

Title: Amendments to Cattle Identification Regulations	Impact Assessment (IA)
IA No: Defra0168	
Lead department or agency: Defra	
Other departments or agencies: Rural Payments Agency	
Date: 01/07/2012	
Stage: Final	
	Source of intervention: Domestic
	Type of measure: Secondary legislation
	Contact for enquiries: Nieves Bottomley 0207 238 5860
Summary: Intervention and Options	RPC: GREEN

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, One-Out?	Measure qualifies as
£9.551m	£5.257m	-£0.611m	Yes	OUT

What is the problem under consideration? Why is government intervention necessary?
 A change to the Cattle Identification Regulations 2007 to provide a legal base so that cattle keepers can report the deaths of cattle electronically, and to provide a legal base for the automated telephone service as a reporting channel. The Cattle Tracing System exists to trace cattle and thus, decrease the risk of major disease outbreak and underpin food controls for beef.

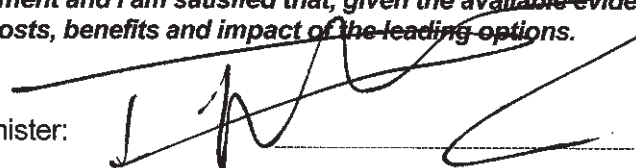
What are the policy objectives and the intended effects?
 This change is part of a series of measures designed to reduce the burden on industry of the cattle identification and tracing requirements and support a move over time to full electronic reporting (with telephone reporting allowed for those not e-enabled). This should both improve the quality and timeliness of cattle registration and movement data and also reduce the burden on industry of making these returns.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 This Impact Assessment considers two options:
 Option 0 - Do nothing, keep current Regulations and not provide legal basis for cattle keepers to report cattle deaths electronically nor allow use of automated telephone system.
 Option 1 - Amend the Cattle Identification Regulations 2007 to allow keepers to use a new automated telephone system for reporting to the tracing database, and change the rules for reporting cattle deaths to allow use of internet and telephone channels. This would save industry money and is widely supported by the abattoir sector - the sector mainly affected by these changes.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 04/2018						
Does implementation go beyond minimum EU requirements?			No			
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.		Micro Yes	< 20 Yes	Small Yes	Medium Yes	Large Yes
What is the CO2 equivalent change in greenhouse gas emissions? (Million tonnes CO2 equivalent)				Traded:		Non-traded:

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

Signed by the responsible Minister:



Date:

SIL Stuch
2013

Summary: Analysis & Evidence

Policy Option 1

Description: Amend Cattle Identification Regulations 2007 to allow electronic reporting of deaths and telephone service

FULL ECONOMIC ASSESSMENT

Price Base Year 2009	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low:	High:	Best Estimate: 9.551
COSTS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Cost (Present Value)
Low					
High					
Best Estimate	0.928		0.069		1.522
Description and scale of key monetised costs by 'main affected groups' The annual costs of £69k are incurred by Government to pay for the operation of the Self Service Line system. Transition costs of £686k are incurred by Government in establishing Self Service Line and enhancing current IT systems to incorporate electronic reporting. Industry incurs transition costs of £242k which cover the training required to use the Self Service Line system.					
Other key non-monetised costs by 'main affected groups'					
BENEFITS (£m)	Total Transition (Constant Price) Years		Average Annual (excl. Transition) (Constant Price)		Total Benefit (Present Value)
Low					
High					
Best Estimate	0		1.286		11.072
Description and scale of key monetised benefits by 'main affected groups' Industry benefits from time saved by using electronic and telephone reporting channels amount to £639k per annum. Government benefits from no longer having to print, scan and post passport application forms and pre-paid movement cards are approximately £647k per annum.					
Other key non-monetised benefits by 'main affected groups' Electronic reporting should result in higher quality birth, movement and death data which will help trace animals during disease outbreaks. By ensuring alternative accurate means of traceability, electronic reporting is a key step in abolishing cattle passports which could save industry and Government a considerable sum of money in future.					
Key assumptions/sensitivities/risks					Discount rate (%) 3.5
Assumptions regarding the size and number of farms, slaughterhouses and markets, and about the times taken to complete specific tasks, are taken from research done by ADAS for Defra in 2009, and Defra statistics. Actual numbers of businesses fluctuate. The overall trend is that the number of farm holdings is decreasing but the average size of farm herd is increasing.					

