achieved through the statutory instruments revoked by regulation 74(1) of, and Schedule 22 to, the Regulations, and through Part II of the Environmental Protection Act 1990.

Parts 1 and 2 of the Regulations, and Schedules 5 and 6, set up the core of a common procedural framework for implementation of the Directives. This mostly comprises provision on applying for permits and varying, transferring and surrendering them. It also includes the fundamental duty to hold a permit when carrying on an operation which falls within the scope of the Directives unless exempt (regulation 12 read with regulation 8). Part 4 of the Regulations provides for common enforcement of the Directive requirements implemented.

Most of the substantive requirements of the Directives are implemented by requiring regulators to ensure compliance when exercising their functions in relation to permits. These requirements on regulators are imposed by regulation 35 and the provisions of Schedules 7 and 9 to 18. The provisions of those Schedules are analysed further below.

Regulation 5 and Schedules 2, 3 and 20, also implement parts of Waste Framework Directive. Regulation 5, Schedule 2 and Part 1 of Schedule 3 establish a system of exemptions from the requirement to hold a permit. Schedule 20 is given effect through regulation 68(3) and imposes duties implementing some of the provisions of the Directive on authorities exercising functions under other relevant licensing systems.

In addition to establishing a new procedural and compliance system for delivery of the Directives, the regulations are a consolidating measure. Accordingly, they contain some provision which is not required by European legislation.

Notably, regulation 35(b) and Schedule 8 require regulators to exercise their functions so as to deliver the requirements of the IPPC Directive in respect of Part B activities, which do not fall within the Directive. This remakes, with adaptation, the domestic requirement in respect of Part B activities in the Pollution Prevention and Control (England and Wales) Regulations 2000 (S.I. 2000/1973).

The principal substantive requirements of the Directives are implemented in the Regulations as follows:

The Asbestos Directive

(Directive 87/217/EEC, amended by Directive 91/692/EEC and Regulation (EC) No. 807/2003)

Directive article	**Objective**	**Regulations provision**
3	To reduce and prevent asbestos emissions to air and water, and solid asbestos waste.	Schedule 16 para 3(1)(a)
4(1)	To limit discharges of asbestos to the air during use of asbestos.	Schedule 16 para 3(1)(b)
5	To ensure recycling of aqueous effluent arising during manufacture of asbestos cement, paper and board	Schedule 16 para 3(1)(c)
6(1) and (2) and Annex	To ensure emissions of asbestos to air and water are monitored and measured	Schedule 16 paras 3(1)(d) and 3(2)
8	To prevent release of asbestos into the environment during transport or at landfills	Schedule 16 para 3(1)(e)

European scrutiny: Defra does not hold the scrutiny details for this Directive.

The Titanium Dioxide Directive

(Directive 92/112/EEC)

Directive article	Objective	Regulations provision
4	To ensure that discharges of waste into certain waters arising from processes covered by the Directive are prohibited.	Schedule 17 para 3(a)
6	To ensure that discharges of waste arising from processes covered by the Directive comply with stated limits.	Schedule 17 para 3(b)
9 and Annex	To ensure that discharges into the atmosphere arising from processes covered by the Directive comply with stated limits.	Schedule 17 para 3(c)
10	To ensure that discharges within the Directive are monitored.	Schedule 17 para 3(d)
11	To ensure that waste from the Titanium dioxide industry is avoided or reused where feasible and reused or disposed of without endangering human health or harming the environment.	Schedule 17 para 3(e)

European scrutiny: Defra does not hold the scrutiny details for this Directive.

The Petrol Vapour Recovery Directive

(Directive 94/63/EC)

Directive article	Objective	Regulations provision
3(1) and Annex I	Requirements for the design and operation of storage installations falling within the Directive.	Schedule 18 paras 3(1)(a) and 3(2)(a)
4(1) and (3) and Annexes II and IV	Requirements for the design and operation of loading and unloading equipment falling within the Directive.	Schedule 18 paras 3(1)(b) and 3(2)(b)
6(1) and Annex III	Requirements for the design and operation of loading and storage equipment falling within the Directive.	Schedule 18 para 3(1)(c)

European scrutiny: Defra does not hold scrutiny details for this Directive.

The IPPC Directive

(Directive 96/61/EC, amended by Directives 2003/35/EC and 2003/87/EC and Regulation (EC) No. 1882/2003

Directive article	Objective	Regulations provision
3	To set the general principles governing the operation of installations within the Directive.	Schedule 7 para 5(1)(a)
6(1)	To impose requirements to be met in a permit application.	Schedule 7 para 4
9(1) to (6) and Annex III	To impose requirements in relation to the conditions of a permit.	Schedule 7 paras 5(1)(b) and 5(2)(a) to (d)
10	To require additional conditions in a permit where environmental quality standards are stricter than best available techniques would achieve	Schedule 7 para 5(1)(c)
11 and Annex IV	To require competent authorities to follow best available techniques	Schedule 7 para 8
12	To require notification of changes to installations and to require a permit application where the change is substantial.	Schedule 7 paras 5(1)(d) and 5(2)(e)
13	To ensure permits are reviewed and updated where necessary	Regulation 34 and Schedule 7 para 7
14	To ensure permit conditions are complied with, the operator informs the competent authority of monitoring results and incidents or accidents significantly affecting the environment and the operator enable inspections, sampling and information gathering by the competent authority.	Schedule 7 para 5(1)(e)
15(1) and Annex V	To ensure early and effective public participation in permitting procedures.	Schedule 7 para 6
18(2) and Annex II	To set minimum emission limit values.	Schedule 7 para 5(1)(f)

European scrutiny: Defra does not hold scrutiny details for this Directive.

The Solvent Emissions Directive

(Directive 1999/13/EC, amended by Regulation (EC) No. 1882/2003 and Directive 2004/42/EC)

Directive article	Objective	Regulations provision
4(4)	To set requirements where an installation undergoes a substantial change.	Schedule 14 para 3(1)(a)
5 and Annex II	To set the requirements to be met in the operation of installations falling within the Directive.	Schedule 14 paras 3(1)(b) and 3(2)(a) and (c)
7(2)	To ensure European Commission guidance is	Schedule 14 paras 3(1)(c) and

	followed.	3(2)(b)
8(1) to (4)	To ensure monitoring to enable verification of compliance with the Directive is carried out and reported.	Schedule 14 para 3(1)(d)
9 and Annex III	To ensure compliance with minimum emission limit values	Schedule 14 para 3(1)(e)
10	To ensure reporting of breaches of the Directive and restoration of compliance or suspension of operation.	Schedule 14 para 3(1)(f)

European scrutiny: EM 6158/97 of 3 June 997 was considered by the Commons and further information was requested on 30 July 1997. The Lords cleared the EM on 11 June 1997. SEM 618/97 of 27 February 1998 was considered and cleared by the Commons on 11 March 1998. It was cleared by the Lords on 9 March 1998.

The Landfill Directive

Directive 1999/31/EC, amended by Regulation (EC) No. L 1882/2003 and read with Decision 2003/33/EC

Directive article	**Objective**	**Regulations provision**
1	To set the overall objective of regulation	Schedule 10 para 5(2)
4	To classify landfills	Schedule 10 para 5(1)(a)
5(3) and (4)	To set waste acceptance criteria for landfills	Schedule 10 para 5(1)(b)
6	To designate which wastes may be accepted in each class of landfill	Schedule 10 paras 5(1)(c) and 6(a)
7	To impose requirements to be met in a permit application.	Schedule 10 para 3
8 and Annexes	To set pre-conditions to the grant of a permit and commencement of landfill operation	Schedule 10 paras 4, 5(1)(d) and 6(b) to (d)
9	To impose requirements in relation to the conditions of a permit.	Schedule 10 para 5(1)(e)
10	To ensure landfill charges cover the costs of operation.	Schedule 10 para 5(1)(f)
11(1)	To set waste acceptance procedures.	Schedule 10 para 5(1)(g)
12	To set requirements for control and monitoring during operation.	Schedule 10 para 5(1)(h)
13	To set requirements for closure and after-care.	Schedule 10 paras 5(1)(i), 10 and 11
14	To make transitional provision	Schedule 10 para 5(1)(j)

European scrutiny: EM 7161/99 of 26 March 1999 was considered by the Commons on 12 April 1999, and further information was requested. The Lords referred the EM to sub-committee pending further information. SEM 7161/99 of 19 April 1999 was considered by the Commons and cleared on 21 April 1999. The Lords cleared the EM on 23 April 1999.

Decision 2003/33/EC

Decision article	Objective	Regulations provision
2 and Annex section 1	To set waste acceptance procedures at landfills	Schedule 10 paras 5(3)(a) and 7(a) to (c)
3 and Annex section 2	To set waste acceptance criteria at landfills	Schedule 10 paras 5(3)(b), 7(d) to (i), 8 and 9
4 and Annex section 3	To establish the sampling and testing methods to be used to determine waste acceptability at landfills	Schedule 10 para 5(3)(c)

The End-of-Life Vehicles Directive

(Directive 2000/53/EC, amended by Decisions 2002/525/EC, 2005/63/EC, 2005/438/EC and 2005/673/EC)

Note: most provisions of the End-of-Life Vehicles Directive continue to be implemented through the End-of-Life Vehicles Regulations 2003 (S.I. 2003/2635, amended by S.I. 2005/263) and the End-of-Life Vehicles (Producer Responsibility) Regulations 2005 (S.I. 2005/263).

Directive article	Objective	Regulations provision
6(1), 6(3) and Annex I	To set the minimum requirements for storage and treatment of waste motor vehicles falling within the Directive	Schedule 11 para 3(1)

European scrutiny history: Defra does not hold the scrutiny details for this Directive.

The Waste Incineration Directive

(Directive 2000/76/EC)

Directive article	Objective	Regulations provision
4(2)	To impose requirements to be met in a permit application.	Schedule 13 para 3
4(3) to (5)	To impose requirements relating to the decision to grant a permit and its content	Schedule 13 para 4(1)(a)
5	To impose requirements relating to the delivery and reception of waste	Schedule 13 para 4(1)(b)
6 and Annex V	To establish operating conditions for plants within the Directive	Schedule 13 paras 4(1)(c) and 4(2)(a) and (d)

7(1) to (4) and Annexes II and V	To set requirements in relation to air emission limit values	Schedule 13 paras 4(1)(d) and 4(2)(d)
8(1) to (7) and Annex IV	To set requirements in relation to water discharges from the cleaning of exhaust gases	Schedule 13 para 4(1)(e)
9	To ensure minimisation and reduction in harmfulness of residues resulting from operation of plants	Schedule 13 para 4(1)(f)
10 and Annex III	To set requirements in relation to control and monitoring	Schedule 13 para 4(1)(g)
11 and Annexes III and VI	To establish requirements for measurement of substances	Schedule 13 paras 4(1)(h) and 4(2)(b) and (c)
12(2)	To require annual reports to be made by the operator	Schedule 13 para 4(1)(i)
13	To set requirements in the case of abnormal operating conditions	Schedule 13 para 4(1)(j)

European scrutiny history: Defra does not hold the scrutiny details for this Directive.

The Large Combustion Plants Directive

(Directive 2001/80/EC)

Directive article	**Objective**	**Regulations provision**
4(1) to (4) and Annexes III to VII	To ensure plants within the scope of the Directive meet emission limits or achieve reductions in emissions though participation in the national emission reduction plan	Schedule 15 paras 3(1)(a) and 3(2)
5(1)	To allow a derogation from the emission limits in Annex III for certain plants	Schedule 15 para 3(1)(b)
6	To require consideration of combined generation of heat and power	Schedule 15 para 3(1)(c)
7	To set requirements relating to plant malfunction or breakdown, and to allow suspension or derogation from emission limits in certain cases	Schedule 15 para 3(1)(d) and 3(3)
8	To set requirements for multi-firing units	Schedule 15 para 3(1)(e)
9	To set requirements on method of discharge of waste gases	Schedule 15 para 3(1)(f)
10 and Part B of Annexes III to VII	To set emission limit values for extended plants	Schedule 15 para 3(1)(g)
12 and Annex VIII(A)	To ensure monitoring of emissions	Schedule 15 para 3(1)(h)

13	To ensure competent authorities are informed of monitoring results	Schedule 15 para 3(1)(i)
14(1), (2) and (4)	Makes provision on the interpretation of Annexes III to VII	Schedule 15 para 3(1)(j)

European scrutiny history: EM 10232/99 of 30 September 1999 was considered by the Commons on 9 February 2000 and further information was requested. It was considered by the Lords and referred to sub-committee C on 12 October 1999; it was cleared by the Lords on 9 January 2000. SEM 10232/99 Parts 1 and 2 were considered by the Commons and cleared on 12 April 2000; it was considered by the Lords on 18 April 2000 and cleared. Second SEM 10232/99 of 25 January 2001 was considered by the Commons and cleared on 14 February 2001. It was considered by the Lords and cleared on 29 January 2001.

The WEEE Directive

(Directive 2002/96/EC, amended by Directive 2003/108/EC)

Note: most provisions of the WEEE Directive continue to be implemented through the Waste Electrical and Electronic Equipment Regulations 2006 (S.I. 2006/3289).

Directive article	**Objective**	**Regulations provision**
6(1), (3) and (4) and Annex III	To set requirements for the treatment of waste electrical and electronic equipment	Schedule 12 para 3

European scrutiny history: Defra does not hold scrutiny details for this Directive.

The Waste Framework Directive

Directive 2006/12/EC

Directive article	**Objective**	**Regulations provision**
3(1)	To establish the waste hierarchy	Schedule 20 para 3(1)(b)
4	To set the objectives for regulation of disposal and recovery of waste	Schedule 9 para 3(a), Schedule 20 para 3(1)(a)
5	To ensure the establishment of a network of waste disposal establishments	Schedule 9 para 4(1)(a), Schedule 20 para 4(1)(a)
9(1)	To ensure a permit is required for waste disposal	Regulation 12, Schedule 9 para 4(1)(c), Schedule 20 para 4(2)
10	To ensure a permit is required for waste recovery	Regulation 12
11	To allow exemptions from the requirements to hold a permit	Regulation 5, Schedule 2 and Part 1 of Schedule 3

13	To ensure periodic inspections of operations subject to permit or exemption	Regulation 34, Schedule 2 para 13 and Schedule 20 para 5
14	To require record keeping	Schedule 9 para 3(b), Schedule 20 para 3(2)

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Environmental Permitting Programme

Full RIA on proposals for creating a streamlined environmental permitting and compliance system

September 2007



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Environment Agency

defra
Department for Environment Food and Rural Affairs

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1. Introduction

1.1. This full Regulatory Impact Assessment (RIA) accompanies the draft Environmental Permitting Regulations of the Environmental Permitting Programme (the Programme). It forecasts **costs** and **benefits** associated with the Programme's proposals to streamline and simplify environmental permitting and compliance systems.

1.2. Where possible, the **monetary** costs and benefits of the proposals have been forecast. In some cases, putting a monetary value on the costs and benefits has not been possible. In such cases, an attempt has been made to **quantify** the relevant costs/benefits in other ways, or to **identify** them qualitatively.

1.3. The preferred option and that delivered by the draft Environmental Permitting Regulations is Option Cii, **a single simplified legislative system for Waste Management licensing and PPCA(1), PPCA(2) and PPC Part B activities.** This Option generates net benefits of **£76 million** over ten years.

1.4. A variety of means have been used to help forecast the potential impacts of the options considered. Responses to the partial RIAs included with the First and Second EPP Consultations[1] have been carefully reviewed. Dialogue with industry, regulators and wider Government has continued throughout the Programme.

Forecast costs and benefits of policy options

1.5. The policy options for streamlining and simplifying the regulatory framework for Waste Management licensing (WML) and Pollution Prevention and Control (PPC) range from a "do nothing" option, to options which propose significant legislative change. These options are summarised in Table 1; for more detail, see Chapter 4.

1.6. Naturally, there are uncertainties involved in the forecasts of costs and benefits throughout this RIA. These uncertainties fall into two categories. There are **general uncertainties** associated with forecasting (for example how many new permits will be applied for in future years). These have been identified wherever possible. There are also **specific uncertainties** attached to particular figures (e.g. concerning standard permits). These specific uncertainties have also been identified wherever possible, and suitable ranges have been chosen where appropriate.

[1] See Chapter 3

Table 1: Features of policy options

	Streamline supporting systems	Streamline legislation	Combine existing systems	Include PPC Part A(2)	Include PPC Part B
Baseline					
Option A	✓				
Option B	✓	✓			
Option C	✓	✓	✓		
Option Ci	✓	✓	✓	✓	
Option Cii	✓	✓	✓	✓	✓

Structure of this RIA

1.7. **Chapter 2** addresses the motivation for reviewing this aspect of regulation. **Chapter 3** deals with the consultation on the RIA, setting out how the Government has engaged with stakeholders throughout the development of the Programme. **Chapter 4** gives a detailed description of the policy options. It includes an explanation of why certain policy options considered have not been developed further. **Chapter 5** (along with its supporting annexes) sets out the forecast costs and benefits of the policy options, and the way in which they have been arrived at. **Chapter 6** assesses the potential impacts of the proposals on Small and Medium-sized Enterprises. **Chapter 7** examines competition issues. **Chapter 8** focuses on enforcement, sanctions and monitoring. **Chapter 9** describes the Local Authorities' and Environment Agency's implementation and delivery plans. **Chapter 10** outlines the proposed post implementation review. **Chapter 11** gives a summary of the forecast costs and benefits, key features of each policy option and the recommended option. **Chapter 12** is the Ministerial declaration.

2. About the proposals

2.1. The draft Environment Permitting Regulations set out proposals for streamlining and simplifying the regulatory systems for Waste Management licensing and PPC. **This chapter describes what these proposals set out to achieve, and why Government involvement is required.**

2.2. For an explanation of the WML and PPC systems, along with a range of other background material, see Annex 1, the Programme's Second Consultation and summary report, with draft guidance[2].

2.3. **The Programme aims to reduce administrative burdens on industry and regulators** by implementing a single regulatory system for WML and PPC. This change will apply to England and Wales only.

2.4. The aim of the Programme is to streamline the mechanics of the regulatory system for waste and PPC. It will simplify the nuts and bolts of these systems – how permits are applied for, varied, transferred, revoked and so on. It will not change who or what must be permitted[3], and is not intended to make substantial changes to who regulates particular types of activities. It will not change standards of protection of the environment and human health.

2.5. Defra's five year strategy, "Delivering the Essentials of Life", includes a commitment to modernise environmental permitting by progressively setting different regulatory streams on to a common footing, supported by more streamlined systems. The Programme is designed so that, once the regulatory systems for PPC and Waste Management licensing have been successfully simplified, it may be extended to other permitting and compliance systems. This should lead to further savings to industry and regulators.

Background

2.6. Environmental permitting and compliance systems have arisen largely in isolation. They have adopted, often for good reasons, a variety of approaches to the same aspects of environmental permitting and compliance to achieve similar outcomes. This has led to an overall regulatory system that is often perceived and experienced as too complex for industry and regulators, and one which can impose unnecessary administrative burdens.

2.7. The Programme is focussing on the Waste Management licensing and PPC systems. The existing legislation pertaining to these systems, along with a description of who is responsible for administering them, may be found in Annex 1. The Programme proposes to replace these systems with a single Environmental Permitting system, which would be simpler, more streamlined and more cost-effective.

[2] www.defra.gov.uk/environment/epp/index.htm.

[3] Defra is carrying out a separate review of exemptions – see www.defra.gov.uk/environment/waste/management/exemptions/index.htm.

Rationale for Government intervention

2.8. **It is clear that there is room to improve the current situation. This has been noted in a number of key reports, set out in Box 1**. The Programme provides an opportunity to enhance efficiency by reducing administrative burdens on business and regulators consistent with the Government's policy on Better Regulation.

Box 1 – drivers for change

Defra's five year strategy, *Delivering the Essentials of Life*, includes a commitment to modernise environmental permitting, and is a key driver for the Programme. Other key drivers for change include the Government's **Better Regulation agenda**, the **Hampton Review**, and Defra's **simplification plan**. In 2006 the Cabinet Office listed the EPP as one of the 30 "most important simplification measures" [4].

A series of reports have concluded that a more efficient system of environmental regulation is needed. These include:

- **House of Commons Environment Transport and Regional Affairs Select Committee inquiry into the work of the Environment Department** (May 2000, HC 34-1). This recommended that the Government review the different approaches to environmental regulation with a view to establishing a more efficient regulatory system.

- **Defra's Waste Permitting Review** (2003 - 04). This identified more proportionate risk-based approaches to replace the existing Waste Management licensing system (and has fed its conclusions into the EPP).

- **The National Audit Office report, Protecting the Public from Waste**, and the **Review of Legislation Affecting Integration within the Environment Agency**, both 2002. These recommended modernising the waste system.

- **House of Commons Environment, Food and Rural Affairs Committee report on The Environment Agency** (May 2006 HC780-1). This agreed with the Programme's objectives and approved of the ongoing work.

- The **Davidson Review**[5] (2006) welcomed the EPP's work on merging and streamline of regulatory regimes.

3. Consultation

3.1. The development of this RIA has been part of a consultation process which itself is part of a wider process of engagement with stakeholders. **This chapter sets the present consultation process in this wider context.**

[4] Cabinet Office *Simplification Plans, A Summary* (December 2006).

[5] *Davidson Review into the Implementation of EU Legislation – Final Report* (November 2006).

Consultation on the Programme

3.2. The first public consultation on the Programme took place between February and May 2006. The purpose of that consultation was to seek views on which, if any, of a range of options for change should be pursued. 110 Responses were received. A summary of the Consultation and the Government's response was published in August 2006.

3.3. The second public consultation on the Programme took place between September and December 2006. It built on the outcomes of the first consultation. In particular, as well as proposing some changes to the original policy options, it sought views on a set of draft regulations designed to implement the measures identified by output from the first consultation as most suitable for development. 75 Responses were received. A summary of the consultation and the Government's response was published in March 2007.

3.4. The third public consultation on the Programme took place between January and April 2007. This consultation was on some of the draft Environmental Permitting guidance proposed to replace the existing lengthy guidance for the WML and PPC. A summary of the consultation and the Government's response was published in July 2007.

3.5. A fourth consultation on Government guidance to Local Authority regulated sites to underpin the draft Regulations ran from June to September 2007. 8 Responses were received. A summary of the consultation and the Government's response will be published in Autumn 2007.

3.6. The fifth public consultation on the Programme took place between July and October 2007. This was on the remaining guidance proposed for the Environmental Permitting Programme. A summary of the consultation and the Government's response will be published by the end of December 2007.

3.7. The Programme has maintained a high level of engagement with stakeholders throughout the development of the Programme. A variety of means have been employed to maximise engagement including:

- regular stakeholder forums
- several industry-wide conferences
- focussed workshops
- critical friends meeting of experts from industry and regulators
- one-to-one meetings with key stakeholders
- regularly updated web pages and email updates
- formal consultation papers (including customer focussed, user-friendly text and literature to minimise exclusion).

Sectorial input to the process

3.8. The implications of the proposed changes have been investigated across the following broad groups:

- Industry
- Statutory Consultees to the PPC and WML systems
- Local Authorities (both as regulators and operators)
- The Environment Agency

Industry

3.9. For **PPC-regulated** industry, costs[6] were identified primarily from literature and from Defra, the Department for Environment Northern Ireland, the Scottish Executive and the Welsh Assembly Government's 5-year 'mid-term evaluation' of the effect of the IPPC Directive in the UK[7]. This allowed a considerable amount of PPC information to be included in this report without the need to re-survey operators.

3.10. The administrative costs of the **Waste Management licensing** system were identified by telephone interviews with a cross-section of operators. Of the 201 businesses contacted, 22 (11%) agreed to take part in the interviews. The numbers and types of operator interviewed are shown in Annex 2.

3.11. In addition to the literature search and telephone interviews, a consultation workshop was held, with a small number of operators involved in the Waste Management licensing and PPC waste communities. This workshop included an exploration of possible options for consideration by Government. The representatives at this workshop were taken from a wide range of industries, from small and medium sized enterprises through to large multi-national waste management firms, and was attended by the Environmental Services Association, which has a broad membership in the Waste industry. The FSB and Department for Business, Enterprise and Regulatory Reform's Small Business Service have been kept informed of developments throughout the production of this RIA.

Statutory Consultees and Intra-governmental Discussions

3.12. The developing policy proposals have been discussed with the Programme's **Whitehall Plus group**. This comprises statutory consultees,

[6] Costs to industry include all costs of administering the systems, with the *exception* of fees and charges that are payable to the Environment Agency and local authorities. If the Programme's proposals in this consultation are taken forward it is expected that Environment Agency fees and charges would be lower than would otherwise be the case. It is not expected that LA fees would undergo a similar change as the Programme is anticipated to have minimal impact on LAs.

[7] www.defra.gov.uk/environment/ppc/background/pdf/ppcregs-review.pdf.

other Government departments, devolved administrations and the Scottish and Northern Irish environmental regulators.

3.13. Close co-operation between Defra, the Environment Agency and Welsh Assembly Government has sought to ensure that issues of specific concern to **Wales** have been taken into account.

Local Authorities

3.14. The proposals were discussed at an **industry workshop** with a small group of local authority representatives who are involved in regulating Part A(2) and Part B activities under the PPC system. In addition to the second RIA, the Government has obtained further information from a small sample of Part B and PPC A(2) regulators/ regulated industry (five local authority representatives, three trade bodies and five industry representatives). This exercise sought to provide a broad indication of the level of costs that industry and regulators face when dealing with these regimes recognising that there may well be significant differences between authorities.

The Environment Agency

3.15. The Environment Agency has supplied data on the numbers of permits held, transferred etc., and on its own operations. It has also re-examined and revised some of the data it provided in the first and second RIAs to improve the quality of forecasts.

Complementary consultation on the interface between pollution control and land use planning

3.16. The Government appreciated that there are costs and benefits associated with the interface between land use planning and pollution control processes, and is committed to ensuring the effectiveness of this interface. Concurrent with the second EPP consultation (September - December 2006) Defra and DCLG published a consultation document seeking views on how the land use planning/pollution control interface could be better integrated and streamlined.

3.17. The consultation set out the problems that have been reported to have arisen, where planning permission and pollution control consents are required, particularly for waste operations, and asked for views. It suggested and sought views on a number of criteria against which any approach to address such problems might be addressed. Finally, the consultation set out a number of options which might be used to address the issues. None of these were put forward as a preferred option.

3.18. The responses to the DCLG / Defra consultation showed that there was considerable recognition of the problems described and agreement on the criteria against which any solution might be considered. Helpful comments were received on the options put forward for consideration.

3.19. A summary of responses has been published and the Government is carefully considering how best to take this review forward, taking account of these comments. The Government has decided to review this area separately to ensure that all parties with an interest had the opportunity to contribute. It is therefore outside of the scope of this RIA.

4. Options

4.1. The EPP's first and second consultations set out a range of proposals to change permitting and compliance systems. Together these proposals form a coherent package of options. It would be possible, however, to adopt some individual changes and not others. To give an illustration of how changes might be packaged in different ways (and because it is not feasible to assess every possible combination of changes), the partial RIA identified policy proposals grouped into three stylised packages – Options A, B and C – which reflected the most appropriate legislative or alternative delivery mechanism for implementing the particular combination of changes in each case.

4.2. The policy options identified range from doing nothing through to changing legislation to combine existing systems. The first and second partial RIAs forecast costs and benefits associated with these options. This chapter of the RIA outlines these options, develops and further refines the forecast costs and benefits, highlights a preferred option, and explains why that option was considered suitable for further development.

Outline of options

4.3. **The key features of each option are outlined below**, and summarised in Table 1 in chapter 1. The forecast costs and benefits associated with each option are discussed in the next chapter.

4.4. The options are largely additive; Option B incorporates many of the changes proposed in Option A, Option C incorporates many of the changes proposed in Options A and B, and so on.

Baseline

4.5. A baseline has been established which shows the existing systems in 2007/8. The existing systems are currently undergoing some changes. These include the migration of some Waste Management licensed activities into PPC, the new or re-permitting of some PPC activities and agricultural waste becoming controlled. In addition, the Environment Agency's Modernising Regulation Change Programme (MRCP) which supports the delivery of better regulation approaches across the organisation is driving change in the way this regulator operates. The changes have worked through the system by 2007/8; hence its choice as base year.

4.6. If none of the other options were thought suitable to pursue, the "do nothing" option would simply result in the state of affairs described in this baseline.

Option A

4.7. Option A involves adopting **new administrative measures** to improve permitting and compliance processes and procedures. These changes affect only the Waste Management licensing system. They go beyond those currently planned (that is, they would go beyond the baseline "do nothing" option). They would not, however, go so far as to require changes to current legislation. They might include, for example, changing guidance so that it is easier to understand.

4.8. After having considered responses to the first consultation (Spring 2006), it was felt that Option A should not be taken forward. The potential savings identified are very small and representing as little as 2% of those identified for other options.

Option B

4.9. Option B incorporates the changes proposed in Option A. It goes further, however, by also making **legislative changes to the Waste Management licensing system**. The effect of these changes would be to align the Waste Management licensing and PPC systems. These two systems would continue to operate under separate legislation. This was broadly the approach taken by the Defra Waste Permitting Review (2003-2004).

4.10. Option B was not felt suitable for development. It was thought not to go far enough beyond the changes proposed in the Waste Permitting Review. The forecast benefits of Option B were not as great as for the variants of Option C, and it was not thought able to deliver an extensible platform for future incorporation and alignment of other regulatory systems.

Option C

4.11. Option C sets out a **single, simplified legislative system** which consolidates regulations for activities currently regulated under PPC Part A(1) and the Waste Management licensing regulations. This streamlined system is designed so that it may be extended in future to cover other activities which require an environmental permit.

Option Ci

4.12. Option Ci is as Option C, but with the **inclusion of PPC Part A(2) activities**. That is, a single, streamlined, simplified legislative system which covers activities previously regulated by Waste Management licensing, and PPC Parts A(1) and A(2).

Option Cii

4.13. Option Cii is as Option Ci, but **also includes PPC Part B activities**. All PPC operations regulated by local authorities would thus fall under the environmental permitting and compliance system.

Choice of preferred option

4.14. In light of the outcomes of the first EPP Consultation[8], **it has been decided to take forward Option Cii**, a single simplified legislative system for Waste Management licensing and PPCA(1), PPCA(2) and PPC Part B activities. This is the Option delivered by the draft Regulations.

4.15. It generates significant net benefits in relation to the administrative burden of **£55.2 million** over ten years. While Option C provides an extra £2.6 million NPV, Option Cii will provide the additional unquantified features of **consistency**, **integration** and **uniformity**, and is better capable of extension. These features were thought to outweigh the lower financial benefit for the:

- regulated industry who operate PPC A(2) or Part B activities as well as PPC A(1) or Waste Management licences
- Environment Agency and Local Authority regulators, especially when dealing with interface issues
- Regulated and regulators in providing a platform capable of future extension

4.16. It has not been possible to quantify the benefits of these features within this RIA because of (i) uncertainties with regard to the number of activities where PPC A(2) or Part B activities as well as PPC A(1) or Waste Management licensing co-exist on the same site or within a company, and (ii) the uncertainty as to the future extension of the EPP to further systems.

4.17. The draft regulations are designed to implement this option. The costs and benefits of a system based on these draft regulations are forecast in detail in the next chapter.

4.18. The option to do nothing was rejected because significant benefits have been shown to be achievable by simplifying the existing systems. Option A was not felt to offer sufficiently significant financial benefits to be worth pursuing. Option B was also felt to be unsuitable for further development because it offered fewer benefits than Option C and its variants, and there were disbenefits for the future regarding application across other regulatory regimes that might benefit from inclusion in a common framework. Options C and Ci, whilst preferable to the Options A and B, do not offer the unquantifiable benefits of the simplest common system set

[8] A summary of the responses to the first consultation is available from the EPP team: epp@defra.gsi.gov.uk or waste@wales.gsi.gov.uk.

out in Option Cii. Though these options will not be taken forward, they are briefly presented again in this RIA for comparison.

5. Forecast costs and benefits

5.1. **The purpose of this chapter is to forecast costs and benefits associated with the options set out in Chapter 4**. The detailed calculations underlying these forecasts are set out in Annexes 2 to 9 of this RIA.

5.2. The data for these forecasts come from a number of sources. Where not explicitly referenced, the data come from the Environment Agency's figures, and have been cross-checked, where appropriate, with data from Defra's WIP Waste Data Strategy[9].

5.3. In quantifying costs and benefits, the implementation of each option has been split into three phases: **preparation**, **transition**, and **implementation[10].**

5.4. The forecast costs and benefits rest on the following assumptions:

- any new system resulting from legislative changes will be introduced in 2008
- preparation relates to preparatory work from the beginning of the 2006/7 financial year to the end of the 2007/8 financial year
- transition (where relevant) occurs over a period of one year (2008/09)
- costs and benefits of implementation are projected forward from 2006/07 to the end of the 2015/16 period11
- the discount rate for costs and benefits is 3.5% (in line with the Treasury's Green Book)

5.5. In principle this RIA covers all significant costs and benefits of the proposals. In practice, because the Programme alters the permitting mechanics of the Waste Management licensing and PPC systems but does not alter the environmental standards that are required, there are likely to be few implications for policy costs. The majority of significant impacts relate to administrative costs – indeed, the principle aim of the Programme is to reduce administrative costs. Annex 1 explains the division between policy costs and administrative costs further.

[9] www.defra.gov.uk/environment/waste/wip/data/index.htm.

[10] Preparation includes all the work done in the run up to implementing the new system, excepting transitional costs. Transition includes such things as becoming familiar with new guidance. It has been designed to be minimise costs whenever possible, for example there will be no need for fresh applications. Implementation is the operation of the new system.

[11] This is in line with guidance on the conduct of RIAs, in which discounting over a ten-year period is deemed appropriate.

5.6. Similarly, **regulators' fees and charges** are not included. If the proposals in this consultation are taken forward it is expected that it would impact on the Environment Agency's efficiency and that some of the cost savings could be passed on through lower-than-otherwise fees and charges. The impact of the proposals on regulators is assessed in this RIA. It is not expected that local authority (LA) fees would undergo a similar change as the Programme is anticipated to have minimal impact on LAs.

5.7. **Environmental** and **social impacts** are anticipated, apart from the environmental benefit derived from making environmental regulation more efficient.

5.8. The Programme covers **England** and **Wales**. Wherever possible, data in the RIA have been reported for England, for Wales and for England and Wales combined[12]. Where this has not been possible, only the combined figure for both England and Wales has been reported.

Baseline

5.9. **Baseline costs have been established in order to enable measurement of the impacts of options for change**. If none of the options for change was considered suitable for development, the "do nothing" option would result in the situation characterised by this baseline.

5.10. Baseline costs include:

- **total administrative burden for regulated business.** This does not include all the costs which the systems may impose on industry. For example, capital investments may be necessary in order to meet the requirement for PPC permits to be based on the use of Best Available Technology (BAT). These costs are not included in what follows since the Programme will not change the environmental requirements which have to be delivered through the permitting system and is therefore not expected to have implications for compliance costs.
- **total costs to the regulators** involved in administering the PPC and Waste Management licensing systems, and regulating those industrial activities covered by them.

5.11. The existing systems are currently undergoing some changes. Changes in legislation are, over time, bringing new operators into both the Waste Management licensing and PPC systems.

[12] Much of the base data (PPC A(1) and WML) is from the Environment Agency, which distinguishes England and Wales on the basis of river catchments rather than political boundaries (the two do not coincide). The numbers of sites in England and Wales have therefore been calculated, rather than being directly taken from the Environment Agency's databases. These calculated numbers have been cross checked with the number of operational licensed sites recorded in the WIP Waste Data Strategy database, which separates sites by using the political boundary of England and Wales.

5.12. For **PPC**, this includes re-permitting of some installations formerly under the Waste Management licensing system into the PPC Part A(1) system[13]. It also includes activities not previously subject to such permitting requirements, notably intensive livestock rearing and food and drink production. In addition, an estimated 6,000 dry cleaning operations will be regulated as Part B activities by October 2007, increasing the total number of regulated Part B activities to 22,000.

5.13. In the partial RIA, for Waste Management, a large number of new applicants were anticipated by Spring 2008. This was because waste controls have been extended to agricultural wastes and so the recovery and disposal of agricultural waste, unless exempt, falls under the Waste Management licensing system. It is not certain how many applications for Waste Management licences will eventually result from this change.

5.14. Estimates in the partial RIAs suggested there would be around 8,000 agricultural waste licences[14] by Spring 2008.

5.15. In this Full RIA the number of agricultural waste licences has been revised down to 150. This is because few of the expected applications have as yet been received. This may be for several reasons:

- the estimate for the number of farm premises was too high
- those farmers who had indicated an interest in applying for a waste management licence may:
  - not have understood the difficulties of applying for a waste licence (e.g. getting planning permission for the activity) issues
  - not have realised there was a cost associated with making an application (completing the forms and the application fee)
  - have been deterred by issues of bio-security associated with allowing other farmers to bring waste onto their farm
  - register for (new) exemptions from waste licensing (Summer 2007 80,000 farm premises have registered a total of 560,000 exemptions)
  - simply stop operating the activity, such as farm tips

[13] Some landfill operators, for example, now have PPC permits as well as waste management licences, the two sometimes covering quite different areas. Operators have indicated their unease with this situation, commenting that they may be regulated under the terms of either (successful application for a PPC permit does not appear, legally, to imply replacement of the WML as they cover different areas, so the two now run concurrently). An example may be found in Box 6.

[14] This was based on the Regulatory Impact Assessment in the relevant consultation paper estimated that 2% of active farmers may wish to have a licence. 2% of 162,000 (number of active farmers with in England and Wales) is 3,240. However research on the response to the consultation (Hyder) indicates the 8% (12,960) of farmers are interested in obtaining a permit or licence. An average of these two figures has been used.

- continue operating until the regulator alerts them to the need for a permit.

Therefore, for the purposes of this RIA, a three year transition period has been used in the calculations (i.e. 150 agricultural WML between 2007/08 and 2009/10). It is this change in the expected number of agricultural licensed sites which has reduced the anticipated benefits of the Programme.

5.16. There s uncertainty about the exact number of new installations which will come into the systems in future years. The analysis for PPC employs Environment Agency estimates and other expert judgement of the number of installations expected to apply for permits under the PPC system in the future.

5.17. **It is anticipated that these changes will have worked through the system by 2007/8**[15] except for the licensing of agricultural waste sites, which are anticipated to continue to make applications for the next few years. By this time, notwithstanding the potential for other legislative changes, the system would be in relative equilibrium.

5.18. Annex 3 shows the estimated state of the systems at this time. Table 2 below shows the rate of applications anticipated post 2007/08, based on historical data.

Table 2: Estimated rate of new applications for the Year 2007/8 and beyond (figures for England and Wales)

Sector	Number of projected applications per year - England	Number of projected applications per year - Wales	Total[16]
PPC A(1)	51	7	**58**
Waste PPC	18	2	**20**
Intensive Agricultural PPC	6	2	**8**
Other PPC	27	3	**30**
PPC A(2)	54	6	**60**
PPC Part B	665	35	**700**
WML			
WML (excluding agriculture)	427	48	**475**

[15] Existing installations have a timetable for applying for a PPC permit. The latest date of application for any existing installation is January 2007 (see Annex III of Defra (2005) Integrated Pollution Prevention and Control: Practical Guide, Edition 4, June 2005).

[16] Rate of applications has increased due to increased activity in the waste sector.

Agricultural WML[17]	3	1	**4**
Total	**1251**	**104**	**1355**

5.19. The costs to both industry and the Environment Agency are expected to be affected by changes being implemented under MRCP**.** The MRCP shares some of the objectives of the EPP, in that it seeks to reduce regulatory burdens as well as to create efficiencies in the regulatory process. Among the changes being implemented are, for example:

- the introduction of more standardised permits called "fixed licences"18
- a move to more explicitly outcome-focussed and risk-based inspections of regulated sites

5.20. The baseline costs (i.e. for 2007/08) outlined below have taken into account the changes and costs and savings of MRCP implementation.

5.21. In arriving at an estimate of baseline costs there has clearly been a need to make assumptions and estimates about the future state of industry and waste management (see Annex 3). The cost estimates have been publicly consulted on (in Spring and Autumn 2006), however they remain estimates and must therefore be treated with some caution.

Industry costs

PPC Part A(1) activities

5.22. Estimates of the administrative costs of PPC to industry (both application and recurring annual costs) are not readily available[19], though some information is in the public domain. The Government commissioned consultants to conduct a five year 'mid-term evaluation' of the effect of the IPPC Directive in the UK. This was done by a survey of permitted installations across the UK in England and Wales (A(1)s and A(2)s, Scotland and Northern Ireland. This found that the average one-off costs associated with the improvements required by the permit varied considerably between operators. The mean estimated cost was £350,000 and the median cost was much lower at £32,000. Most of these costs were not, however, administrative costs.

[17] These are only recently controlled by the WML Regulations (anticipated 50 applications a year for the first 3 years, then 4 applications a year).

[18] These share many of the features of the standard permits proposed in the second EPP consultation paper, but are not identical to them – certain features of standard permits may only be affected by legislative change.

[19] There has been a recent review of administrative burdens across UK Government Departments to measure administrative burden on business conducted by PWC. The cost of administrative burdens generated by PWC for the PPC and WML systems differ from those in this RIA because the base year for the cross government exercise was 2005, rather than this RIA's 2008. Changes that will occur between these dates include the inclusion of Agricultural Waste, End of Life Vehicles and ending of IPC as transition to the new PPC system is completed. Annex 1 gives further information on the review of administrative burdens.

5.23. Murfin estimates that applications typically take around one full time equivalent of staff time (i.e. one person time for one year) [20]. Site surrender reports are estimated to cost between £3,000 and £10,000.

5.24. Marsh states that more complex operations cost between £50,000 and £100,000, with only the simplest applications costing less than £20,000.[21] Costs for pulp and paper facilities are around £60,000, and for CHP around £40,000.

5.25. Housley gives application costs for the staff of a company and consultants[22]. These range between £5,000-£133,000. The average costs for pulp and paper are £43,000 and for combustion plant, £21,000.

5.26. Environ and SEA give costs for application preparation in the surface treatment sector[23]. These are estimated to range between £14,000 and £40,000. Average costs for members of the SEA club for preparing and submitting an application are reported as £38,200. This may include the application fee (ranging between £6,000 and £11,000). Hence, the average costs excluding application fees appear to be around £30,000.

5.27. Environment Agency data on specific sectors has been used to estimate average costs for application and recurring annual costs in each sector. These estimates exclude the fees paid to the Environment Agency. Some sectors show considerable variation in costs between enterprises. The costs of applications for any given activity are likely to vary considerably according to the specifics of the application and the site. The estimated average costs which have been derived are generally consistent with the estimates reported above. However, because they are based on limited data, the estimates should be regarded as indicative only. Cost ranges for application and annual costs for PPC installations are given in Table 3 below. Some examples of costs given in Annex 3.

5.28. There is relatively little data available on transfers, variations and surrenders, in terms of either their number or their costs. This is partly because of the age of the PPC system. However, it is understood that on average around 100 variations are being made each year under PPC. There is limited data on the costs of these. A cost of £3,000 per variation has been estimated.

Table 3: Total annual costs to industry, of PPC applications and compliance[24] forecast for 2008 (administrative costs only – figures for England and Wales)

[20] Janet Murfin (2005) *IPPC: Cost or Benefit*, IChemE Seminar, Hull, 9th March 2005.

[21] Brendan Marsh (2003) *Pollution Prevention and Control*, NWL PPC Seminar, July 2003.

[22] Ian Housley (2001) *Review of the PPC Application Process: Issue 1*, Report for the Environment Agency and Defra, September 2001.

[23] Environ and SEA (Surface Engineering Association) (2004) Surface Engineering Association IPPC Club: An Industry-led Approach to Regulatory Compliance, September 2004.

[24] Excluding costs for intensive agriculture.