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0.028	Benefits: 0.639	Net: 0.611	Yes	OUT

Evidence Base

Note: Glossary provided at end of document

Background – existing policies

An EU-wide cattle tracing system

1. The EU cattle tracing regime was set up in 1998 by the adoption of directly applicable regulations of the EU Council and Parliament, and detailed rules laid down by the EU Commission. The rules aimed to ensure full traceability of all cattle in the wake of the BSE crisis, thereby stabilising the beef market by maintaining consumer confidence. Within the regime all keepers within each Member State (MS) must update a national computer database of all new births, imports, movements or deaths of their cattle; tag their cattle within strict time limits using officially approved tags bearing a unique, lifetime identification number; and keep an accurate and up-to-date herd register. This is supported by a targeted annual inspection regime that tests compliance with EU legislation, the results of which are reported to the EU Commission.
2. While the EU Regulations require keepers of cattle to identify animals individually and to report their birth, movements 'on' and 'off' holding and deaths, Member States determine the methods of reporting. In England, the methods of reporting are set in the Cattle Identification Regulations 2007.

Administration of the system

3. The British Cattle Movement Service (BCMS) was set up in September 1998 in Workington, Cumbria to be the operational delivery agency for cattle tracing. It is now a division of the Rural Payments Agency (RPA), but delivers on behalf of Defra, the Scottish Government and the Welsh Government. Northern Ireland runs its own discrete system supported by its own database. BCMS has responsibility for running the Cattle Tracing System (CTS) computer database and ensuring the quality of its data; for running the internet reporting facilities CTS Online and Web Services, and the new telephone line, the Self Service Line (SSL); for issuing cattle passports; for co-ordinating on-the-spot inspections and follow-up on non-compliance; and for producing quality guidance and liaison with their customers in industry.

Current system of reporting

4. Cattle keepers must report births, imports, movements and deaths of cattle on their holding to CTS (a keeper is anyone responsible for cattle, and a holding is anywhere that cattle are held, kept or handled). They must report these events as they happen; births within 27 days, imports within 15 days, movements within 3 days, deaths within 7 days.
5. From 1998, pre-printed forms have been issued to enable keepers to comply efficiently (passport application forms for births and imports; movement cards in the passport booklet; and the passport for reporting deaths), and an email system has operated. In 2001, to save keepers time and money, an interactive web-site – CTS Online – was opened for keepers to report births, imports and movements electronically (this has been periodically enhanced to keep up with software development). In 2005, CTS Web Services was developed to allow reporting methods to be incorporated with other software available for farms, markets and slaughterhouses. In 2010, an automated telephone service – the Self Service Line (SSL) - was developed for those without computers.
6. The proposed amendments to the CIR would increase the methods available in England to farmers and other keepers of bovine animals to reflect further changes in technology, so that keepers can use quicker and cheaper methods of notification, reducing costs to Government and the industry. This proposal is a domestic OUT, as the EU requirements

have not been amended, but the domestic legislation is being amended to allow new methods of notification and reduce the cost to cattle keepers.

CTS Benefits Project (2008-2011); what it is, consultation with industry

7. The goal of the CTS Benefits Project was to move toward fully electronic data capture for cattle births, movements and deaths, to reduce the inspection burden on industry and to abolish paper cattle passports for internal trade. The project began in 2008 and has already seen: a drop in the level of inspections from 10% of registered cattle holdings to 5% last year and 3% from this year; the building of the telephone reporting system for keepers without IT capability; the enhancement of CTS Online and Web Services to enable full electronic data capture including reporting of cattle deaths (formerly only reported by paper methods); and the phasing out of cheque-book style cattle passports to be replaced by single page documents. Industry has been extensively consulted through workshops, an industry group set up to advise BCMS on the development of systems, a variety of publicity, including BCMS presence at agricultural shows, and visits to markets and slaughterhouses. Amending the Statutory Instrument forms a small part of this wider project.