Activity Sector	Total Cost (£m)	Total Cost – England (£m)	Total Cost – Wales (£m)	Cost Range Per Site (£ thousand)
Applications	2.8	2.52	0.28	28 - 100
Annual costs	50.7	45.63	5.07	10 - 24
Variation	0.3	0.27	0.03	---
Total	53.8	48.42	5.38	---

5.29. By 2007/8 the vast majority of the overall cost to industry will be in the recurring annual costs phase rather than making applications. A breakdown of these annual costs is therefore of some interest. Reporting costs represent the smallest share of average compliance costs (9-29% of time across sectors). Management costs and monitoring costs (29-60% and 23-50% of time, respectively) account for the bulk of compliance costs to companies.

PPC Part A(2) and Part B Installations

5.30. The 22,000 Part B activities and 400 Part A(2) activities have been estimated to incur total annual costs of around £11 million.

Waste Management licenses

5.31. The estimate of Waste Management licensing costs is extracted from information on the costs of waste management licence applications, annual costs, modifications, transfers and surrenders (see Annex 3). The estimated costs ranges are shown in Table 4. Examples of costs per site are shown in Annex 3.

Table 4: Total annual costs to industry of Waste Management licensing, administrative costs only, excludes exemptions forecast for 2008 (figures for England and Wales)

Activity	Total Cost (£ million)	Total Cost – England (£ million)	Total Cost – Wales (£ million)	Cost Range Per Site (£ thousand)
Applications	11.3	10.17	1.13	10-55
Annual costs	26.8	24.12	2.68	1-10
Surrenders	2.6	2.34	0.26	8-40
Modifications	0.3	0.27	0.03	1.5
Transfers	0.2	0.18	0.02	1.5
Total	41.2	37.08	4.12	---

Environment Agency costs

PPC

5.32 The costs to the Environment Agency of administering PPC are around £37 million for 2007/8 (see Table 5). The great majority of direct staff costs are associated with annual activities. Indirect costs also account for a considerable proportion of costs.

Waste Management licensing

5.32. The costs to the Environment Agency of administering the Waste Management licensing system will be around £25 million in 2007/8. Some of these activities would have transferred to PPC in the intervening years. As with PPC, the majority of the direct costs are under the annual costs heading. However, compared with PPC, a greater proportion of costs is related to applications because the turnover of applications is greater.

Table 5: Total annual costs to the Environment Agency of the PPC and Waste Management licensing systems forecast for 2008 (figures for England and Wales)

Activity	PPC (£ m)	PPC England (£m)	PPC Wales (£ m)	WML (£m)	WML England (£m)	WML Wales (£m)
Permitting and Compliance[25]	24.3	21.9	2.4	19.8	17.8	2.0
Policy [26]	12.5	11.2	1.3	5.6	5.0	0.6
Total Costs	**36.8**	**33.1**	**3.7**	**25.4**	**22.8**	**2.6**

Local authority costs

5.33. The Defra RIA on LA Fees and Charges for 2006-7 suggests that the cost to local authorities of regulating the PPC Part A(2) and Part B activities is £7 million.

5.34. This does not include the costs of the introduction of 6,000 dry cleaning activities into the Part B system by 2007/08, for which the cost of application is approximately £140 each, or approximately £1 million in total. Since application costs and annual costs are broadly the annual costs of regulating these sites has been assessed as £1 million by 2007/8.

Total Costs

5.35. The sum of the administrative costs to industry and the costs to the regulator (which are not merely administrative costs) are estimated at around £176 million (see Table 6).

[25] These are operational costs, such as those associated with carrying out inspections.

[26] Policy costs include, for example, those associated with providing technical guidance.

Table 6: Total costs of the Waste Management licensing and PPC Systems forecast for 2008 (figures for England and Wales).

Cost Item	Annual Costs (£m)	Annual Cost – England (£m)	Annual Cost – Wales (£m)
Industry Admin Costs, PPC Part A(1)	53.8	48.42	5.38
Industry Admin Costs, PPC Part A(2) and Part B	11	-	-
Industry Admin Costs, Waste Management licensing	41.2	37.08	4.12
Environment Agency All Costs, PPC[27]	36.8	33.1	3.7
Environment Agency All Costs, Waste Management licensing[28]	25.3	22.8	2.5
Local Authority Regulators All Costs	8	-	-
Total	**176.1**		

5.36. The total administrative costs can be set in a broader context with policy costs if the turnover of the sectors being regulated under these systems is considered. For example in England and Wales:

- the solid waste management industry has a turnover of around £5 billion29
- the paper and pulp industry has an annual turnover of £3.5 billion (with an operating profit of £21 million) 30
- the chemicals industry turnover accounts for £26 billion each year 31

Option A

5.37. In addition to the Environment Agency's current MRCP programme, Option A would make changes to policy and procedure as far as practicable without changing legislation. This would result in three main changes to the current regime that would have cost implications for stakeholders (other implications are set out at Annex 1). These are:

- the ability for operators applying for a Waste Management licence for more than one site to apply for multiple sites at the same time
- the provision of simplified guidance for Waste Management licensing

[27] These items represent an indirect cost to industry via regulator fees and charges.

[28] *Ibid.*

[29] Estimate by Eunomia Research & Consulting Ltd.

[30] Confederation of Paper Industry's second EPP consultation response.

[31] www.berr.gov.uk/files/file10002.pdf.

- Best Value standards for processing applications (including modifications, transfers and surrenders)

5.38. The last of these clearly has the potential to have a significant impact depending on exactly what needs to change in order to achieve the target. The nature of the targets would also affect the resources used to administer and regulate, with potential consequences for the existing level of charges.

Summary of effects of Option A

5.39. The forecast costs and benefits of Option A are shown Table 7. The calculations underlying these estimates are shown in Annex 4. **These show a reduction in administrative burden of £1.34 million discounted over 10 years**.

Table 7: Estimated costs and benefits of Option A – measures beyond the Environment Agency MRCP, no changes to legislation (figures for England and Wales)[32]

		Preparation 2006/07 (£)	2007/8 (£)	Transition 2008/09 (£)	Ongoing Annual Savings 2009/10 to 2015/16 (£)	Total NPV (£)
Industry	Simpler Guidance	-	-	40,000	40,000	**230,000**
	Single Application for Multiple Sites	-	-	50,000	50,000	**300,000**
EA	Environment Agency Preparation	- 80,000	- 80,000	-	-	**- 160,000**
	Simplified Guidance	-	-	150,000	150,000	**970,000**
	TOTAL	**- 80,000**	**- 80,000**	**240,000**	**240,000**	**-**
	TOTAL NPV					**1,340,000**

Option B

5.40. Option B includes the changes proposed by Option A. In addition, Option B proposes changing the Waste Management licensing legislation to simplify licensing. The aim is, amongst other things, to make modifying, transferring or partially surrendering licences more straightforward.

[32] The assumptions and calculations underlying these estimates are shown in Annex 4.

5.41. The key advantage of Option B over Option A is the use of Standard Permits. This is forecast to bring an additional £28.7m of benefits to industry alone over 10 years (see Annex 5). Other differences (including benefits arising from changing rules regarding modifications, transfers, surrenders and technical competence) are highlighted in Table 8 at the end of this chapter.

5.42. On a given date existing licences would be deemed to have been transferred to the new system. In other words, **holders of existing licences and permits would not be required to apply for a new 'environmental permit'**. Interface issues – for example, the question of whether a particular facility should be regulated under PPC or Waste Management licensing – would continue to be significant.

5.43. The rules covering the registration of exemptions will be simplified, where practicable. The proposals will not change the terms governing whether individual activities can be exempted rather than require a Waste Management licence. However, those activities that are exempted from the need for a waste management licence will also be made exempt from the need to obtain a PPC permit. It is proposed that complex high-risk exemptions are replaced by standard permits but only where the administrative burden on industry is no greater as a result of any change. These changes have not been costed.

5.44. Defra and WAG are conducting a separate review of those activities that are currently exempt from the need to obtain a waste permit. As a part of that exercise it is proposed to examine whether the current boundary between exempt and permitted activities should be amended. This latter review is something stakeholders have also indicated that they support.

Unquantified Benefits – Option B

5.45. A range of benefits arise from the legislative changes being considered that are difficult to quantify. The most significant of these are discussed below.

Effect of making partial surrenders more straightforward

5.46. The potential to release land for development that would otherwise not be available is an important change. It is anticipated that partial surrender would allow parts of existing licensed sites - particularly landfill sites - to be returned to beneficial use before the remainder of the site is surrendered. However, such benefits must be offset against the costs of surrendering part of a site. For example, such surrender costs can be significant for a closed landfill (estimated to be in the order of £30,000 to £40,000 per surrender application).

Dynamics triggered by legislative changes

5.47. Most of the forecast costs and benefits for Option B have a static basis. That is, it has been assumed that the number of applications,

modifications, transfers and surrenders would remain unaffected by the changes. However, it is likely that the changes proposed would attract more applicants, and modifications and partial surrenders might become more prevalent as a consequence of the system's increased flexibility. If this is the case then, at least at the margin, the changes might be said to have increased the level of dynamism in a sector where fairly rapid changes are required in order to meet various Government targets (notably, in respect of the Landfill Directive). This could have the effect of changing, at the margin, the likelihood of specific targets being met or exceeded (this is discussed further in the section on wider economic benefits below).

5.48. Similarly, as policy evolves, there are likely to be new applicants in one or other system in future. Increases in the number of new applications in future are likely to enhance the benefits associated with changing legislation (see Annex 9).

Summary of effects of Option B

5.49. The total net costs and benefits of Option B are shown in Table 8. The calculations underlying these estimates are shown in Annex 5.

5.50. These show that **total benefits over ten years are of the order £42.7m discounted over 10 years** (these figures are for England and Wales).

5.51. Annual 'steady state' savings (i.e. following transition), range from £7m to £7.6m as industry take up of elements of EPP such as Standard Permits occurs gradually. This includes direct savings to industry of around £5.9 million, amounting to approximately 14% of Waste Management industry administrative costs, or approximately 6% of joint Waste Management licensing and PPC industry costs. Steady state savings to the Environment Agency amount to around £1.6 million, or 6% of Environment Agency costs.

Table 8: Estimated costs and benefits of Option B – legislative changes to the Waste Management licensing regime without creating a unified system (figures for England and Wales)[33]

		Preparation 2006/07 (£)	2007/8 **(£)**	**Transition 2008/09 (£)**	**Ongoing Annual Savings 2015/16[34] (£)**	Total NPV **(£)**
Industry	Industry transition	-	-	-3,740,000	-	-3,850,000
	Single Application for Multiple Sites	-	-	50,000	50,000	300,000
	Savings on Modifications and Transfers	-	-	270,000	270,000	1,760,000
	Savings on Surrenders	-	-	560,000	560,000	3,580,000
	Standard/bespoke applications	-	-	4,270,000	4,660,000	28,670,000
	Technical competence flexibility	-	-	410,000	380,000	2,490,000
	Simpler guidance	-	-	40,000	40,000	230,000
EA	Environment Agency Preparation	-210,000	-210,000	-	-	-390,000
	EA transition	-	-	-650,000	-	-930,000
	Technical competence validation	-	-	-10,000	-10,000	-90,000
	Savings on Modifications and Transfers	-	-	140,000	140,000	920,000
	Surrenders	-	-	80,000	80,000	540,000
	Simpler guidance	-	-	150,000	150,000	970,000
	Standard/bespoke applications	-	-	1,250,000	1,270,000	8,100,000
Statutory Consultees	Time Saving to Statutory Consultees	-	-	50,000	50,000	330,000
	TOTAL	**-210,000**	**-210,000**	**2,870,000**	**7,640,000**	**-**
	TOTAL NPV	**-**				**42,630,000**

[33] The assumptions and calculations underlying these estimates are shown in Annex 5.

[34] NB – the steady state savings increase year on year to the maximum shown in 2015/16.

Option C

5.52. Option C includes the changes also considered under Options A and B. This chapter concentrates on the key additional changes implied by Option C. This includes additional costs for preparation and transition, since Option C affects the PPC system as well as the Waste Management licensing system[35]. After the transition phase additional benefits have been assessed.

5.53. It has been assumed that the new system would effectively absorb Waste Management licensing and PPC into one system without changing the substantive environmental implications for either.

5.54. However, as well as delivering all the benefits of Option B, this option would also allow considerable scope for simplifying guidance, amounting to an additional saving of around £4.6 million over 10 years. This and other key differences (such as scope to simplify IT systems) can be seen in Table 14 at the end of this chapter.

5.55. Since BAT applies to PPC installations but not to activities regulated under Waste Management licensing, a distinction would remain. This implies that time spent comprehending the system would be kept to a minimum, although some "interface issues" would remain. Some elements of the system would continue to be specific to the PPC or waste industries, but within the framework of a common overarching environmental permitting system.

Unquantified Benefits – Option C

5.56. Under Option C the same unquantified benefits apply as those considered under Option B. In addition, the following can be added.

"Environmental Permit"

5.57. Industry, in particular the land development and metal recycling industries, feels that the term 'waste management licence' stigmatises their particular process. For instance, this can blight the land which these licences cover, irrespective of whether that land has been used for a high- or low-risk waste activity, or has been fully remediated.

5.58. Replacing the term 'waste management licence' with the term 'environmental permit' could have a positive effect on the perception, and potentially the value of land which has been covered by a waste management licence, which would otherwise be considered in a more negative light. This is likely to be especially important for the remediation industry and secondary metals industry, but it may also be important for operators more generally.

[35] The distinction between savings for WML and for PPC regulated activities is somewhat imprecise, as a minority of operators operate under both systems.

A Platform for the future

5.59. The creation of a common platform is envisaged in Defra's Five Year Strategy and its Simplification Plan. It will help respond to the challenges posed by the Better Regulation Task Force, the Hampton Review, the 2002 NAO Report on Waste and industry's request for a simpler overall system.

5.60. The Programme would establish such a common platform – a system which could in future be extended to other environmental permitting and compliance regimes. The platform would be designed in such a way as to facilitate the migration of other existing environmental permitting systems. This would be in accordance with the EFRA Committee's recommendation that "Defra and the Agency seek to extend this common framework to other regimes and EU directives"[36].

5.61. The Environment Agency currently administers a range of environmental permitting systems. Respondents to the first consultation identified a number of these which they thought should be considered for inclusion in a common platform in the future (see Box 2). Before any of these systems were brought into a common platform, full public consultation would take place, including an impact assessment of the costs and benefits anticipated. However, to indicate the sorts of costs and benefits that might be at stake, this section provides numbers of permits, etc for two of these systems: water discharge consenting and radioactive substance regulation.

Box 2 – systems identified for possible future incorporation into a common platform

Respondents to the first consultation identified the following systems as apt to be considered for future incorporation into a common permitting and compliance framework:

- Water discharges
- Water abstraction
- Animal by-products
- Radioactive substances
- Reservoir safety
- Waste carriers
- Waste brokers
- Water Industry Act
- Control of oil storage

5.62. **Environment Agency Regulated Water Discharge Consents** – A water discharge consent is needed for any discharge of trade or sewage effluent into controlled waters (and any such discharge through a pipe from land

[36] HoC EFRA Committee Seventh Report (para 72).

into the sea outside the limit of controlled waters)[37]. The Environment Agency is charged with preventing the deterioration of, and trying to improve, water quality. Part of its approach to this is the issue of water discharge consents to prevent water pollution and protect water quality. Table 9 shows the number of water discharge consents and new consents issued in one year.

Table 9: Total number of water discharge consents and consents forecast for 2008 (figures are for England and Wales).

Number of live discharge consents on register	105,000
- of which small private discharges	55,000
Ignoring small private discharges – each year	
- consents issued	200
- transfers	1100
- Industry variations	400
-Environment Agency modifications	900
- surrender	500

5.63. The Environment Agency estimates that there are several hundred instances in which operators could benefit from having a single permit[38]. Most PPC and waste permits can deliver a water discharge consent, since consents are often just numerical limits. However, under the current regulations a site may have a discharge consent which is not part of the waste or PPC activity and which would therefore be separate. Box 3 and Box 6 (Chapter 11) give examples.

Box 3- An example of a water discharge consent issue

The operator of a hazardous waste landfill has a PPC A(1) permit (which incorporates the water discharge from the site's leachate treatment plant); five other drainage ditches and septic tanks do not constitute "activities" for the purposes of PPC and so are not included in the permit. But under a common permitting platform they could be.

5.64. The internal benefits for the Environment Agency would be similar in nature to those of combining waste and PPC, though not as great since the system is already relatively straightforward.

[37] "Controlled waters" as defined in section 104 of the Water Resources Act 1991, include virtually all inland and coastal waters.

[38] The Environment Agency does not currently record discharge consents on the same database as PPC actives or waste sites.

5.65. Overall, the inclusion of the water discharge regime in a common platform might be capable of delivering significant benefits. The costs and benefits of its future inclusion within a common platform will be explored in an impact assessment prior to any decision being made.

5.66. **Environment Agency Radioactive Substances Regulation** – The Environment Agency is the enforcing authority for the Radioactive Substance Act 1993 which controls the keeping and use of radioactive materials and the accumulation and disposal of radioactive waste through authorisation and registration systems (Table 10 =below shows the number of permits etc).

Table 10: Total number of nuclear permits, radioactive registrations and authorisations and average consents forecast for 2008 (figures are for England and Wales).

Activity	No. of permits	Average new consents issued each year
Nuclear authorisations	30	---
Non nuclear authorisations	800	50
Non nuclear registrations	3,200	120

5.67. The Environment Agency estimates that there may be 600 PPC installations which have radioactive consents[39], where industry could benefit by having a single permit. The internal benefits for the Environment Agency would be similar in nature to those of combining waste and PPC, though not as great since the amount of activity is much less.

5.68. Overall, the inclusion of this regime in a common platform might also be capable of delivering benefits, though it is thought that these would be less than water quality discharge consenting. Its future inclusion in a common platform may be explored further in the full RIA.

Implementing future EU Directives

5.69. Having a unified EPP system would ease future implementation of EU directives. A common system may make it simpler to transpose into UK law those directives that have a requirement for various forms of pollution control permit. However, this does not apply to all directives and any benefits relate to the frequency with which such directives are introduced.

5.70. In addition, future negotiations at EU and international level could aim to achieve instruments that can be delivered through the EPP system (the certainty of the EPP approach would allow increased confidence when preparing negotiation stance and during negotiations).

[39] The Environment Agency does not currently record radioactive consents on the same database as PPC activities or waste sites.

5.71. The extent to which potential benefits are realised, and their magnitude, depends on the nature and frequency of forthcoming EU directives and international agreements. Such an assessment is clearly somewhat speculative.

Summary of effects of Option C

5.72. Table 11 shows the summary net costs and benefits of Option C. The calculations underlying these estimates are shown in Annex 6. Although the transition costs are higher under Option C than under Option B, additional benefits give rise to higher savings overall. Option C generates over ten years **£57.8 million discounted over 10 years** (these figures are for England and Wales).

5.73. Option C gives annual savings in the steady state of around £10 million (ranging from £9.7M to £10.4m). The savings to industry on an annual basis are of the order £6.7 million, or approximately 7% of total PPC and Waste Management licensing industry administrative costs (assuming that the cost savings attributable to sites with both PPC and Waste Management licensing activities are split evenly between the two sectors, this gives a saving to the Waste Management licensing sector of around 15.3%, and a saving to the PPC sector of approximately 1% per year once the preparation and transition phases are over). Savings to the Environment Agency amount to around £3.6 million, or 10% of Environment Agency costs.

Table 11: Summary costs and benefits of Option C new legislative regime, PPC A(1) and Waste Management licensing designed as a platform for other environmental permitting in the future (these figures are for England & Wales).[40]

		Preparation 2006/07 (£)	2007/8 (£)	Transition 2008/09 (£)	Ongoing Annual Savings 2009/10-2015/16 (£)	NPV (£)
Industry	Industry transition	-	-	-4,110,000	-	-4,180,000
	Single Application for Multiple Sites	-	-	50,000	50,000	300,000
	Savings on Modifications and Transfers	-	-	270,000	270,000	1,760,000
	Savings on Surrenders	-	-	560,000	560,000	3,580,000
	Standard/bespoke applications	-	-	4,270,000	4,660,000	28,670,000
	Duplication for Statutory Consultees	-	-	30,000	30,000	190,000
	Simpler guidance	-	-	720,000	710,000	4,590,000
	Scope of permitted site (PPC&WML under 1 permit)	-	-	70,000	80,000	480,000
	Technical competence flexibility	-	-	410,000	380,000	2,490,000
EA	EA Preparation	-230,000	-230,000	-	-	-430,000
	Environment Agency transition	-	-	-1,190,000	-	-1,430,000
	Technical competence validation	-	-	-10,000	-10,000	-90,000
	Savings on Modifications and Transfers	-	-	140,000	140,000	920,000
	Surrenders	-	-	80,000	80,000	540,000
	Standard/bespoke applications	-	-	1,250,000	1,270,000	8,100,000
	Statutory Consultees	-	-	-	-	20,000
	IT System saving	-	-	500,000	500,000	3,210,000
	Policy/Process support saving	-	-	-	410,000	2,260,000
	Field staff saving (looking at guidance etc)	-	-	-	1,170,000	6,450,000
Statutory Consultees	Time saving	-	-	60,000	60,000	360,000
	TOTAL	-230,000	-230,000	3,100,000	10,360,000	-
	TOTAL NPV	-				**57,790,000**

[40] The assumptions and calculations underlying these estimates are shown in Annex 6.

Option Ci

5.74. Option Ci imposes some (relatively small) transitional costs on local-authority-regulated installations, and on the local authority regulators beyond those in Option C (Option Ci has £0.7m NPV less net benefit than Option C – see Table 11 and Table 12). Consequently, the total reduction in administrative burden is less for Option Ci than for Option C. However, as already discussed, there are some unquantifiable benefits for industry and regulators of closer integration of regulation across local authorities and the Environment Agency.

5.75. Aside from transitional learning and adaptation costs, it is intended that there will be minimal difference for local authorities in operating EPP Option Ci and Cii compared with the current PPC system.

5.76. Table 12 shows the summary costs and benefits of Option Ci. The calculations underlying these estimates are shown in Annex 7.

5.77. Option Ci yields a reduction in administrative burden of **£57.2m discounted over 10 years.**

5.78. Annual steady state savings to the Environment Agency increase to around £3.6m by 2015/16, or 5.8% of annual Environment Agency costs.

Option Cii

5.79. Option Cii imposes transitional costs upon local-authority-regulated installations and local authority regulators beyond those imposed by Option C and Option Ci, as it applies to more activities (Option Cii has £2.6m NPV less net benefit than Option C – see Table 11 and Table 13). As with Option Ci, there are unquantified benefits for industry and regulators from the closer integration of regulation across local authorities and the Environment Agency.

5.80. Crucially, Option Cii delivers the simplest, most streamlined, common platform. Whilst it has not been possible to quantify all of the benefits this provides, ensuring that any new system is a simple and streamlined as possible is seen as a key deliverable by industry, regulators and Government. Over 90% of respondents to Question 29 in the first EPP consultation ("Do consultees favour the EPP covering part A(2) and/or Part B activities – local authority regulated activities?") responded positively.

5.81. Table 13 shows the summary costs and benefits of Option Cii. The calculations underlying these estimates are shown in Annex 8.

5.82. Option Cii yields a reduction in administrative burden of **£55.2m discounted over 10 years.**

5.83. Annual steady state savings to the Environment Agency amount to around £3.6m, or 5.8% of annual Environment Agency costs.

Table 12: Summary costs and benefits of Option Ci (figures for England and Wales)[41]

		Preparation 2006/07 (£)	2007/8 (£)	Transition 2008/09 (£)	Ongoing Annual Savings 2009/10 - 2015/16 (£)	NPV (£)
Industry	Industry transition	-	-	-4,190,000	-	-4,250,000
	Single Application for Multiple Sites	-	-	50,000	50,000	300,000
	Savings on Modifications and Transfers	-	-	270,000	270,000	1,760,000
	Savings on Surrenders	-	-	560,000	560,000	3,580,000
	Standard/bespoke applications	-	-	4,270,000	4,660,000	28,670,000
	Duplication for Statutory Consultees	-	-	30,000	30,000	190,000
	Simpler guidance	-	-	720,000	710,000	4,590,000
	Scope of permitted site (PPC&WML under 1 permit)	-	-	70,000	80,000	480,000
	Technical competence flexibility	-	-	410,000	380,000	2,490,000
EA	EA Preparation	-230,000	-230,000	-	-	-430,000
	Environment Agency transition	-	-	-1,190,000	-	-1,430,000
	Technical competence validation	-	-	-10,000	-10,000	-90,000
	Savings on Modifications and Transfers	-	-	140,000	140,000	920,000
	Surrenders	-	-	80,000	80,000	540,000
	Standard/bespoke applications	-	-	1,250,000	1,270,000	8,100,000
	Statutory Consultees	-	-	-	-	20,000
	IT System saving	-	-	500,000	500,000	3,210,000
	Policy/Process support saving	-	-	-	410,000	2,260,000
	Field staff saving (looking at guidance etc)	-	-	-	1,170,000	6,450,000
LAs	Local Authorities Transition	-	-	-620,000	-	-560,000
Statutory Consultees	Time saving	-	-	60,000	60,000	360,000
	TOTAL	-230,000	-230,000	2,400,00	10,360,000	-
	TOTAL NPV	-	-	-	-	57,160,000

[41] The assumptions and calculations underlying these estimates are shown in Annex 7.

Table 13: Summary costs and benefits of Option Cii (figures for England and Wales)[42]

		Preparation 2006/07 (£)	2007/8 (£)	Transition 2008/09 (£)	Ongoing Annual Savings 2009/10 - 2015/16 (£)	NPV (£)
Industry	Industry transition	-	-	-6,340,000	-	-6,190,000
	Single Application for Multiple Sites	-	-	50,000	50,000	300,000
	Savings on Modifications and Transfers	-	-	270,000	270,000	1,760,000
	Savings on Surrenders	-	-	560,000	560,000	3,580,000
	Standard/bespoke applications	-	-	4,270,000	4,660,000	28,670,000
	Duplication for Statutory Consultees	-	-	30,000	30,000	190,000
	Simpler guidance	-	-	720,000	710,000	4,590,000
	Scope of permitted site (PPC&WML under 1 permit)	-	-	70,000	80,000	480,000
	Technical competence flexibility	-	-	410,000	380,000	2,490,000
EA	EA Preparation	-230,000	-230,000	-	-	-430,000
	Environment Agency transition	-	-	-1,190,000	-	-1,430,000
	Technical competence validation	-	-	-10,000	-10,000	-90,000
	Savings on Modifications and Transfers	-	-	140,000	140,000	920,000
	Surrenders	-	-	80,000	80,000	540,000
	Standard/bespoke applications	-	-	1,250,000	1,270,000	8,100,000
	Statutory Consultees	-	-	-	-	20,000
	IT System saving	-	-	500,000	500,000	3,210,000
	Policy/Process support saving	-	-	-	410,000	2,260,000
	Field staff saving (looking at guidance etc)	-	-	-	1,170,000	6,450,000
LAs	Local Authorities Transition	-	-	-620,000	-	-560,000
Statutory Consultees	Time saving	-	-	60,000	60,000	360,000
	TOTAL	-230,000	-230,000	250,000	10,360,000	-
	TOTAL NPV	-	-	-	-	55,220,000

[42] The assumptions and calculations underlying these estimates are shown in Annex 8.

Wider Economic Benefits to Industry – Options B and C

5.84. In addition to the administrative burden reductions, direct and indirect, that are discussed above, there are also potential wider economic benefits of the proposed changes associated with Options B and C (and its sub-options). It is anticipated that the proposed changes would potentially have key outcomes for holders of Waste Management licences: these derive from the faster issue of permits and modifications, and increased applications. The methodology to calculate these potential benefits has been refined since the first consultation (see Annex 9).In total the estimated sum of wider industry benefits is anticipated to be around £3.7 million for 2008/09 and 2009/10, and around £2.9 million per year from 2010/11 onwards, generating around **£21 million NPV over ten years** (these figures are for England and Wales). This comprises:

• Faster Permits	£ 2.4 million per year
• Faster Modifications	£ 0.4 million per year
• Increased applications	£ 0.9 million for 2008/09 and 2009/10 and £0.1 million per year from 2010/11 onwards

5.85. The methods by which these forecasts were calculated may be found in Annex 9.

Unquantified Wider Economic Benefits

Misconception of Waste Management licence

5.86. A common misconception is to interpret "waste management licence" as meaning a landfill site. This may then have a negative impact on the quality of life of residents near these sites[43]. In reality, most sites requiring a waste licence are not landfills but civil amenity sites, transfer stations, scrap yards, composting plants or similar.

5.87. This misunderstanding could have an undue downward impact on the value of property around these sites. For example property buyers may reduce the amount they are prepared to pay. It is unclear how widespread this misconception is, or the level to which a site having an "environmental permit" would corrected it. However, using conservative assumptions it

[43]A recent study found that the disamenity costs of properties located close to landfill sites reduced property prices by between 2% and 7%. *A study to estimate the disamenity costs of landfill in Great Britain* (2006), Defra, www.defra.gov.uk/environment/waste/landfill/disamenity.htm

has been estimated that this change might increase the value of the affected housing stock by around **£30 million** (in England and Wales).

5.88. This figure has not been included in the monetised cost benefit analysis of the Programme. It should be regarded as illustrative of the order of magnitude that might be achieved by the name change. Details on how this figure was derived are provided in Annex 9.

Greater Certainty

5.89. Industry has identified greater certainty of permit requirements as a key issue. The proposals to allow a more flexible and risk-based approach to permitting, in part through a reliance on standard permits, should result in a greater degree of certainty about what permits will require. Some of the benefits of this greater certainty are included in the administrative benefits calculations, for example: the need for less management time to be spent on applications and modifications, flexibility of site management; reduced (external) legal fees; and reduced consultancy costs. The full RIA could seek to identify further economic benefits associated with greater certainty.

Risk-specific Permitting by Sector

5.90. Another wider benefit would be the development of standard permits applying to specific sub-sectors. This would allow both risk proportionate and uniform regulation and would contribute to the development of industry-wide standards of operation. Relatively poor performing facilities would be more readily identifiable.

Summary of costs and benefits

5.91. The costs and benefits forecast for each option are summarised in Table 15 (Chapter 11). This shows the net forecast reduction in administrative burden associated and wider economic benefits with each option.

5.92. **The preferred option is Option Cii**, a single simplified legislative system for Waste Management licensing and PPCA(1), PPCA(2) and PPC Part B activities (highlighted). This is the Option delivered by the draft Regulations.

5.93. The total savings associated with this option are lower than for Option C and Option Ci, due to larger transitional costs for local authority regulators (Option Ci has £0.6m NPV and Option Cii £2.6m NPV less benefit than Option C – see Table, Table 12 and Table 14). Despite these increased costs, Option Cii is preferred because it provides additional unquantified benefits (discussed in Chapter 4). It delivers the simplest, most streamlined, common platform which is seen as a key deliverable by industry, regulators and Government.

5.94. Industry regulated under existing Waste Management licensing regulations would notice a more significant change under the proposals than industry regulated under the Pollution Prevention and Control regime. As there are more efficiencies to be made by streamlining the older Waste Management licensing regime, this is the sector which will accrue the majority of benefits from the proposed changes. However, there would still be benefits to other sectors, for example through the regulator focussing on higher risk activities.

Box 4 – How the tables of forecast costs were generated

The discussion of each option includes a table of forecast costs and benefits. For reasons of clarity, the detailed calculations for each entry in these tables have not been reproduced in this RIA. However, the method for calculating each kind of cost and benefit has been presented, either in the relevant section of this chapter, or in the relevant annexes at the end of this document. Typically, this will have involved breaking the systems down into constituent administrative elements and then using a variety of methods (e.g. interviews, surveys etc.) to estimate the relevant administrative costs.

Table 14: Overview of forecast net costs and benefits of policy options

Type of cost / benefit		Cost / benefit per option (£m / 10yr NPV)				
		A	**B**	**C**	**Ci**	**Cii**
Industry	Transition		-3.85	-4.18	-4.25	-6.19
	Multiple Sites	0.30	0.30	0.30	0.30	0.30
	Modifications/Transfers		1.76	1.76	1.76	1.76
	Surrenders		3.58	3.58	3.58	3.58
	Standard Permits		28.67	28.67	28.67	28.67
	Statutory Consultees			0.19	0.19	0.19
	Simpler Guidance	0.23	0.23	4.59	4.59	4.59
	Scope of permitted site			0.48	0.48	0.48
	Technical Competence		2.49	2.49	2.49	2.49
EA	Preparation	-0.16	-0.39	-0.43	-0.43	-0.43
	Transition		-0.93	-1.43	-1.43	-1.43
	Technical Competence		-0.09	-0.09	-0.09	-0.09
	Modifications/Transfers		0.92	0.92	0.92	0.92
	Surrenders		0.54	0.54	0.54	0.54
	Standard Permits		8.1	8.1	8.1	8.1
	Statutory Consultees		0.33	0.02	0.02	0.02
	IT			3.21	3.21	3.21
	Policy/process			2.26	2.26	2.26
	Simpler Guidance/EA Field Staff	0.97	0.97	6.45	6.45	6.45
Statutory Consultees	Time		0.03	0.36	0.36	0.36
LAs	Transition				-0.56	-0.56
TOTAL NPV		**1.34**	**42.66**	**57.79**	**57.16**	**55.22**

Figure 1: Aggregate costs/benefits of policy options

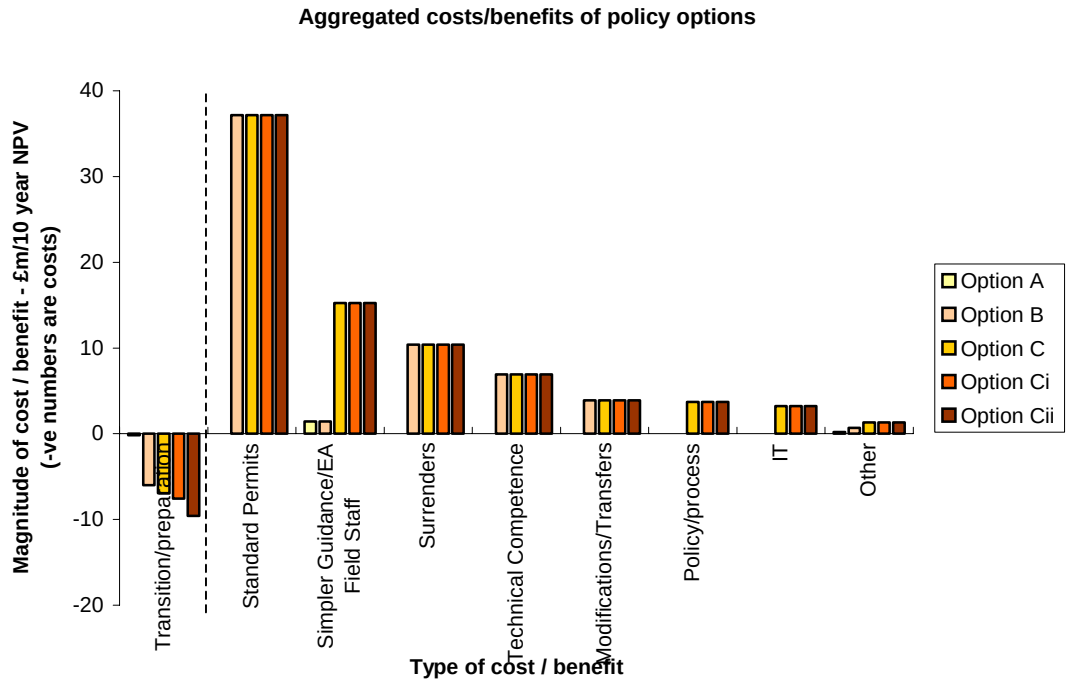
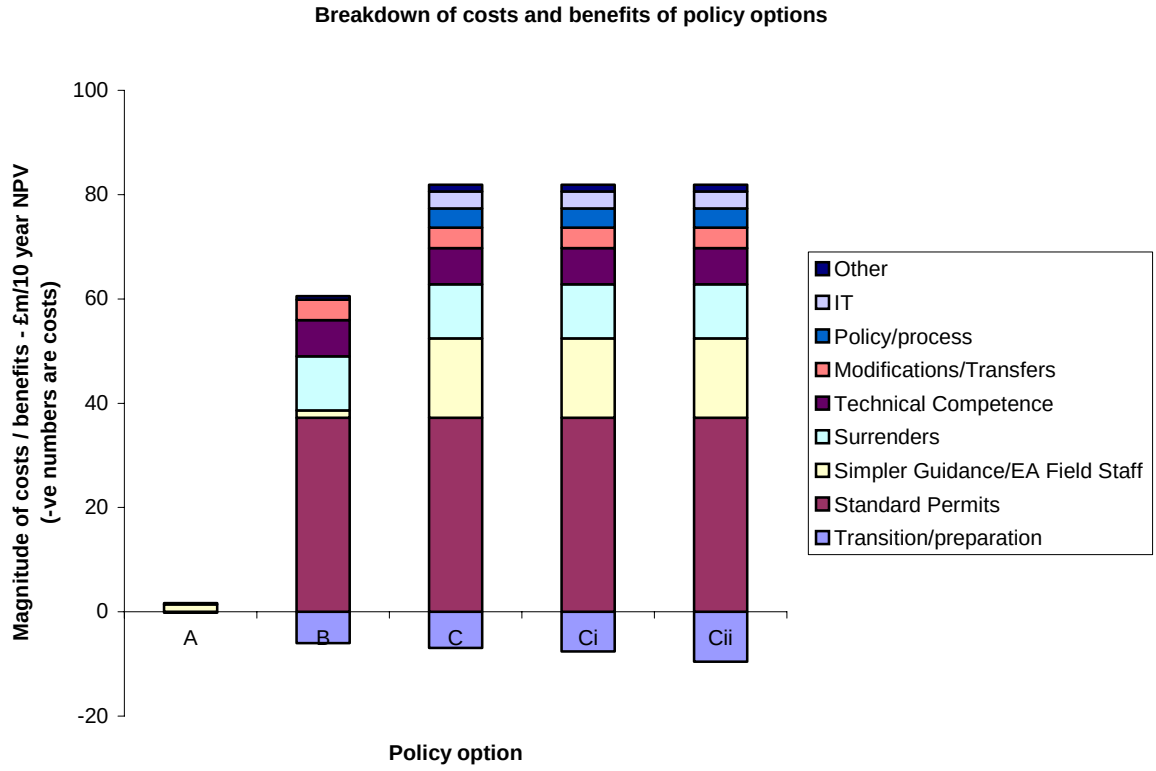


Figure 2: Breakdown costs/benefits of policy options



6. Small Firms Impact Test

6.1. **This chapter focuses on the Programme's implications for small and medium-sized enterprises** (SMEs). The Programme is not anticipated to have a significant differential impact on SMEs, except insofar as any initiative which reduces administrative burdens will help small firms which spend a greater proportion of their time on administrative tasks. As the CBI pointed out in their response to the first consultation, "smaller companies devote significant resources to complying with environmental regulations; reducing this burden will free up time for them to concentrate more efforts on being productive".

6.2. A criticism of the existing system is that the administrative burdens on industry are relatively similar, irrespective of the size of the company[44]. The argument is that application costs are relatively fixed, and that smaller firms, and those with cash flow difficulties, would find it more difficult to absorb the burden of making applications. This differential cost would be felt particularly acutely in rural communities and economies where there are proportionately more small firms.

6.3. Direct contact was made with 210 companies in the preparation of the first iteration of this partial RIA, leading to 22 interviews. It is believed that around three-quarters of those interviewed – a conservative estimate is 16 – were small businesses. A clear concern about the proposals was that if the existing systems were merged into one, costs could spiral if those regulated under Waste Management licensing were required to demonstrate BAT through new applications for PPC. However, this is not the intention; under the options being proposed, it is assumed that transfer from one system to the new single system (under Option C, Ci and Cii) would be deemed to have occurred in April 2008. No new application would be required, and no additional operators would be required to demonstrate BAT.

6.4. The interviews conducted focussed on the Waste Management licensing industry. Information from the PPC A(1) sector was gathered from a recent survey of the industry undertaken for Defra's mid-term evaluation of the effectiveness of the IPPC Directive in the UK. This survey involved collating cost information from a wide cross section of the sector, including both small and larger businesses. In the second iteration of this RIA additional interviews were undertaken with those businesses regulated under the PPC part A(2) and part B regimes to ensure that as wide a cross section of affected industry as possible was represented in the study. As part of this additional work, approximately 20 firms were contacted directly from a selection of the regulated sector types. The aim was to undertake interviews with both small and larger firms. Of those contacted (which included brick manufacturers, quarries, dry cleaners, owners of petrol

[44] Janet Murfin (2005) *IPPC: Cost or Benefit*, IChemE Seminar, Hull, March 2005.

stations and paint re-sprayers) five firms were willing to participate, of which only one was from a small or micro firm.

In addition to the attempts made to interview small firms directly, a number of trade bodies representing firms regulated under the part A(2) or part B regimes were also contacted to gain an overarching perspective on the industry as a whole, and how it affects both small and larger firms. Of the trade bodies contacted, three were willing to participate in the telephone based interview. These interviews focussed on more general issues of the issues faced by industry with the current regime and how improvements could be made. Only one of the trade bodies commented specifically on the impact of the regulation on small businesses stating that regulation as a whole was not practicable for SMEs, and there was a call to develop more pragmatic and simple legislation. Whilst some specific concerns about the proposals were raised by this representative, they were not specific to SMEs. Indeed, there was a high level of support for the overall aims of the EPP.

6.5. Many of the smaller companies involved in waste management are likely to be those regulated under the Waste Management licensing system. This is the system, which is likely to experience most change (under both Option B and Option C). Although there would be transition costs associated with these Options, and these may be shouldered more easily by those with multiple sites (which would probably be larger companies), they are not expected to be great for individual companies, since those already holding licences would initially see little change in the way they are regulated. Those seeking partial transfer, partial surrender or licence modification would, however, see an early benefit through being able to carry out the first two transactions and reduced costs of making these changes.

6.6. The policy options being considered mainly affect those regulated under Waste Management licensing, though under Option C (and its variants) some impact would be felt by those regulated under PPC. The effect of Option C on those regulated under PPC would be related mainly to the costs of understanding the implications of the transition from the ‘dual system’ to the single one. Therefore there is a one-off cost associated with understanding the new system for those who already have permits. There is no differential likely between small and large firms, though it seems that those with greater numbers of installations regulated under PPC would be able to distribute this one-off cost across a larger number of sites. However, this cost is not expected to be large (because the practical consequences for those regulated under PPC are not significant). Under Option C, any new applicants are likely to find a single system slightly easier to understand than multiple ones, if only because the relevant regulations and guidance would be ‘all in one place’.

6.7. Depending on how the EPP system develops more generally, all business could benefit from ongoing cost reductions and subsistence charges, which might be lower in future than would otherwise be the case (because of savings to the Environment Agency). Small businesses would be

affected by how such savings were passed back to them. However, businesses are not necessarily more, or less, polluting in relation to their size. Consequently, where (as with the MRCP) the aim is to move to a more risk-based approach to regulation, benefits would only accrue to small firms to the extent that they address any risks they may pose to the environment.

6.8. For these reasons it is assumed that the costs and benefits of the options to smaller firms are not significantly different to those of larger firms, though **reductions in administrative burden are more significant for smaller firms which spend a greater proportion of their time on administrative tasks**.

Box 5 – Case study

A group of small businesses and community representatives wish to establish a facility to produce compost from household waste, catering waste, former foodstuffs and parks' waste.

Under the current regulations

Permitting requirements are different depending upon the type of waste being composted and the purpose of the activity (producing a compost which can be used in recovery activities or composting materials to pre-treat them prior to disposal):

(i) If animal wastes are treated for disposal or recovery at a rate of more than 10 tonnes per day a PPC permit is required

(ii) If other wastes are treated for disposal at a rate of more than 50 tonnes per day a PPC permit is required,

(iii) If other wastes are treated for disposal at less than 50 tonnes per day a Waste Management licence is required,

(iv) If wastes are treated for recovery a Waste Management licence will be required unless the activity falls within an exemption from licensing (which has restrictions on quantity and where the activity can take place).