Background – Industry statistics

8. The current average size of the English cattle herd is 5 million (CTS). The average number of English registered cattle keepers who are farmers currently is 60,000. Around 3% of these keep over 500 head of cattle; these businesses will be highly mechanised, commercial enterprises. Farms of this size keep some 50% of the national herd between them. About two-thirds of farms keep less than 100 cattle. These include small, closed herds and hobby farmers, who keep cattle only for their own consumption. The remaining third keep between 100 and 500 head, and represent the average family-run farming business. The average English farm herd size is 107 cattle. Most farms will come under the definition of a micro-business.
9. Market and slaughterhouse operators are also “cattle keepers” for the purposes of cattle identification and tracing. In England, there are 114 cattle markets, and 210 slaughterhouses processing cattle. Defra statisticians categorise business size for markets and slaughterhouses as follows:-
- Markets: 44 large = throughput of more than 10,000 cattle annually; 15 medium = 5000-10,000; 55 small = less than 5000.
 - Slaughterhouses: 40 large = throughput of more than 10,000 cattle annually; 58 medium = 1000-10,000 throughput; 112 small = less than 1000 throughput.
10. The English cattle business generates each year about 1.5 million birth notifications; 7.6 million movement notifications; 0.2 million death notifications from farms; 1.6 million death reports from slaughterhouses. BCMS receives all these notifications to be loaded on to the CTS database. Apart from death reports, which are loaded manually from details written on the back of the returned passports, processing is automated.

Problem under consideration

11. A strong and efficient cattle tracing system is an integral part of the UK government's strategy in a variety of policy areas. Effective cattle identification underpins the government's food safety policy of traceability of meat from farm to fork, and ensures that BSE controls are effective. Traceability makes an important contribution to animal disease control strategies, such as bovine TB and Foot & Mouth Disease. The EU Common Agricultural Policy (CAP) scheme for Single Farm Payment requires compliance with the cattle tracing rules. Good, accurate CTS data enables faster processing of claims with less risk of disallowance; fast, efficient notification channels enable farmers to comply more easily lessening the chance of penalty. Electronic reporting has significant advantages over paper-based reporting; pre-validation of information supplied and automatic query if it

appears incorrect, means CTS is accurate and up-to-date, and a better disease control tool, and it saves keepers time in correcting data a long time after the event. It is much cheaper both to industry and government.

Policy Objective

12. This minor amendment to the Cattle Identification Regulations 2007 (the CIRs) expands the choice of official channels for cattle keepers to use in order to comply with their existing duties to notify cattle births, movements and deaths to CTS, as it would allow keepers to use a new automated telephone system to report births and movements. It would also remove the current requirement to complete the notification of deaths by hand by completing the passport, allowing reporting of deaths through electronic methods. It removes, also, a requirement on the Food Standards Agency (FSA) Operations Group inspectors to collect cattle passports for all bovines slaughtered in slaughterhouses and return them to BCMS. These will instead be returned by slaughterhouse operators. The change will improve the efficiency of the cattle tracing system, making it cheaper and more accurate. The proposed changes are not covered by the moratorium on imposing regulations on micro-businesses, and this proposed amendment is de-regulatory in that it allows keepers to choose cheaper and easier methods for reporting. It is a permissive provision, in that it allows cattle keepers to use additional methods for reporting, but does not mandate its use. It is also a necessary preliminary step to the full removal of cattle passports for domestic trade.
13. The objective is to make better use of existing computer and telephony technology in cattle tracing, moving away from reliance on paper-based, form filling procedures. The two main motivations for this are: 1) decreasing overall costs of cattle tracing for industry and government, and; 2) maintaining and improving good compliance, leading to further improvement in the quality of tracing data on CTS. This amendment is part of a project supporting these aims (see above).