Where activities change between licence / exemption / PPC permit, new applications for permits (or surrender of permits) have to be made. As one respondent to the first consultation noted, "**holding numerous permits for SMEs is a complicated and potentially expensive process** as it often requires assistance from specialist advisors to compile and review the numerous applications".

Under the proposed EPP regulations

A single EP permit is required unless the activity is exempt from the need for a permit. All provisions of a permit can be varied if the activities change.

Benefits of the proposed system

Only an EP permit is required regardless of what waste types will be composted or whether it is being treated for disposal or recovery. This makes it more flexible and allows composting a wider range of waste types.

7. Competition Assessment

7.1. **This chapter concerns the forecast effects of the proposals on the relevant markets**.

7.2. The Waste Management industry is the market that is principally affected; the proposed streamlined system would differ more from the existing Waste Management licensing system than it would from the existing PPC system. However, all installations regulated under PPC would be affected by Option C and its variants in some way.

7.3. The waste management industry is relatively concentrated, and is becoming more so, while the PPC Regulations cover a range of markets, from large scale combustion to intensive agriculture.

7.4. **The market is not expected to be significantly affected by the proposed changes**. There does not appear to be any evidence to suggest that competition will be adversely affected at the UK or EU level. Indeed, if the proposals lower the barriers to enter the market, there is a likelihood that the overall level of competition will be improved. Further, some additional dynamism may occur as a result of the ease with which licence holders may transfer, modify or partially surrender their licences.

8. Enforcement, sanctions and monitoring

8.1. None of the options highlighted involves any changes to the role of the Environment Agency or local authorities as regulator of the activities covered by EPP. Neither is it anticipated that there would be alterations in the compliance assessment undertaken by regulators beyond those changes already underway as part of the Environment Agency's MRCP.

8.2. The Programme does not cover novel criminal sanctions nor civil penalties. Defra's Fairer and Better Environmental Enforcement Project is developing proposals for a new framework for environmental enforcement and sanctions. This will include proposals for introducing civil administrative sanctions as part of a more graduated set of enforcement measures[45].

[45] www.defra.gov.uk/environment/enforcement/FairerBetterProject/index.html

9. Implementation and delivery plans

9.1. This section outlines the way EPP will be implemented and who will be responsible for doing it. It show the objectives and outcomes and also the success criteria.

9.2. EPP will be implemented by the Environment Agency and Local Authorities. Implementation for each of these regulators is described in turn below.

Environment Agency

Delivery objectives

9.3. Thinking through and planning for the implementation of the EPP system has always been a key Workstream of the Programme.

9.4. The primary objective of the Environment Agency implementation project is to implement the Regulations and by doing so achieve the benefits forecast for Industry and the Environment Agency in the RIA. This will be achieved through streamlined and simplified documentation (forms, guidance, procedures etc), the development and uptake of Standard Permits and the reduction in costs through the use of a single IT system.

9.5. The implementation project has been forward planning to allow for the future expansion of EPP to other regimes – if further systems are brought into the common platform.

9.6. The Environment Agency delivery outcome is that the EPP regulations will be effectively and efficiently implemented, so that:

- industry has a reduced administrative burden and lower costs; and
- the Environment Agency savings are realised.

This will be achieved by:

- operators having a harmonised set of guidance that aligns with the new legislation;
- simpler approaches to demonstrating Technical Competence;
- opportunity for industry to make applications on-line;
- operators having one joint environmental permit for multiple activities (where they request it); and

- the use of Standard Permits, reducing the amount of time spent by industry applying for permits and by the Environment Agency on determining permits.

Success Criteria

9.7. The Environment Agency's targets for achievement by the "go-live" date of April 2008 are that:

- staff responsible for permitting will be in place and ready to regulate under the new system;
- staff responsible for compliance will be aware of the new system and the changes that it brings so that compliance assessment on sites (covered by environmental permits) is undertaken in a harmonised way;
- all the required documents will have been reviewed and amended to reflect the changes of the new system (this will include application forms, guidance, standard letters, permit templates, notices, checklists and work instructions);
- one hundred key documents will have been re-written in line with the Environment Agency new radical approach to guidance; and
- Standard Permits for waste sites will be developed and available by April 2008, including public consultation.

9.8. The following targets will indicate the policy has been implemented effectively:

- standard permits are in place and deliver the benefits outlined in this RIA; and
- there will be a 5% saving to the Environment Agency on Environmental Permitting and Compliance activities through efficiencies.

Consultation

9.9. The Environment Agency published its public participation statement "Working together: your role in our environmental permitting decision making" [46] in August 2007 after a public consultation on a draft. It explains who can be involved and how in the permitting decisions taken by the Environment Agency made under the Environmental Permitting Regulations.

[46] www.environment-agency.gov.uk/commondata/acrobat/workingtogether1_1838486.pdf

9.10. The Environment Agency is also consulting on its proposed Standard Permits and supporting documentation, including risk assessments, guidance on standard rules and permit templates[47].

9.11. This consultation seeks views on the first sets of standard rules that the Environment Agency intends to make available when the Regulations come into force in April 2008. They cover 28 low to medium risk activities, that currently require a waste management licence and include a wide range of waste transfer and treatment operations including:

- household waste amenity sites;
- materials recycling facilities;
- biological treatment of waste and include open windrow composting;
- metal recycling including vehicle depollution and dismantling;
- transfer and treatment of clinical waste;
- mobile remediation plant;
- treatment of waste electrical and electronic equipment (WEEE);
- sewage sludge treatment;
- the deposit of dredging sludge; and
- small scale animal carcass incineration.

9.12. The Environment Agency is working to ensure that the level of consultation is in line with Hampton Report's requirements[48] to reduce administrative burdens on business without compromising regulatory outcomes.

Allowing those affected to plan for change

9.13. Once the Regulations are finalised the Environment Agency can finalise forms, guidance, standard permits etc. These will be available from early 2008, well before the go-live date.

9.14. The "go-live" date is the 6th April 2008.

Risk assessment and management

9.15. Implementation costs have been incurred before the Regulations are laid before Parliament. The decision to implement using draft Regulations was been agreed by the joint Defra, Environment Agency and WAG Programme Board.

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[47] September - December 2007. www.environment-agency.gov.uk/yourenv/consultations/current_consultations/?version=1&lang=_e

[48] 'Reducing administrative burdens: effective inspection and enforcement'. www.hm-treasury.gov.uk/budget/budget_05/press_notices/bud_bud05_presshampton.cfm

9.16. An IT system is scheduled to be put in place by February 2008, with the potential risk that this will be delayed. A contingency will be put in place with hard copy documents and forms.

9.17. The uptake of Standard Rules permits is key to realising the benefits of the Programme. However, uptake is voluntary and the Environment Agency will need to ensure the products are practical for use.

Considering who will implement and deliver the initiative.

9.18. The Environment Agency's implementation project is reliant on a number of other Environment Agency parallel projects. These include: the Unified Charging Framework; the Hampton Simplification work; the Integrated Regulation (IT) Programme; and the Core Regulation Project. The implementation project will closely monitor each of these to ensure appropriate alignment.

Resource requirements and costs

9.19. A detailed implementation plan has been developed and is being managed by a small project team.

9.20. Staff training requirements have been reviewed and a plan is in place that builds on the existing staff training for the Adapting Operations Project and Operator and Pollution Risk Appraisal 2008 (OPRA 08).

Actions to be taken by those affected

9.21. Communications plans have been developed for external stakeholders and for Environment Agency staff.

9.22. External stakeholder meetings will continue to be held in the run-up to April 2008. These will keep stakeholders informed of their requirements and will enable the Environment Agency to get feedback on its planned forms and guidance etc.

How will compliance be checked?

9.23. Compliance assessment for Environment Agency regulated sites will remain risk-based (as under the current PPC and WML systems), in accordance with the Environment Agency's OPRA scheme.

Considering sanctions

9.24. Sanctions under the new system will be described in the Environment Agency enforcement policy which is available from its website[49].

[49] www.environment-agency.gov.uk/business/1745440/112913/?lang=_e

Consider whether certain groups could be disproportionately affected.

9.25. Standards for both permitting and compliance will not change as a result of EPP. The existing environmental and technical standards will continue to remain in force. However, the Regulations will enable the Environment Agency to better direct its resource.

Consider alternatives to regulation.

9.26. A permitting and compliance assessment system is required by the European directives the Environment Agency is implementing under the Regulations.

Local Authorities

Delivery outcomes

9.27. The EPP regulations will be implemented with the minimum disruption to environmental regulation.

9.28. Where possible people are using one joint environmental permit leading to a reduced administrative burden.

Success Criteria

9.29. Installations regulated under PPC continue to be efficiently, effectively and economically regulated under EPP, with the transition costing local authority regulators no more than the £620k given in Table 14 in this RIA or imposing more than slight costs on regulated businesses on top of the additional charges to recoup the £620k.

Consultation

9.30. The proposals have been discussed at each of the recent six monthly meetings of the PPC Industry Forum and Industrial Pollution Liaison Committee, and both industry and will remain on the agendas of these two groups for the foreseeable future to ensure continued engagement of industry and regulator interests. In addition, existing feedback and consultation arrangements under PPC will be continued under EPP to ensure that there is continuing contact with stakeholders on the delivery of the pollution control regimes.

Key milestones with dates for implementation

9.31. The “go-live” date is the 6th April 2008.

Risk assessment and management

9.32. The main risk is that regulators and regulated businesses will be unprepared for the changeover. In relation to the local authority regulated regime, the impact of this risk is low because the differences between the

existing PPC and forthcoming EPP systems is quite small. However, the risk has been addressed by producing an updated General Guidance Manual containing the amended procedures and amended forms and notices (and which identifies all the significant changes), which was issued for consultation in June 2007. It is intended that the Manual will be published in final form in early 2008, and will be updated on line in response either to changes to the system or to delivery issues which arise and which could benefit from clarificatory guidance.

Considering who will implement and deliver the initiative.

9.33. EPP will be delivered by the same local authorities who are responsible for PPC, and have had similar responsibilities since 1991. Defra and WAG will be organising four cascade briefing events for local authorities in early 2008 to supplement the publication of the revised General Guidance Manual.

Resource requirements and costs

9.34. Local authorities' reasonable regulatory costs for EPP, as with PPC, will be recovered from regulated businesses through application fees and annual subsistence charges. The proposed charging scheme will be subject to annual review and consultation, as currently. The 2008/9 review has begun, with consultation planned for late September/early October 2007. It is not envisaged that there will be any additional charges attributable to EPP apart from the transitional costs identified above.

Actions to be taken by those affected

9.35. The changeover from PPC to EPP will involve little additional action by local authorities and regulated businesses. Both will need to understand the limited detailed changes to the regulatory system, including the provisions allowing single-regulator regulation of a combined Part B and waste installation. Existing PPC permits will automatically become EPP permits, without any action required. Local authorities will continue to be required to provide statistical data to Defra and WAG annually for the purposes of monitoring delivery, determining charging levels, and developing policy; much of the data, as now, will be information that a well-managed authority is likely to want for its own purposes.

How will compliance be checked?

9.36. Compliance will be checked as it is under the existing system, with the statistical survey data published as now. The statistical survey was the subject of a zero-based review in 2006, resulting in a reduction in its length. Defra and WAG will continue to maintain regular contact with all stakeholders, both formally and informally, so as to ensure that knowledge of compliance issues remains up-to-date.

Considering sanctions

9.37. Local authorities will continue to have powers to take a range of enforcement actions, as under PPC. All authorities are regularly reminded of the Cabinet Office Enforcement Concordat, and most are signatories to it. EPP will come within the scope of the Regulatory and Enforcement Sanctions Bill, and be subject to the proposed Regulators' Compliance Code.

10. Post implementation review

Environment Agency

Baseline

10.1. To enable accurate measurement of the costs and savings made under the new system baseline data has been collated on the:

- volume, type and determination time for current permits;
- volume of supporting documentation available;
- cost (to the Environment Agency) of determining permit applications; and
- Industries' costs, where available.

Evaluation

Production process/ Document quality

10.2. As documents are produced (application forms, guidance, standard letters, permit templates, notices, checklists and work instructions), they will be subject to plain English checks and editing for structural improvements. It is intended that some documents will be submitted for the Crystal Mark accreditation.

Document volume

10.3. Retired documents will be identified and catalogued to gauge the volume reduction achieved.

Post implementation

10.4. It is intended that there will be a Prince II Gateway Review of the Environment Agency's implementation. This is a peer review by independent practitioners from outside the project, who examine the progress and likelihood of successful delivery. Gateway reviews provide an additional perspective on the issues facing the project, and an external

challenge to the robustness of plans and processes. It will capture any recommendations or follow-on actions required. The review will take place by November 2008.

10.5. The Environment Agency will be monitoring the uptake of Standard Permits, collecting data quarterly. This will be used to report progress against the targets set in this RIA.

10.6. The existing monitoring, evaluation and reporting of the PPC and WML systems will be continued under the new Regulations.

10.7. The Environment Agency will initiate workshops with industry during 2007/8 so that industry has the opportunity to shape the evolution of the guidance and working practices. Feedback from these workshops will be published and made available together with the Environment Agency responses.

10.8. In April 2009 a Phase1 survey will be conducted with applicants for permits made during 2008/09 to assess whether benefits are accruing as expected.

10.9. A full survey, through both stakeholder workshops and a questionnaire, will take place in April 2011 to ascertain if:

- costs to Industry and the Environment Agency have been reduced;
- permitting is quicker and easier;
- guidance has been improved;
- environmental standards have been maintained; and
- there have been any unintended consequences.

Specific person responsible for conducting the review.

10.10. The person with overall responsibility will be the Implementation Project Executive.

Local Authorities

10.11. It is intended to continue the monitoring and evaluation that is already done for the local authority-regulated PPC regime, and which it is intended to continue under the similar EPP regime. The RIA only identifies one additional cost arising from EPP, which is the one-off transitional cost of £620k. The annual charging review will provide a vehicle for assessing the adequacy of this.

10.12. Success of EPP will, as with PPC, be measured in terms of environmental protection, and the efficiency, effectiveness and economy of the way local authority regulators implement the regime. Further information about the monitoring and evaluation methods, their results, and reviews that are

currently being undertaken or planned can be found on the Defra website[50] .

10.13. It is not planned to conduct a specific three year review. Rather, it is intended to continue the practice of continuous appraisal, with specific review requirements emerging from this (such as the current better regulation review of those Part B sectors which are not directly required to be regulated by EU directives).

[50] www.defra.gov.uk/environment/ppc

11. Summary and recommendation

Recommendation

11.1. The Option delivered by the draft Regulations is Option Cii, **a single simplified legislative system for Waste Management licensing and PPCA(1), PPCA(2) and PPC Part B activities**. This generates net benefits of **£76 million** over ten years.

Summary of options

11.2. The RIA sets out a range of policy options for a streamlined environmental permitting and compliance system. It gives detailed forecasts of the costs and benefits associated with each option. The key features are summarised in table 1 (Chapter 1).

11.3. The options are largely additive; Option B incorporates many of the changes proposed in Option A, Option C incorporates many of the changes proposed in Options A and B, and so on.

Baseline

11.4. A baseline has been established for the existing systems (in 2007/8). If none of the other options were thought suitable to pursue, the "do nothing" option would simply result in the state of affairs described in this baseline.

Option A

11.5. Option A involves adopting new administrative measures to improve permitting and compliance processes and procedures. These changes affect only the Waste Management licensing system. They go beyond those currently planned (that is, they would go beyond the baseline / "do nothing" option). They would not, however, go so far as to require changes to current legislation. They might include, for example, changing guidance so that it is easier to understand.

11.6. After having considered responses to the first consultation, it was felt that Option A should not be taken forward. The potential savings identified are very small and representing as little as 2% of those identified for other options.

Option B

11.7. Option B incorporates the changes proposed in Option A. It goes further, however, by also making legislative changes to the Waste Management licensing system. The effect of these changes would be to align the Waste Management licensing and PPC systems. These two systems would

continue to operate under separate legislation. This was broadly the approach taken by the Waste Permitting Review.

11.8. Option B was not felt suitable for development. It was thought not to go far enough beyond the changes proposed in the Waste Permitting Review. The forecast benefits of Option B were not as great as for the variants of Option C, and it was not thought able to deliver an extensible platform for future incorporation and alignment of other regulatory systems.

Option C

11.9. Option C sets out a single, simplified legislative system which consolidates regulations for activities currently regulated under PPC Part A(1) and the Waste Management licensing regulations. This streamlined system is designed so that it may be extended in future to cover other activities which require an environmental permit.

Option Ci

11.10. Option Ci is as Option C, but with the inclusion of PPC Part A(2) activities. That is, a single, streamlined, simplified legislative system which covers activities previously regulated by Waste Management licensing, and PPC Parts A(1) and A(2).

Option Cii

11.11. Option Cii is as Option Ci, but also includes PPC Part B activities. All PPC operations regulated by local authorities would thus fall under the environmental permitting and compliance system. **This is the Option delivered by the draft Regulations.**

Summary of costs and benefits

11.12. The Programme is primarily concerned with reducing the administrative burden on industry and regulators[51]. The most significant benefits are, therefore, associated with reducing this burden, and are set out in Table 15. This shows the net forecast reduction in administrative burden associated with each option. More detailed forecasts, along with details about how these forecasts were arrived at may be found in the RIA.

[51] An explanation of what is meant by “administrative burden” may be found in Annex 1 .

Table 15 – Policy options: summary of forecast administrative savings – Option Cii is delivered by the draft Regulations.

	Baseline	Option A	Option B	Option C	Option Ci	Option Cii
Reduction in administrative burden (10yr NPV)	No change	£1.3	£42.7	£57.8	£57.2	£55.2
Wider industry benefits (10yr NPV)	No change	No change	£21.2m	£21.2m	£21.2m	£21.2m
Total (10yr NPV)	No change	£1.3	£63.9	£79	£78.4	£76.4

Choice of preferred option

11.13. The preferred option is Option Cii (highlighted in Table 15), a single simplified legislative system for WML and PPCA(1), PPCA(2) and PPC Part B activities. This is the Option delivered by the draft Regulations.. It generates significant net benefits of £76.4 million over ten years. While Option C provides an extra £2.6 million NPV, Option Cii will provide the additional unquantified features of consistency, integration and uniformity, and is better capable of extension.

Wider economic benefits

11.14. In addition to the administrative burden reductions, there are also potential wider economic benefits of the proposed changes associated with Options B and C (and its sub-options) are shown in Table 15. The RIA attempts to forecast these benefits, which are primarily associated with the faster issue of permits and modifications, and increased applications.

11.15. The estimated sum of wider industry benefits is anticipated to be around £3.0 million for 2008/09 and 2009/10 around £2.3 million per year from 2010/11 onwards, generating around £17 million NPV over ten years.

11.16. There are further, unquantifiable benefits associated with Options B, C, Ci and Cii, including greater certainty of permit requirements and a more level playing field across the Waste Management licensing sector.

Box 6 – Case study: Multiple licences, permits and consents at large landfill sites

"lost time means lost business"

SITA estimates its compliance costs to be £3m per year (including administrative burden costs and other costs). The company welcomes the Programme's changes where they will reduce costs. It highlights particular benefits from one-stop integrated permits and faster Environment Agency permit determinations.

The current situation at one of SITA's landfill sites is as follows:

(a) PPC permit for landfill
(b) PPC permit for leachate treatment (from closed part of landfill)
(c) PPC permit for hazwaste chemical store
(d) Waste Management licence for closed part of the landfill
(e) Waste Management licence for compost plant
(f) Two water discharge consents to surface waters
(g) LA permit for crushing and screening aggregates

Consolidation of these permits could lead to considerable resource savings. SITA estimates that its 329 licences and permits could be reduced to 247 (a 25% fall) and that standard permits could potentially be used at 187 Waste Management licences.

SITA report that its experience of the Environment Agency's PPC determination timescale has been variable - from an average site taking 12 months (handled by an Special Permitting Group) to 36 months in SITA's worst case example (handled by a local area office). The company comment's that, "…lost time means lost business to us."

12. Declaration and publication

12.1. I have read the Regulatory Impact Assessment and I am satisfied that the benefits justify the costs.

Joan Ruddock……

Joan Ruddock

Minister for Climate Change, Biodiversity & Waste

Date 1st October 2007 ……

12.2. Contact point: Sara Spillett, Environmental Permitting Programme, ERPD, Defra, Area 5B, Ergon House, Horseferry Road, London SW1P 2AL Phone: 020 7238 4636.

Annex 1 – Existing legislation

A.1.1 This Annex sets out existing legislation which the Programme would affect, and who is responsible for administering it.

A.1.2 The EU provides the framework for much existing domestic environmental law. While EU Member States have discretion in the way European legislation is implemented, in the area of pollution control this discretion is limited.

A.1.3 The Waste Managing Licensing system is delivered by Part II of the Environmental Protection Act 1990 as amended, the Waste Management Licensing Regulations 1994 as amended, and statutory and non statutory guidance. The system covers the recovery and disposal of waste and deals with activities ranging from bottle banks to industrial-scale composting and closed landfills. It is administered and regulated almost entirely by the Environment Agency, who issue licences, regulate sites, and deal with illegal activities (a small proportion of the activities which are exempt from the need to obtain a licence are regulated by local authorities).

A.1.4 The PPC system is provided for through the Pollution Prevention and Control Act 1999 and the Pollution Prevention and Control Regulations 2000. These apply to installations and mobile plant carrying out one or more activities in Schedule 1 of those regulations. Activities in the schedule are listed as either Part A or Part B[52].

A.1.5 Part A covers installations which are subject to the Integrated Pollution Prevention and Control (IPPC) system. It is further divided into two categories: A(1), and A(2). Installations categorised as Part A(1) (e.g. power generation, chemical plants and landfills are regulated by the Environment Agency. Installations categorised as Part A(2) (e.g. glass works, fibreboard manufacture and rendering plant) are regulated by the local authority or Port Health Authority under Local Authority Pollution Prevention and Control (LA-PPC)

A.1.6 Part B installations remain subject to a system of control similar to that already operating under the Local Air Pollution Control (LAPC) system. They are also regulated by the local authority or Port Health Authority, under Local Authority Pollution Prevention and Control (LAPPC). Only emissions to air are controlled in Part B installations.

[52] Part A applies integrated multi-media control through permits (air, water and land emissions) whereas Part B covers generally less polluting emissions through single media (air only) permits.

Policy costs and administrative costs

A.1.7 Policy costs are the essential costs of meeting the policy objectives. Administrative costs usually arise from familiarisation with the requirements, monitoring and enforcement, proving compliance, etc. (see Table 16Table for examples). This RIA considers the costs and benefits of the proposed administrative changes. It also considers the possible wider benefits of the changes and the potential for extending EPP to other pollution control systems (e.g. water discharge consenting).

Table 16: Example policy and administrative costs

Industry	Example policy costs	Example administrative costs
Energy industry (PPC Schedule 1.1 burning fuel in an appliance >50 mW)	▪ Meeting BAT –e.g. installation of flue gas desulphurisation on a coal fired power station. ▪ Training on technical operation of plant	▪ Inspection ▪ Form filling/reporting ▪ Training on legislation ▪ Familiarisation with system
Waste transfer station	▪ Technical standards for transfer station building and drainage ▪ WAMITAB COTC (part)	▪ Inspection ▪ Form filling/reporting ▪ Familiarisation with system ▪ WAMITAB COTC (part)

BRTF 'Regulation - Less is More' Report

A.1.8 There has been a review of administrative burdens across UK Government Departments, which used the 'Standard Cost Model'53 (SCM) to measure the baseline of the administrative burden on business in the UK (see box 7 below). The approach used to forecast administrative costs and benefits in this RIA is conceptually consistent with the Standard Cost Model.

A.1.9 The approach used in this RIA involved breaking the permitting regimes into their various administrative elements (i.e. application, annual costs, transfer, modification/variation and surrender). The administrative costs to each industry sector (and the regulators) of these elements were then derived through interviews, surveys and direct input from sector experts and regulators. The costs for each industry were then multiplied by the number of permits held within that industry sector, before being summed to give a total overall administrative burden. In doing this, the 'baseline' administrative burden was established. Clearly, because the proposed regime is not in operation, the direct administrative burden of the Programme cannot be established in the same way. Therefore, the

[53] Measuring Administrative Costs: UK Standard Cost Model Manual – Better Regulation Executive (July 2005).

baseline was used to calculate the estimated costs and benefits to industry and regulators of any changes to the current baseline. Estimates of costs and benefits were derived through detailed discussions with regulators, Defra and independent technical and economic experts.

Box 7: Administrative costs and the standard cost model (SCM)

The SCM method is a way of breaking down regulation into manageable components that can be measured. The SCM does not focus on the policy objectives of each regulation. The measurement focuses only on the administrative activities that must be undertaken in order to comply with regulation and not whether the regulation itself is reasonable or not.

The SCM simplifies administrative costs and defines them as the costs of administrative activities that businesses are required to conduct in order to comply with the information obligations of central government regulation.

Compliance costs are all the costs of complying with regulation, with the exception of financial costs. In the context of the SCM, these can be divided into '*substantive compliance costs*' and '*administrative burdens*'. Examples of substantive compliance costs include fitting filters in accordance with environmental requirements and obtaining the specific professional knowledge necessary for a particular diploma.

Financial costs are the result of a concrete and direct obligation to transfer a sum of money to the Government or the competent authority. These costs are therefore not related to the Government's need for information. Such costs include administrative charges and taxes. For example, the fees for applying for a permit would be a financial cost of regulation.

Changes in the pipeline

A.1.10 The Environment Agency is carrying out a major programme of improvements to the way in which it influences and regulates business to protect the environment. The principles of MRCP, laid out in Delivering for the Environment – a 21st Century Approach to Regulation54, have been welcomed by the Hampton Report[55] and the BRTF's Less is More56 report. The MRCP covers a wide range of improvements that can be made without legislative change to ensure that activities deliver the desired environmental outcomes. Examples include:

- taking a risk-based approach to the way in which inspections are carried out and to charging

[54] www.environment-agency.gov.uk/commondata/acrobat/dfte_final_170105_578891.pdf

[55] www.hm-treasury.gov.uk/budget/budget_05/other_documents/bud_bud05_hampton.cfm.

[56] www.brc.gov.uk/downloads/pdf/lessismore.pdf.

- providing clear and simple guidance to small businesses on the NETREGs website57
- dramatically cutting the number of routine inspections (by 35,000 per year so far) and replacing them with fewer but higher-quality audits which focus on companies' management systems and encourage them to take greater corporate responsibility for their own environmental performance.

The changes under the MRCP are ongoing and so are *not* part of the proposals for change. They are part of the baseline for the purposes of this RIA.

A.1.11 Defra and WAG have brought in risk-based regulation for Part B and A(2) activities and are planning to link this to fees and charges for 2006/7 onwards. Simplified permits are already used in four sectors58. In addition a better regulation review of Part B activities which are not the subject of EU directives has begun and a follow-up to the 2003/4 performance review of the LAPPC and LA-IPPC is underway.

[57] www.environment-agency.gov.uk/netregs.

[58] Small waste oil burners, dry cleaners, petrol service stations and car refinishing workshops.

Annex 2 – Number and Type of Waste Management licensed Operators Interviewed

A.2.1 Table 17 shows the number and type of Waste Management licensed operators interviewed as part of the research into the costs and benefits of the proposed changes. In total over 200 operators were contacted directly.

Table 17: Number and type of Waste Management licensed operators interviewed (figures for England and Wales)

Type of operator	Number
A04 – Household, Commercial and Industrial Waste Landfill	4
A05 – Landfill Taking Non-Biodegradable Wastes	4
A06 – Non Hazardous Landfill	2
A09 – Special Waste Transfer Station	1
A11 – Household, Commercial and Industrial Waste Transfer Station	3
A13 – Household Waste Amenity Site	4
A15 – Material Recycling Treatment Facility	1
A20 – Metal Recycling Site	2
A22 – Composting Facility	1
A23 – Biological Treatment Facility	1
A24 – Mobile Plant	1
TOTAL	24

Notes

A.2.2 Although 22 firms operating Waste Management licensed sites were interviewed, some of the sites comprise more than one site type. Therefore, where costs for more than one site type were discussed, these are presented as separate entries. Furthermore, five interviewees were senior members of the larger operators, which cover a wide range of sites. A general discussion of costs and issues surrounding both Waste Management licensing and PPC was undertaken with these industry representatives.

A.2.3 The anonymous interviews focussed on obtaining the costs to each operator of administering the current system, from pre-licence application through to surrender. From this the cost implications or the proposed changes were estimated.

A.2.4 For many operators it was not possible to gather all the information required, since not all operators had transferred, modified or surrendered waste management licences. In addition, some licences were granted before the relevant person was employed by the company or before the Waste Management licensing system was implemented (i.e. pre-1994).

Annex 3 – Baseline: The predicted state of the Waste Management licensing and PPC Systems in 2007/08

A.3.1 This Annex gives details of the baseline against which estimates of costs and benefits are forecast.

A.3.2 The following Tables show:

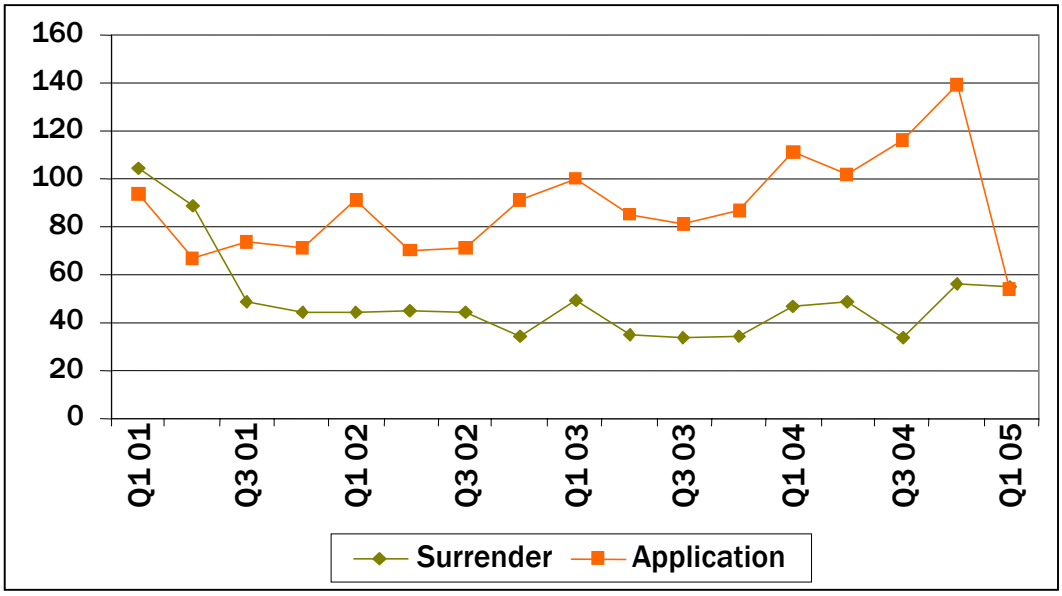
- The estimated breakdown of regulated activities under each pollution control system (Table 18)Table.
- Breakdown of installations regulated under Part A(1) of PPC (Table 19).This details the types and numbers of waste activities the Environmental Permitting Regulations would cover, after the PPC activities have migrated.
- Breakdown of sites holding Waste Management licences (Table 20). This indicates the estimated number of sites holding Waste Management licences in 2007/8.
- Estimates of current costs of Waste Management licensing used within this report for a range of site types (Tables 21 and 22).
- Estimates of current costs of PPC used within this report for a range of site types (Tables 23 and 24).

A.3.3 These estimates constitute the baseline for the appraisal of options.

A.3.4 In determining the baseline for the Waste Management licensing sector, the rates of application, transfer, modification and surrender between 2001 and quarter 1 of 2005 were analysed so that any data trends could be established and that the most appropriate data was used to project the future state of the regime. Whilst using only four years worth of data cannot be projected forward until 2016 with a large degree of confidence, the exercise was useful to give a broad indication of the numbers that should be used as a basis for calculations within this RIA. Of particular importance is the rate of Waste Management licence application and surrender, which act to determine the overall sector size in any given year.

A.3.5 Figure 3 below shows how the rate of application and surrender has changed between 2001 and the first quarter of 2005.

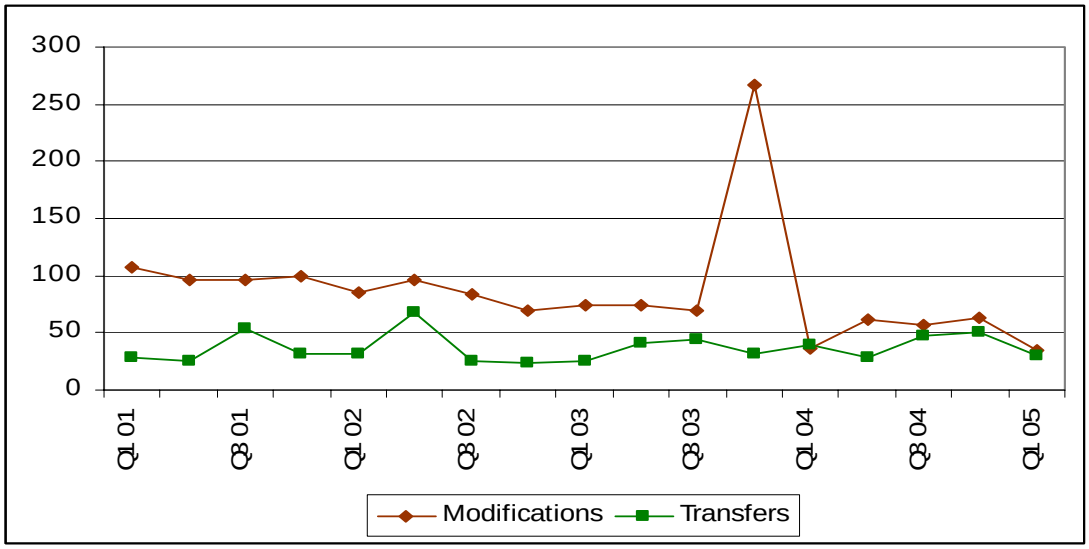
Figure 3: Rate of Waste Management licence Application & Surrender: 2001-Q1 2005



A.3.6 The rate of applications peaked at the end of 2004 with a spike in the data, before rapidly falling in the first quarter of 2005. The spike in the data at the end of 2004 is likely to be due to the introduction of the End Of Life Vehicle Regulations which required operators to apply for an ELV permit. In relation to the rate of surrender, with the exception of the first two quarters of 2001, the rate has remained approximately constant. Looking in more detail at the data, the high rate of surrender in the first two quarters of 2001 was largely attributable to A06 Waste Management licences (large non-biological landfills), which can be attributed to the introduction of the Landfill Regulations; and also A11 Waste Management licences (household, commercial and industrial transfer stations) – the reason for which is unclear.

A.3.7 Figure 4 below shows how the number of waste management licence transfers and modifications has changed since 2001.

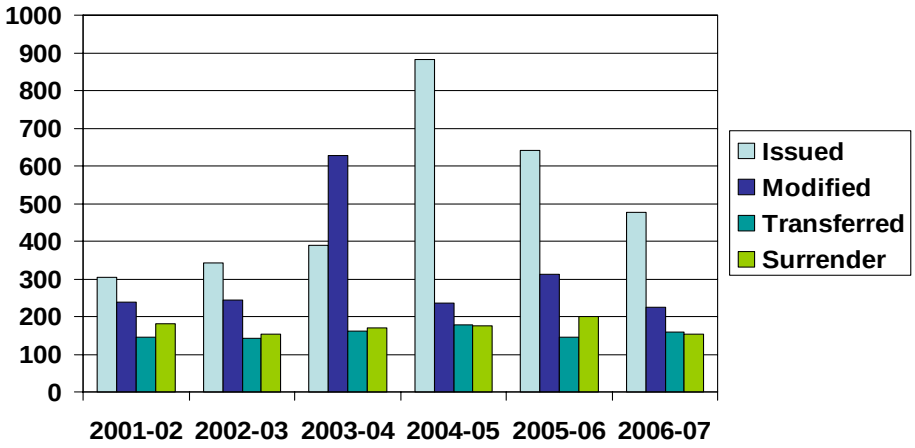
Figure 4: Rate of Waste Management licences Transfer and Modification: 2001- Q1 2005



A.3.8 As can be seen, the level of Waste Management licensing transfers has remained relatively constant over the four years covered by the data. However, modifications have been gradually decreasing with the exception of the seemingly anomalous spike in quarter four of 2003. In this quarter the number of modifications across many sectors increased dramatically. For example - A11 sites (household, commercial and industrial waste transfer stations) increased by 7.5 times over the previous quarter and A16 sites (Physical treatment) increased by a factor of six. In the absence of any obvious legislative driver it is possible that the data for this quarter is erroneous.

A.3.9 For the final RIA, additional data (not by quarter) for the rate of application, surrender, modification and transfer was made available for 2005/06 and 2006/07 see figure 5. This was added to the data available in the partial RIA (as shown in figures 3 and 4) to form the final baseline.

Figure 5: Yearly rate of applications for licences, modifications, transfers and surrenders from 2001 – 2007



A.3.10 These graphs give a broad overview of the rate of change within the industry. In making projections, obvious anomalies and changes which could be explained by legislative drivers were 'smoothed out' so that they did not distort the overall picture. The following tables give the projected annual costs for the Waste Management licensing and PPC industry as at 2007/08.

Table 18: Breakdown of regulated activities (figures for England and Wales).

System	Total number - England	Total number - Wales	Total number	Regulator
Pollution Prevention and Control A(1)	3,200	355.6	3,556	Environment Agency
Pollution Prevention and Control A(2)	384	16	400	Local Authorities
Pollution Prevention and Control B – Air Pollution Control	21,120	880	22,000	Local Authorities
Waste Management licensing	8,110	901	9,011	Environment Agency
Registered waste exemption from Licensing	64,400	5,600	70,000	Environment Agency[59]
Waste Management Licences at farms	110	40	150[60]	Environment Agency
Registered waste exemptions at farms	480,300	79,700	560,000	Environment Agency

[59] There are a small number of exemptions that are registered / regulated by other bodies.

[60] This figure is over future years and is dramatically smaller than the forecast 8,100 in the partial RIA. The forecast was based on the Agricultural Waste Regulations RIA which estimated that 2% of active farmers may wish to have a licence. 2% of 162,000 (number of active farmers with in England and Wales) is 3,240. However research on the response to the consultation (Hyder) indicated the 8% (12,960) of farmers are interested in obtaining a permit or licence. In reality, the rate of application has been much lower, and the full RIA has been amended to reflect this.

Table 19: Breakdown of PPC Part A(1) activities forecast for 2008 (figures for England and Wales)

Sector Reference	Sector Name	Total numbers- England	Total numbers - Wales	Total
1	**Combustion**			
1.1	Combustion	242	27	269
1.2	Gasification, Liquef'n & Refining	74	8	82
2	**Metals**			
2.1	Ferrous Metals	31	4	35
2.2	Non-Ferrous Metals	69	8	77
2.3	Surface Treatment	118	14	132
3	**Minerals**			
3.1	Cement & Lime	21	3	24
3.2	Asbestos	3	1	4
3.3	Glass/Glass Fibre	13	2	15
3.4	Other Mineral Fibres	3	0	3
3.5	Other Mineral	3	0	3
3.6	Ceramics	2	0	2
4	**Chemicals**			
4.1	Organic Chemicals	299	33	332
4.2	Inorganic Chemicals	168	19	187
4.3	Chemical Fertilisers	6	1	7
4.4	Plant Health/Biocides	11	1	12
4.5	Pharmaceuticals	33	4	37
4.6	Explosives	3	0	3
4.7	Activities Using Carbon Disulphide or Ammonia	6	1	7
5	**Waste Management**			
5.1	Waste – Incineration	84	9	93
5.2	Waste – Landfill	419	47	466
5.3	Waste – Other incl. Hazardous	192	22	214
5.4	Waste – Recovery	24	3	27
5.5	Waste – Fuel Prod'n	1	0	1
6.	**Other**			
6.1	Paper & Pulp	48	5	53
6.2	Carbon Activities	2	0	2
6.3	Tar & Bitumen	4	0	4
6.4	Coating, Printing & Textiles (& solvents)	50	6	56
6.5	Dyes and Printing Ink			
6.6	Timber	0	0	0
6.7	Rubber Production			
6.8	Treatment of Animal and Vegetable Matter and Food Industries	336	37	373
6.9	Intensive Farming	918	102	1,020
Other	Associated Processes	14	2	16
TOTAL				**3,556**

Table 20: Breakdown of activities with Waste Management licences forecast for 2008 (figures for England and Wales)

Sector	Activity Description	England	Wales	Activity Numbers
Transfer Stations				-
	Special waste	467	42	509
	In- house transfer	36	5	41
	Household, commercial & industrial waste	2113	287	2400
	Clinical waste	111	10	121
	Civic amenity site	185	26	211
	Non-biodegradable wastes	166	14	180
Treatment Facilities				
	Material recycling	196	16	212
	Physical	283	24	307
	Physico-chemical	84	7	91
	Chemical	24	2	26
	Biological	99	8	107
	Incinerators	67	6	73
	Composting	163	14	177
	Land Remediation (various means)	153	17	170
Metal Recycling Sites				
	Vehicle dismantler	800	70	870
	Others	1448	126	1574
Closed Landfills				
	Co – disposal site	149	12	161
	Special wastes	44	3	47
	Household, commercial & industrial waste	331	28	359
	Non- biodegradable waste	1006	88	1094
	Industrial waste in factory curtilage	151	16	167
	Closed lagoon	44	6	50
	Borehole	3	1	4
Total*				**8,951**

***** Excludes 60 Agricultural WM licences

Table 21: Examples of costs to industry, per site and by site type of the Waste Management licensing regime for 2006 (Administrative costs only - figures for England and Wales).

Sector	Application Cost	Annual Cost	Surrender
Closed Inert Landfill	N/A	£1,500	£30,000
Closed Co-disposal Landfill	N/A	£2,000	£40,000
Civic Amenity Site	£20,000	£5,000	£20,000
Vehicle Dismantler	£15,000	£5,000	£7,500
Composting Facility	£55,000	£6,000	£20,000
Agriculture*	£10,000	£1,000	£7,500
Land Remediation	£15,000	£10,000	N/A

***These are estimates as no such licences currently exist.**

Table 22: Cost Ranges to industry, per site, for each activity within the Waste Management licensing regime for 2006.

Activity	Cost Range	Average Cost
Application	£10,000 – 55,000	£16,000
Annual costs	£1,000 –10,000	£2,000
Surrender	£7,500 – 40,000	£11,000

Table 23: Examples of costs to industry, per site and by site type of the PPC regime for 2006 (Administrative costs only, rounded to nearest thousand - figures for England and Wales).

Sector	Application Cost	Annual Cost
Minerals	£28,000	£16,000
Metals	£28,000	£21,000
Chemicals	£61,000	£24,000
Landfill	£60,000	£15,000
Incinerator	£100,000	£15,000
Paper and Pulp	£74,000	£17,000
Carbon Activities	£43,000	£12,000

Table 24: Cost Ranges to industry, per site, for each activity within the PPC regime for 2006.

Activity	Cost Range	Average Cost
Application	£28,000 -100,000	£48,000
Annual Cost	£7,000 - £24,000	£13,000

Annex 4 – Option A: Explanation of calculation of quantified costs and benefits

A.4.1 This Annex describes the assumptions and calculations underlying the forecast costs and benefits of Option A.

Effects on Industry

A.4.2 Given that Option A involves no changes to the legislation there are unlikely to be any significant cost implications in the transitional period, as operators tend to refer to guidance on an as-needed basis.

A.4.3 Industry is likely to benefit marginally from the ability to apply for more than one Waste Management licence at a time under a single application, and rather more from the provision of simplified guidance. The effects of new Environment Agency targets for processing Waste Management licensing applications has the potential to have a significant impact upon industry. However, this depends on how these standards are set.

Applications - Ability to Apply for Multiple Waste Management Licences Under One Application

A.4.4 It is anticipated that around 480 applications will be submitted each year to the Environment Agency post-2007/08. However, it is unclear how many of these would be from the same operator.

A.4.5 Although only one form would be filled in, the information requirements would not simply be halved if one application covered two sites. However, the more sites on one application the greater the saving anticipated. Even where one applicant is responsible for a number of applications of the same type in a given year these might not necessarily be submitted as one application if they are for sites at different stages of development and in different parts of the country.

A.4.6 For the purposes of this RIA, it is estimated that only a small number of the approximately 475 new non-farm applications anticipated annually would be of the same type, submitted by the same operator, and with no need for site specific elaboration. It has been assumed that ten such applications might be made each year.

A.4.7 This gives an annual saving to industry of around £50,000, with a saving over ten years of around £300,000 net present value (NPV) – these figures are for England and Wales.

A.4.8 There might be greater savings than this in years when a number of new sites are required to enter the Waste Management licensing system. For example, the implementation of the WEEE Directive is expected to lead to

around 70 new applications for licences. This allows for reduced costs of multiple applications, which are more likely when a large number of similar sites are required to apply for licences for the first time. As indicated above, in normal years, the number of multiple applications is likely to be relatively small. Indeed, this may be an overestimate if the impact of MRCP is to reduce the cost of standard permits in line with expected reductions in effort required for determination of the licence.

Best Value Standards for Processing Waste Management licensing Applications

A.4.9 Environment Agency Best Value targets would be set, for example, for determining applications after they had been 'duly made'. Targets could be set for a reduction in the number of determinations exceeding a specified time period. The aim would be to give industry a greater level of certainty over the period between an application being duly made and it being determined. It should, however, be noted that the Environment Agency already sets targets for these parameters and is actively reducing determination times.

Guidance, IT and Training

A.4.10 Cost savings to industry of simpler guidance (with no legislative change) are most likely to be felt by those making changes to their current operation, or those applying for a new licence, etc. Therefore, the benefits have been assessed in relation to the number of licence applications, transfers, modification and surrenders in any one year.

A.4.11 It is assumed that for each application and surrender, the simpler guidance saves 1 hour, and for each modification and transfer the simpler guidance saves 0.5 hours. The related salary and on-costs for operators are assumed to be £70,000 annually.

A.4.12 The annual cost saving to industry is anticipated to be in the region of £40,000. Over ten years the saving would be around £230,000 NPV – these figures are for England and Wales.

Effects on Environment Agency

Preparation and Transition Costs for the Environment Agency

A.4.13 The only significant cost to the Environment Agency under Option A is in the provision of simplified guidance. The aim is to provide a similar guidance manual for Waste Management licensing to that for PPC, thereby providing guidance both to Environment Agency staff and to industry. It is assumed that this guidance would be produced through joint working with Defra over the preparation phase.

A.4.14 The preparation of the guidance is assumed to take one FTE for each of the two preparation years. Including on-costs, this leads to a cost of around £80,000 per year.

A.4.15 It is not anticipated that there would be any significant transitional costs to the Environment Agency. This is because reference to guidance is conducted by Environment Agency staff on an as-required basis. Since there are no changes to the legislation under Option A, there are no new provisions with which to become familiar. The guidance is merely being simplified.

Savings Relative to Base Case

Ability to Apply for Multiple Waste Management Licences Under One Application

A.4.16 It has been assumed that there would be no benefits to the Environment Agency from the ability of operators to apply for more than one Waste Management licence under a single application, since each site would still have to be determined individually.

Guidance, IT and Training

A.4.17 The benefits of simplified guidance would be felt most strongly by the field teams who administer the Waste Management licensing system at the front line. However, the simplification of guidance may also be beneficial to the National Operations teams who assist the area teams – the benefit being a reduced number of queries referred to them.

A.4.18 Given that there would be no regulatory changes, there are unlikely to be major cost savings. It has been assumed a 1% annual saving in both the area delivery (covering, annual cost, applications, transfers, modifications and surrenders of licences) and national process management of Waste Management licensing. This gives an annual cost saving of around £150,000. Over ten years the saving would be around £970,000 NPV (these figures are for England and Wales).

Effects on Local Authorities

A.4.19 There would be no impacts on local authorities, including local authorities as regulators under Option A, beyond that described below (under Effects on Statutory Consultees). Consequently, it is felt that there is nothing to be gained from additional simplification (indeed, it was confirmed at the stakeholder workshop that the process was now quite straightforward).

Effects on Communities, Including Rural Communities and Economies

A.4.20 It is not anticipated that this option would have any significant impact on the wider community, or significant differential impact on rural communities and economies.

Effects on Statutory Consultees

A.4.21 Simplified guidance would assist statutory consultees in their role. However, the impact of this is considered to be very small, and so has not been quantified.

Annex 5 – Option B – Explanation of calculation of quantified costs and benefits

A.5.1 This Annex describes the assumptions and calculations underlying the forecast costs and benefits of Option B.

Effects on Industry

Transition Costs

A.5.2 Changes to the Waste Management licensing system would have to be understood by all operating under the system. This would include those who have currently registered exemptions from waste management licensing.

A.5.3 The burden of understanding new legislation relates less to the number of sites, and more to the number of licence holders. Each of these licence holders would need to understand the legislation as it affects their activities. It would be tempting to assume that this could be kept to a minimum if the principal aim was to reduce administrative burdens associated with changing, transferring, and surrendering licences. Yet many businesses' activities are fundamentally affected by the licensing system, and most would want to make sure that they fully understood the changes. This happens through a variety of means, but all of these entail the use of time, and consequently resources, by the enterprises concerned.

A.5.4 It has been assumed that all non-farm Waste Management licences – estimated at just under 9,000 in 2007/8 – are in the hands of 5,000 operators. It has been assumed that each operator would take, on average, 15 hours to understand the changes. This gives a figure of 46 FTEs. Each of the estimated 50 farm-based licences is assumed to require three hours of time to understand the changes. This is equivalent to 0.1 FTEs.

A.5.5 For non-farm FTEs, it is assumed that salary plus on-costs are of the order £70,000 (recognising that some of the time would be that of senior managers). For farm-based FTEs, it is assumed a salary inclusive of on-costs of £45,000.

A.5.6 Furthermore, those holding Waste Management licences would have the opportunity to apply for standard permits. It is anticipated that the benefits of these (to include simpler and more straightforward licence conditions, with lower annual subsistence charges) would persuade many licence holders to apply for a standard permit. The adoption of standard permits gives the single largest saving to industry of all the proposals within the Programme. Given the significance of this saving, and the inevitable

uncertainty surrounding forecasts, ranges have been given for low, mid and upper level estimates, see Table 25. The calculations for the overall costs of Option B have used the mid level estimates (e.g. it has been assumed 40% of existing licence holders would apply for a standard permit) over a period of three years.

Table 25: Ranges of percentages and transition costs for waste permits transferring to standard permits.

	Existing permit holders transferring (over 3 years) (%)	**New permit holders applying (over 3 years)**(%)	**Transition costs to industry (over 3 years)** (£)	**Transition costs to EA (over 3 years)** (£)	**Average Annual cost saving to industry from 2021/11** (£)	**Average Annual cost saving to EA from 2010/11** (£)
Low level	20	50	554,000	410,000	2,600,000	790,000
Mid level	40	80	1,100,000	820,000	4,500,000	1,300,000
Upper level	60	90	1,700,000	1,200,000	5,000,000	1,400,000

A.5.7 This assumes that there would be no application fee for transferring to such a permit. Completing the application form and gathering the relevant information is assumed to take around seven hours. It is also assumed that the transfer to a standard permit of 40% of current licence holders would occur over three years (20% year 1, 10% in each of year 2 and 3).

A.5.8 Using these estimates the total transition cost to industry is £3.8 million.

Savings relative to baseline

A.5.9 The key categories of savings under Option B are highlighted in the overview Table 8 (Chapter 5). In addition to the savings under Option A, Option B would also provide the following savings.

Applications

Modification of consultation with statutory consultees.

A.5.10 For Option B this arises through the adoption of a standard permit. This has therefore been costed under the heading 'Permit determination and content' below.

Consolidation of Waste Management licensing Permits

A.5.11 The ability to make a single application for a site on which more than one activity is located would provide limited savings to applicants. However,

the information required for the application would not be significantly different for submitting two applications. The benefits would be mainly in the standardisation of waste returns (different licences have different requirements), and being inspected against one document rather than many. Such benefits are likely to be negligible.

Exemption from Waste Management licensing and PPC

A.5.12 It is not proposed to change the specific activities that can or cannot be subject to a specific exemption through this consultation. The impacts of these proposals has not therefore been costed as they are too small to quantify. Exemptions are intended to be applied to activities at the lower end of the risk spectrum. They are only provided for waste recovery activities as well as certain waste disposal activities carried out at producers' premises, which would otherwise be subject to Waste Management licensing. However, some activities may be exempted from the need to obtain a waste licence yet still need to get a PPC permit[61]. The Government proposes to change this because if an activity is thought to be of such low risk that it should be exempted from the need to obtain a waste management licence it should also be exempted from the need to obtain a PPC permit[62].

Permit determination and content (including standard permits)

A.5.13 Under proposals for legislative change, application of standard permits to a range of sites would be facilitated. The standard permits would be simpler to apply for and administer on a day-to-day basis. They would set the rules that would be applied and the operator could become aware of these before applying for the licence. Given that the conditions are fixed, it is anticipated that the time taken to determine the licence would be reduced (limited time would be spent in negotiations with the Environment Agency, and the application procedure would be much simpler). Furthermore, a simpler application procedure, and the fact that the Standard Rules will not compromise the environmental objectives, will minimise the need for external consultants to assist with the application procedure. The benefits of the standard permits will be felt most by new applicants for Waste Management licences.

A.5.14 The single biggest saving identified in the first RIA related to savings to industry resulting from the implementation of standard permits. It has been assumed that 80% of new applicants for Waste Management licences would take up the standard permits, and that there would be a 40% saving on application costs and a 5% annual cost saving. It has also been assumed that 40% of existing permit holders would choose to switch to the standard permits (at no cost to them). It was estimated that the transition to standard permits would take around 7 hours of operator time and that

[61] For example some WEEE activities may be exempted from the need to obtain a waste permit but would still need a PPC permit without a change in the legislation.

[62] The *chapeau* ("header") to Section 5 of Annex I to the IPPC Directive allows this.

there would be a 5% saving on annual cost for all those who transfer to the standard permit from an existing Waste Management licence.

A.5.15 These assumptions depend on the Environment Agency drawing up standard permits which would be applicable to a large number of sites, and straightforward enough to offer sufficient incentive for operators to opt for them. There are two factors which may act as disincentives to take-up: (i) operators could not appeal against a permit; and (ii), they would only be able to modify the permit once granted in a way which would take the permit out of standard permitting.

Operator Competence

A.5.16 In the small survey of waste operators conducted during the preparation of this RIA, the cost of demonstrating that an operator is a 'Fit and Proper Person'. (FAPP) was identified as a significant hurdle in a number of cases for operations regulated under Waste Management licensing or SWMA. The existing test of whether or not an operator is a FAPP assesses the operator's technical competence, the level of financial provision and the number of relevant offences committed by the operator. The key issues for application costs were related to technical competence.

A.5.17 Adding flexibility to the way technical competence is proven will add significant benefit to a number of Waste Management licence holders and applicants (and Waste PPC industries). From discussions with operators it is assumed that the cost of obtaining a certificate of technical competence (COTC) is approximately £3,000 when the cost of trainee time to undertake the study is accounted for as well as the course fees. 'On the job' training is an element of obtaining a COTC and this has not been accounted for in the costings (since it is not a direct cost to a company).

A.5.18 Under the proposals, technical competence for a particular activity could be demonstrated in several ways, including:

- COTC (provided it is up to date); or
- other externally validated qualifications agreed with the relevant industry sector; or
- other relevant skills and experience appropriate to the type and scale of the activity.

A.5.19 It is important to note that not every new application for a Waste Management licence or Waste PPC permit would require a new COTC. Technically competent persons (TCPs) do not generally have to be on site for 100% of operational hours. Therefore, a single TCP often covers a number of sites. Furthermore, some applications may be for activities on the same site as an existing operation, and so no new TCP would be required (so long as the TCP is trained to the correct level). Therefore, of the 540 anticipated Waste Management licences and Waste PPC applications each year it is assumed that around two thirds (around 350

applications) would be required to show technical competence, other than through an existing TCP.

A.5.20 It is also assumed that around one third of applications would opt for the traditional COTC or other externally validated qualifications. It is assumed that the cost would be the same as obtaining a COTC.

A.5.21 Industry representatives have indicated that, particularly for smaller operators, the ability to demonstrate relevant skills and experience by other means would provide significant savings. Therefore, it is assumed that the remaining applicants would choose to use this third route at a cost saving to them of 60%.

A.5.22 This gives a total cost saving to industry of around £400,000. Over ten years this gives a saving of around £2.5 million.

Variation, Transfer and Cessation

A.5.23 The total annual costs of surrenders, modifications and transfers, from 2007/8 onwards, is estimated at around £3.2 million of which £2.6 million will come from permit surrender..

A.5.24 It is proposed to allow changes not only to the conditions but also to what are known as the terms of permits (e.g. for some permits the range of wastes the permit authorises is controlled by a term). This would maximise the flexibility of a permitting and compliance system for industry.

A.5.25 Changing the law to enable modifications to licensed areas and partial transfers to occur without the applicants having to apply for new licences and surrender old ones would reduce costs. It has been assumed that the costs to industry would be halved, owing to the greater flexibility given to change existing licences. The cost savings of this change would be of the order of £275,000 per year. The number of surrenders might also reduce, since some surrenders are associated with licence changes. However, no data are available about this.

A.5.26 There are two effects relating to surrenders

- the general reduction in costs and increased flexibility through allowing partial surrenders
- the change in emphasis on the surrender test might reduce the costs to some operators by removing the requirement for full site reports at low-risk operations

A.5.27 In order to cost the annual effects of this change, a crude assumption has been made to categorise types of facility as either high risk or low risk. Surrender costs for high-risk sites are assumed to fall by 15% (the site survey is likely to be a significant proportion of overall costs and is, in many respects, an important way of ensuring that operators do not operate sites in such a way that they are left in an unacceptable state). Surrender costs for low-risk sites are assumed to fall by 40% of current estimates.

A.5.28 This gives rise to an annual saving for industry from 2008/9 of around £560,000. These changes together give savings over ten years of £3.6 million NPV (these figures are for England and Wales).

Effects on the Environment Agency

Preparation Costs

A.5.29 New legislation would need to be developed. This would have an impact on the resources required for the Environment Agency to give technical expertise to Defra. It is estimated that in each year in a two-year period, half an additional FTE would be required in the preparation phase. It has also been assumed that two additional FTEs would be required to work on permitting mechanics.

A.5.30 The preparation phase would have an annual cost of around £210,000 (each year for 2 years), which over the 10 year period amounts to a cost of around £400,000 NPV (these figures are for England and Wales).

Transition Costs

A.5.31 During the transition year, staff would be involved in a number of areas:

- Providing support to industry
- Providing training to staff
- Producing standard permits
- Administering standard permits

A.5.32 In the transition period, staff involved in Waste Management licensing activity would need to be re-trained in their work. It has been assumed that the costs are approximately two-thirds of those for Option C (see below). This is because although the changes affect one system rather than two, the changes to the Waste Management licensing system are more substantial (so staff re-training would be likely to be more costly in this area).

A.5.33 Furthermore, staff would have to develop and administer the change resulting from operators choosing to transfer to a standard permit. It is assumed that each such application would take 10 hours to administer.

A.5.34 The net cost of these changes is estimated to be £650,000 or £0.93 million discounted over ten years.

Savings relative to baseline

A.5.35 The key categories of savings under Option B are highlighted in Annex 4. In addition to the savings attributable under Option A, Option B would also provide the following savings.

Applications

A.5.36 ***Modification of consultation with statutory consultees.*** The savings achieved through modification of consultation with statutory consultees has been costed as part of the benefit of standard permits (see below).

Permit Determination and Content (including standard permits)

A.5.37 Under Options B and C operators would choose whether to apply for a standard or a bespoke permit. Standard permits could be granted to lower risk Waste Management licensed sites. These permits would be much quicker to administer given their standard nature (there would also be savings from not having to consult the statutory consultees for each application).

A.5.38 It is anticipated that, given the benefits, 80% of new applicants would opt for the standard permit. Assuming that each permit would take on average 15 hours to administer, the saving to the Environment Agency would be in the order of £1.2 million per year.

A.5.39 Over ten years this equates to just over £8.1 million NPV (these figures are for England and Wales).

Operator Competence

A.5.40 Under Option B operators would be able to select from a number of ways of demonstrating operator competence. Two of these ways require externally verified certification, similar to the current situation. The third is for the relevant skills and experience of the operator to be shown in some other way. Verification of technical competence via this latter route is likely to take some additional time by Environment Agency staff. This could include, for example, a site visit and meeting with the operator. This would result in an ongoing cost to the Environment Agency.

A.5.41 It is assumed that around 338 (approximately two thirds) of the 540 or so anticipated Waste Management licensed and Waste PPC applications each year would be required to show technical competence, other than through an existing TCP.

A.5.42 It is also assumed that around one third of these applications would opt for the traditional COTC or other externally validated qualifications. Given that there are no details as yet on these, it is assumed that the cost of the other externally verified qualification would be the same as obtaining a COTC. Therefore, the Environment Agency would incur additional costs for the verification of the remaining applications. It is anticipated that each of these applications would require one member of staff to spend three hours verifying technical competence.

A.5.43 This leads to an on-going cost of approximately £14,000 per year, or over ten years around £90,000 NPV (these figures are for England and Wales).

Variation, Transfer and Cessation

A.5.44 It is estimated that the Environment Agency would spend £1 million in these areas in 2007/08. This relates to staff time only. Approximately £410,000 of this total is associated with activity related to surrenders.

A.5.45 Since changes in respect of modifications and transfers would allow simpler administration, and estimated net savings of 25% of staff time, or around £143,000 annually. This 25% figure relates only to staff time. Staff time spent directly on the licensing activity accounts for just over 50% of total Environment Agency costs related to Waste Management licensing activity.

A.5.46 For surrenders, a similar approach to that taken for industry has been employed. Activities have been divided into high- and low-risk. This would generate further savings of around £85,000 per annum in direct staff costs only.

A.5.47 These changes together generate savings of £228,000 annually, with savings over the ten years of £1.46 million NPV (these figures are for England and Wales).

Effects on Local Authorities

A.5.48 There are no costs or benefits for local authorities (including local authority regulators) associated with this option because the Waste Management licensing legislation does not affect them in any substantive way, other than as operators.

Effects on Communities (including rural communities) and Economies

A.5.49 These changes are not expected to have significant implications for communities, since there is no intention to change the level of environmental protection which is delivered through the changed system.

A.5.50 Option B is primarily concerned with simplifying the Waste Management licensing system. The majority of small businesses operate under Waste Management licensing rather than PPC. Option B would, therefore, have a differential (positive) impact on small business. As there are proportionately more small businesses in rural communities and economies, Option B is anticipated to have a particular impact here. Option B is expected to have a net benefit for rural communities and economies.

A.5.51 A possible side-effect of regulation is a higher administrative burden in dispersed rural communities. This is not expected to be significant under EPP. Rather, it is anticipated that EPP would bring reductions in administrative costs which would be of proportionately greater benefit to

small businesses and the self-employed, both of which are especially important in rural communities and economies. In particular, this may reduce barriers to entry to smaller, more dispersed rural markets, leading to increased competition and decreased centralisation of services. Further, simplifications to the system of exemptions and standard permits might mean that these are easier to deliver online. This would be another positive outcome for those in rural communities with larger distances to travel to make permit transactions in person. It may also assist one of the objectives of PPS1063 within rural areas – that communities should take responsibility for their own waste.

A.5.52 It should be remembered that small, rural businesses are not necessarily less polluting. Highly-polluting small rural businesses might be greatly affected by risk based regulation. It is important here to weigh the benefits of environmental protection with those of protecting small, rural businesses from differential cost. In such cases any differential burden on rural communities and economies is clearly outweighed by the need for effective protection of the environment.

A.5.53 Account must be taken of how best to involve dispersed rural communities in the development of policy and how to communicate any changes to permitting systems to those communities where infrastructure may not be so extensive. However, it is not anticipated that this would impose significant costs.

Effects on Statutory Consultees

A.5.54 Some savings for statutory consultees may arise if they no longer have to assess each Waste Management licence application, but can assess the standard type of application on a one-off basis. Applications for bespoke licences could be looked at, although this could also be at the discretion of the statutory consultees.

A.5.55 The cost savings to statutory consultees assume that 80% of the around 520 anticipated annual Waste Management licensing applications are standard. If three statutory consultees each save two hours per application, this leads to a total annual cost saving of about £54,000.

A.5.56 Over ten years this gives savings of around £330,000 NPV (these figures are for England and Wales).

[63] Planning Policy Statement 10: Planning for Sustainable Waste Management.

Annex 6 – Option C – Explanation of calculation of quantified costs and benefits

A.6.1 This Annex describes the assumptions and calculations underlying the forecast costs and benefits of Option C.

Effects on Industry

Transitional Costs

A.6.2 This option imposes some transition costs on industry. However, these are likely to be relatively slight since the intention is not to change some of the substantive environmental legislation, and since it is assumed that no new applications are required from existing operators.

A.6.3 In addition to the transitional costs under Option B, it is assumed that operators with Waste Management licences and PPC permits at the same site would spend further time understanding the potential implications for them. Twenty hours has been allowed for each case, and there are assumed to be 400 cases across England and Wales.

A.6.4 For those currently under a PPC permit only, their limited time would be spent understanding the potential implications (it has been assumed 8 hours per operator, with 900 operators).

A.6.5 An average salary of £70,000 including on-costs has been assumed (recognising that some of the time would be that of relatively senior managers).

A.6.6 The total transition cost using these estimates is £4.6 million (£4.2 million NPV).

Savings relative to baseline

A.6.7 The savings identified for Option C (and its sub-options) are largely additive with the savings identified for Option A and Option B. The additional savings which Option C would yield are discussed below.

Applications: Modification of consultation with statutory consultees

A.6.8 One saving resulting from the change in application procedure is a reduction in document duplication costs for the PPC industry. For PPC, applications frequently run into several lever-arch style volumes.

A.6.9 New legislation would reduce the need to duplicate each application because the number of statutory consultees involved in each application would be reduced. For Waste Management licences the reduction would apply to all those who opted for a standardised permit (as each permit

style would have been consulted upon). This has been costed as part of the savings to industry of applying for such permits. For PPC operators the reduction would come from liaising with the consultees before the application is submitted to determine whether they have an interest in the installation being proposed.

A.6.10 These changes together give savings over ten years of £190,000 NPV (these figures are for England and Wales).

Risk-Based Regulation

Scope of Permitted Site/ Installation

A.6.11 Under these proposals, those wishing to operate both PPC and Waste Management licensed activities on the same site could apply for a single permit. The benefit would come from having to apply for only one permit rather than two or more. There would also be a small saving through simplified/more consistent waste return requirements and a reduced number of site inspections.

A.6.12 For costing purposes, it is assumed that only new applicants would consider applying for one permit for a site, and that there would be five such applications per year. It is also assumed that each of these five sites would apply for one PPC and one Waste Management permit on the same site.

A.6.13 Given a 20% saving on the combined Waste Management licensing and PPC application, together with an annual saving of two site inspections (one hour each) and three hours of collating waste returns, this gives an annual saving to industry of around £75,000 (approximately £480,000 discounted over ten years).

Standardisation of Guidance & Procedures

A.6.14 A significant benefit of Option C is the merging of the two systems regulated by the Environment Agency and the associated streamlining of legislation, guidance, and procedures. This will result in reduced costs of familiarisation, training, management time and legal advice. It will have cost savings for that part of the industry currently regulated under both the Waste Management licensing and PPC systems. This will be an annual benefit as it is assumed staff will need to refer to the guidance on a regular basis to ensure that the operation/installation is operating in accordance with the law.

A.6.15 Simplification of Guidance for the Waste Management licensing system was discussed under Option A. Additional benefits are likely to flow from further simplification in which Guidance related to the new unified EPP system is found all in one place.

A.6.16 Therefore assuming that 800 sites have permits under both the Waste Management licensing and PPC systems, and that each sites saves one

person 20 hours per year; assuming that the salary and on-costs amount to £70,000 per year, this leads to a saving of around £720,000 per year. These changes together give rise to savings over ten years of £4.6 million NPV.

Effects on the Environment Agency

Preparation Costs

A.6.17 New legislation would need to be developed. This would have an impact on the resources required from Environment Agency staff working with Defra. It has been estimated that in each year of a two-year period 0.75 of an additional FTE would be required in the preparation phase. It has also been assumed that two additional FTEs would be required to work on permitting mechanics.

A.6.18 The preparation phase would have an annual cost of about £230,000 (each year for 2 years), which over ten years amounts to around £430,000 NPV – these figures are for England and Wales.

Transitional Costs

A.6.19 In addition to the activities under Option B, staff would be involved in a number of activities during the transitional year:

- providing additional support to industry
- providing additional training to staff
- adapting procedures and guidance
- producing standardised forms and permits
- producing a new charging scheme
- upgrading IT systems
- amalgamating the public register

A.6.20 Each of these elements has been costed individually. It is estimated that the total transitional cost to the Environment Agency would be in the region of £1.6 million (£1.4 million NPV).

Savings relative to baseline

A.6.21 The effects on the Environment Agency would mainly be in the areas identified below.

Applications: Modification of consultation with statutory consultees

A.6.22 As with Option B, cost savings would result from the reduction in time spent liaising with statutory consultees. For Waste Management licensing, this would mainly result from the move to national consultation on standard permits (this has been included in the cost savings of the move to

standardised permits). For PPC, the savings would occur through statutory consultees having a choice about whether they wished to be consulted on a given proposal.

A.6.23 The saving on the 60 or so anticipated annual PPC applications is based on the number of consultees who would not wish to be consulted for each application. Assuming that two out of seven statutory consultees for PPC do not wish to be involved, with a time saving of one hour per consultee, giving a cost saving to the Environment Agency of around £2,500 per year. Over ten years this amounts to a combined saving of around £16,000 NPV (these figures are for England and Wales).

Risk-Based Regulation

Scope of permitted site/installation.

A.6.24 The ability of operators to apply for a single permit for PPC and Waste Management licensed operations on the same site would lead to some small savings for the Environment Agency. There would be no savings in terms of determining the permit, as each operation would have to be looked at separately. However, there would be some savings from a reduced number of inspections, since inspections of each activity could be combined. It is assumed that the inspection burden would be reduced by an average of two inspections for each of the five joint application sites per site per year. Such benefits are likely to be negligible.

Standardisation of training, procedures and guidance

A.6.25 A significant benefit of Option C for the Environment Agency is the merging of the two systems and the associated streamlining of legislation, guidance, procedures and forms. For industry this would result in reduced costs of familiarisation, training, management time and legal advice. This would be an annual cost as it is assumed that staff would need to refer to the guidance on a regular basis to ensure that the operation/installation complies with the law.

A.6.26 Simplification of guidance for the Waste Management licensing system was discussed under Option A. Additional benefits would flow from further simplification, since guidance on the new unified EPP system would all be in one place.

A.6.27 Field staff spend considerable time referring to guidance. The simplification of guidance is expected to lead to reductions in direct staff costs associated with the use of guidance documents, and to simplified training because what were previously two systems now function as one. Bringing the two systems together is also expected to lead to greater flexibility of staff to work across the different systems.

A.6.28 Direct staff costs across the two systems are estimated to be of the order £23 million by 2007/8. Efficiency savings of 5% of staff time have been attributed to the merging of two systems into one EPP system. This

amounts to £1.2 million per annum. These savings have been attributed from 2009/10 to allow the new system to bed in and be adapted to. The main savings are expected to be the reduced time needed to train new staff, the improved use of staff across systems, and savings on time spent using the guidance.

A.6.29 Under a single system, there would also be a reduced need for support from the Policy and National Operations sections. These savings would be in both the Waste Management licensing and PPC areas of the Environment Agency, as only one system would need supporting. However, this would not lead to a 50% reduction in costs. It is reasonable to assume that savings in the region of 5% can be made on both staff and overhead costs to the policy and process teams in both the Waste Management licensing and PPC areas. This equates to savings of about £410,000 per annum once the new system is in place.

A.6.30 Over ten years the savings amount to £8.7 million NPV (these figures are for England and Wales).

Savings to IT Systems

A.6.31 Merging the two systems would make two IT systems unnecessary. Therefore there are significant cost savings to the Environment Agency in reducing IT support so that it caters for a single system.

A.6.32 The annual IT expenditure for Waste Management licensing and PPC combined is just under £5 million. Based on discussions with contractors, it has been estimated that approximately 10% of these costs can be saved annually (following the cost of transition). These figures can only properly be tested in an actual tender exercise. However, the figures are believed to be credible and would lead to an annual saving of £500,000. Over ten years this generates savings of £3.2 million NPV (these figures are for England and Wales).

Effects on Local Authorities

A.6.33 Given that Option C only affects Waste Management licensing and PPC Part A(1) sites, there are no costs of Option C on local authorities (including local authorities as regulators).

Effects on Communities, Including Rural Communities and Economies

A.6.34 No consequences are expected to arise from the additional changes being considered under Option C. This option is not anticipated to have significant differential implications for rural communities and economies beyond those outlined for Option B.

Effects on Statutory Consultees

A.6.35 For Option C there would be cost savings to the statutory consultees arising from both PPC and Waste Management licensing. For Waste Management licensing, it is assumed that the cost savings would be the same as under Option B, resulting in annual savings of around £55,000.

A.6.36 There would also be savings to the consultees for PPC. Consultees would be given the choice of whether they would like to be consulted for each application. It is assumed that two out of seven consultees would not wish to be consulted for each application, saving two hours per application. This would lead to an annual cost saving for PPC of £5,000.

A.6.37 Over ten years these figures combine to give cost saving of about £360,000 NPV (these figures are for England and Wales).

Annex 7 – Option Ci – Explanation of calculation of quantified costs and benefits

A.7.1 This Annex describes the assumptions and calculations underlying the forecast costs and benefits of Option Ci.

Effects on Industry

Transitional Costs

A.7.2 In addition to the transition costs under Option C, time would have to be spent by operators under the A(2) system understanding the changes to the system.

A.7.3 Assuming that the 400 A(2) installations are in the hands of 250 A(2) operators each with one person taking 7.5 hours to take on board the changes, this gives an additional £80,000, thus giving a total transitional cost to industry under option Ci of £4.7 million, or £4.3 million discounted over ten years.

Savings relative to baseline

A.7.4 It is assumed that the cost savings relative to the base case are the same as for Option C.

A.7.5 Whilst no additional direct savings have been costed for industry, some potential savings have been outlined through a small number of interviews that were undertaken with local authority regulated industry and relevant trade bodies. As with the interviews previously held with a sample of Waste Management Licence holders, these interviews focussed on assessing the current resource implications of the regime. The interviews were also more general and allowed operators to comment on the current system and how it might be improved. It is through this section of the interviews that potential savings have been identified.

A.7.6 The interviewees suggested that there might be savings from the use of standardised permits. Care must be taken in weighing this, because a form of simplified permit already exists for four Part B sectors regulated by local authorities and, separately from EPP, Defra and WAG have consulted on a better regulation review of Part B installations which might lead to the extension of these arrangements to other sectors. Also, the system of local authority guidance notes, each of which is written by establishing a technical working group comprising industry and other interests, identify matters that are likely to merit translation into permit conditions. It is possible that the additional option of EPP-style standardised permits will provide a further beneficial means of addressing industry concerns about consistency of local authority standard-setting.

However, it has not been possible to quantify these within this review. It is intended to review the use of standard permits after the Environment Agency has had two years experience of operating them.

Effects on the Environment Agency

A.7.7 There would be no additional costs or savings to the Environment Agency, other than those discussed for Option C.

Effects on Local Authorities

Transition Costs

A.7.8 Information on the time spent by officers on pollution control activities[64] has been obtained from a report commissioned by Defra and the Welsh Assembly Government. From this it can be estimated that local authority officers spend an average of 35% of their time on this activity (see Table 26Table).

A.7.9 This data has been applied to the number of officers in a local authority team. Data from the same report on the proportion of authorities with a given number of officers has been used to extrapolate to all authorities across England and Wales. This gives a total of 426 FTEs across the authorities. This is broadly in line with the figure obtained by assuming that each officer can deal with around 40-50 sites[65]. Given the existing 17,000 Part B sites, this gives 340-425 FTEs, excluding the effort required to regulate the 400 or so Part A(2) facilities

[64] Atkins Environment (2004) Performance Review 2003/4 of Local Authority Implementation of LAPC, LAPPC and LA-IPPC Regimes, Final Report for Defra and the Welsh Assembly Government, April 2004.

[65] The LGA estimated, in a report by RPA, that an officer could deal with on average 50 Part B installations. However, discussions with others have suggested a figure of 40 may be more appropriate.

Table 26: Estimate of average time spent by local authority team members on Pollution Prevention and Control for 2003/4 (figures for England and Wales)[66]

Proportion of Time Spent on Pollution Control	No. of Officers	Weight
10%	16	1.60
20%	14	2.80
30%	10	3.00
40%	8	3.20
50%	4	2.00
60%	1	0.60
70%	2	1.40
80%	3	2.40
90%	1	0.90
100%	4	4.00
Sum of Weights	---	21.90
Total No. of Officers	63	---
Average Proportion of Time Spent on Pollution Control	---	35%

Table 27: Estimate of total number of full-time equivalents employed by local authorities in Pollution Prevention and Control for 2003/4 (figures for England and Wales)[67]

No. of Officers	No. of Authorities in Survey Reporting this Number of Officers	England and Wales Total Authorities with Given Number of Officers	FTEs
1	9	56	19
2	25	155	107
3	18	112	117
4	8	50	70
5	2	12	21
6	7	44	92
TOTAL	**69**	**429**	**426**

A.7.10 From this figure of 426 FTEs it can be calculated that 1,217 individual staff are involved in PPC/LAPC activities. If each takes 15 hours to become familiar with the legislation, this transition time equates to 11 FTEs across the country. Assuming an hourly salary rate of £47, including on-costs, the total transitional cost to local authorities is around £620,000 (£555,000 discounted over 10 years).

A.7.11 It is not envisaged that there will be any significant ongoing savings to local authorities as regulators. Some small benefits may be accrued through standardisation through for example the opportunities for the development of more standardised training and the ability to resolve cross border issues more easily. However it has not been possible to quantify these.

[66] Source: Adapted from Atkins Environment (2004) Performance Review 2003/4 of Local Authority Implementation of LAPC, LAPPC and LA-IPPC Regimes, Final Report for Defra and the Welsh Assembly Government, April 2004.

[67] *loc. cit.*

Effects on Communities, Including Rural Communities and Economies

A.7.12 No consequences are expected to arise from the additional changes being considered under Option Ci. This option is not anticipated to have significant differential implications for rural communities and economies beyond those outlined for Option B.

Effects on Statutory Consultees

A.7.13 There would be no additional costs or savings to the Environment Agency beyond those discussed for Option C.

Annex 8 – Option Cii – Explanation of calculation of quantified costs and benefits

A.8.1 This Annex describes the assumptions and calculations underlying the forecast costs and benefits of Option Cii.

Effects on Industry

Transitional Costs

A.8.2 Similarly, Option Cii would impose transitional costs on the Part B sites as well as the Part A(2) sites, since all operators under PPC and Waste Management licensing regulations come under the new system.

A.8.3 It is assumed that the 22,700 A(2) and Part B installations are in the hands of 7,000 operators, and that each operator spends 7.5 hours understanding the changes made. This gives a total transitional cost to industry under Option Cii (including impacts of the changes described under option C) of £6.9 million, or £6.2 million discounted over ten years.

Savings relative to baseline

A.8.4 It is assumed that the cost savings for industry relative to the base case are the same as for Option C.

A.8.5 It is not envisaged that there would be any significant savings in addition to those discussed under Ci. As was highlighted in the interviews with local authority regulated industry, the current resources required for a part B process are seen to be fairly small, particularly once a permit has been granted. For example a modification and surrender of a part B installation was stated to take no more than one hour each. Permit transfers were estimated to take less than four hours of work. Given therefore that the current costs are relatively small, there are limited savings that could be made in these areas.

Effects on the Environment Agency

A.8.6 There would be no additional costs or savings to the Environment Agency beyond those discussed in Option C.

Effects on Local Authorities

A.8.7 Although more operators would fall under this system, the actual time taken by local authority staff would not be significantly greater than under

Option Ci. Therefore the transitional costs are estimated to be about £620,000, which equates to an NPV of £560,000.

Effects on Communities, Including Rural Communities and Economies

A.8.8 No consequences expected from the additional changes being considered under Option Cii. This option is not anticipated to have significant differential implications for rural communities and economies beyond those outlined for Option B.

Effects on Statutory Consultees

A.8.9 There would be no additional costs or savings to the Environment Agency beyond those discussed in Option C.

Annex 9 – Quantifiable wider economic benefits of Options B & C

A.9.1 This Annex describes the estimates and calculations underlying the forecast wider costs and benefits.

Faster Permits

A.9.2 There is benefit from realising revenue more quickly. As businesses operate with a level of fixed underlying cost, realising revenue earlier would contribute to profitability. It is expected that the changes the Programme proposes would shorten the time to determination for permits. The proposed methodology to calculate benefit of faster permit application determinations is as follows:

No of permits applied for	X	Reduction in elapsed time	X	Gross profit over period	=	Benefit

A.9.3 Working assumptions are that:

- it is recognised that the quantity of waste is fixed and expansion in the market would only be driven by new waste treatment methods (e.g. from the Landfill Directive requirements diversion targets and producer responsibility initiatives which target specific waste streams such as the Batteries Directive). To factor this in, only Waste Management licensed activities (i.e. not landfill applications, which are PPC permitted) have been considered and it has been assumed that 70% of such companies could potentially realise revenue from new activity earlier than would currently be possible (with the remaining 30% realising no benefit as new activity is simply a transfer from existing activities in the sector). Thus, the waste sector would benefit from considerable growth driven by external factors.
- The Environment Agency estimates that the time taken to issue permits could reasonably be shortened by four weeks. The benefit from this reduction in time is expected to lie between an upper and lower limit. The upper limit of the benefit is the maximum benefit achievable from a four week reduction in determination time of the permit. To derive this level of benefit the applicant would be assumed to have no alternative source of income and incur no expenditure.
- For the lower limit the benefit is 10% of the upper limit benefit. This 10% figure represents the smallest increment of additional

profit firms would accept to transfer their resources to the permitted activity from their previous next best activity.

- The benefit to the sector would lie between the upper limit and the lower limit. It is estimated that 75% of businesses would be near the upper limit and 25% of the lower limit.
- It is estimated there would be about 479 new applications each year in the (non-agricultural) Waste Management licensing sector (new applications in the PPC sector have been excluded as it is not expected that the proposed changes would greatly alter the time taken to determine these applications).
- The gross profit of companies clearly varies. The £0.1 million figure is an estimate of the average gross profit for industries in this sector per year based on a 25% profit margin for 'licence-related' waste management industry turnover.

Table 28: Benefits to industry of issuing permits more quickly (figures for England and Wales)

Total No applied for	Reduction in elapsed time (weeks)	Gross profit (£ million per year)	Benefit (upper limit) (£ million per year)	Benefit (lower limit) (£ million per year)	Business benefit (£ million per year)
479	4	0.1	3.11	0.31	2.4

A.9.4 This generates £16.6 million NPV over ten years (these figures are for England and Wales).

Faster Modifications

A.9.5 This is a variation on the issue of faster permits. Again there may be a benefit from realising revenue more quickly, as businesses operate with a level of fixed underlying cost, realising revenue earlier would contribute to profitability. It is anticipated that the proposed changes would shorten the time to determine modifications. The proposed methodology to calculate benefit of faster modifications determinations is as follows:

No of modifications applied for	X	Reduction in elapsed time	X	Gross profit over period	=	Benefit

A.9.6 The assumptions for faster modifications are as for applications except:

- It is estimated that there would be around 226 modification requests each year in the Waste Management licensing sector, including farm waste management licences (modifications in the PPC sector have been excluded as it is not expected that the proposed changes would not greatly alter the time taken to determine these modifications).

- The proposals would allow the determination period to be shortened. The Environment Agency estimates that the time taken could reasonably be shortened by two weeks.
- It is recognised that profitability may not be the only driver for modifications and as such it is anticipated that more firms would be near the lower limit (which represents a 10% incremental increase in profit). It is estimated that 50% of businesses would be near the upper limit and 50% of the lower limit.

Table 29: Benefits to industry of issuing modifications more quickly (figures for England and Wales)

Total applied for	Reduction in elapsed time (weeks)	Gross profit (£ million / year)	Benefit (upper limit) (£ million / year)	Benefit (lower limit) (£ million / year)	Business benefit (central estimate)(£ million / year)
226	2	0.1	0.7	0.07	0.4

A.9.7 This generates £2.6 million NPV over ten years (these figures are for England and Wales).

Increased applications

A.9.8 The current administratively onerous approach to gaining a permit probably deters industry from operating within this sector. Lowering the costs of application reduces the barriers to entry to the waste management sector. This would be expected to encourage some additional companies apply to gain permits. The benefits derived from these additional applications is estimated as follows:

Additional applications for permits	X	Reduction in cost of application	=	Total benefit

A.9.9 The assumptions are that:

- An additional 250 applications68 would be made in each of the first two years of the new permitting regime (2008/09 and 2009/10) with an additional 20 new applications per year made after that.69
- The benefit is shown as a saving in the cost of an application. This is because companies applying are assumed to be switching from other profitable activities. On that basis, the reduction in the unit cost of application represents the minimum benefit consistent

[68] These numbers have been increased from the partial RIA's estimates inline with revised Environment Agency figures.

[69] It is assumed the elasticity of demand for permits is relatively inelastic. The number of new applications used here assumes an elasticity value of -0.15.

with entry to the industry. This saving in cost is estimated to be £7,000 per application relative to an average cost of £23,000 per application.

- The benefit is estimated as the net consumer surplus generated by the increased applications at the lower cost level.

Table 30: Benefits to industry sector of lowering the costs of an application (figures for England and Wales)

	No of additional applications (per year)	Reduction in cost of an application (thousand)	Total benefit (£ million per year)
2008/09	250	7	0.9
2009/10	250	7	0.9
2010/11 onwards	20	7	0.1

A.9.10 This generates £2 million NPV over ten years (these figures are for England and Wales).

Misconception of Waste Management licence

A.9.11 It is a common misconception to interpret "waste management licensed site" as meaning a landfill. That is to say the general public do not fully appreciate the type of site that requires a WML. Therefore having undertaken a property search and found a property located close to a WML site, it could reduce their property valuation. This may unduly stigmatise properties that are located close to WML sites. However, sites with an environmental permit however may not have such a stigma (as the term "waste" is not obvious from their title). This name change may increase the value of affected housing stock.

A.9.12 The potential increase in property value has been estimated using the formula:

House price discount proximity by to a WML X Clarification of misconception X Property prices in the local area = Potential benefit

A.9.13 The assumptions in estimating the impact on house prices are:

- House prices are reduced significantly for properties located close to land-fill sites. A recent Defra study found that the disamenity costs on properties located close to landfill sites reduced property prices by between 2% and 7% depending on the distance from the site.70

[70] A study to estimate the disamenity costs of landfill in Great Britain (2006), Defra, available from www.defra.gov.uk/environment/waste/landfill/disamenity.htm

- The misconception that all sites that require a WML are landfills is assumed to account for 10% of the total reduction in the value of local properties (i.e. 10% of the 2%-7% reduction). It is also assumed that this misunderstanding is reduced by a third following the proposed changes.
- An average house price of £150,000 has been assumed for houses located within 0.5 miles of sites with WMLs. Given the average house price (in England and Wales) in September 2007 was around £190,000 this is a conservative assumption. This should ensure that benefits are not overstated.
- Housing around operations with WMLs are assumed to be in the same density as properties around landfill sites71. The change in names would therefore potentially impact around 187,000 properties.

A.9.14 This provides a total potential £30.7 million increase in property values from options B and C (including Ci and Cii). This value has not been included in the monetised cost benefit analysis, owing to the uncertainties surrounding this estimate. It should be regarded as illustrative of the order of magnitude that might be achieved by the name change.

71 Op cite footnote 68