Description of options considered (including do nothing)

Option 0 - "Do Nothing"

14. The option of doing nothing and retaining paper systems was considered, but was rejected due to the costly nature of leaving procedures unchanged. No savings to government or industry would be realised. The expansion of technology use in cattle tracing across Europe, by governments and industry, has made it impractical for domestic technology to stay unchanged, and all industry representative groups support the introduction of telephone reporting and the extension of CTS Online/Web Services to cover death reporting.

Option 1 – expanding automated channels for notifications

15. This option expands the electronic and automated systems for cattle notifications and in doing so will lead to cost savings for industry and government. The proposals are as follows:
- To amend the CIRs to allow the use of the new 24 hour automated telephony system SSL for registering calf births and imports, cattle movements and deaths. The existing reporting channels remain unchanged and it will remain the keeper's choice which to use;
 - Remove the requirement for slaughterhouse operators to complete the movement page of a cattle passport when an animal moves on to the slaughterhouse. This is no longer necessary because cattle may not leave a slaughterhouse alive under the Disease Control Order 2003 (as amended).

- Extend the use of CTS Online and Web Services for notifying cattle deaths from slaughterhouses or farms (or any other cattle holding not a slaughterhouse). Slaughterhouses are distinguished because cattle go there to die in large numbers (approximately 1.6 million annually); other cattle deaths are accidental and sporadic. It also removes the Official Veterinarian from the process of returning cattle passports to BCMS.
- The current CIRs require that cattle deaths are reported only by completing the back page of the passport and returning this to BCMS. To be able to abolish passports for domestic trade, it is necessary to de-couple the death notification from the return of the passport (both required under EU regulation), and encourage deaths to be notified by telephone or computer.

Costs and benefits of options

Option 0 - "Do Nothing"

16. This is the baseline against which other options are appraised. An ADAS report in 2009, concluded that overall the current cattle tracing system costs industry (farms, markets and slaughterhouses) approximately £10 million annually in England. Government annual costs are expressed through the administrative costs of BCMS, approximately £20 million a year covering GB. The constant price base in this IA relate to 2009 reflecting the analysis in the ADAS report.

Option 1 – expanding automated channels for notifications

Costs

17. The SSL and the enhancement of CTS Online/Web Services result in one-off transition costs, and the SSL will cost government some on-going administration costs. Both transition and on-going costs are offset by savings.

18. The Government (in this case, the RPA) has two transition costs. Firstly, a telephony system has been built which is connected to the CTS system and can be used by cattle keepers; the cost is £93,000. Secondly, a change to CTS and CTS Online to enable deaths to be recorded to cost £593,000. The total transition cost to government is £686,000.

19. Cattle keepers would need to learn to use the new telephony system, if they choose to use it, which is expected to take 20 minutes. Assuming a wage cost of 20.12p and 17p per minute for farms and markets and slaughterhouses respectively (figures derived from the Farm Labour and Wage statistics 2010), generates a unit cost of £4.02 per farm and £3.40 for markets and slaughterhouses. 60,000 farms and 226 markets and slaughterhouses could be affected which implies a total transition cost of £241,440 for the farming sector and £768.40 for the markets and slaughterhouses; total industry transition cost is £242,208.

20. The total transition cost is estimated at £928,208

21. The only annual recurring cost is incurred by BCMS who will pay **£69,000** per annum to administer the SSL.

Benefits

22. The benefits accrue to the RPA and the cattle industry. RPA's benefits lie in reducing printing and postage costs for cattle passport application forms and movement cards; and in removing the need to manually process death reports on to CTS from the back page of

the passports. Industry's potential benefits depend on small reductions in time (and thus cost) in each individual action – birth, movement or death report – and the cumulative effect of that for each business.

23. The RPA can save the cost of the printing, despatch and scanning of forms, and the postage cost of pre-paid movement cards, if SSL and CTS Online are used instead of paper. If deaths are reported via CTS Online/Web Services or SSL, the scanning of the back page of the passport costs could be saved.

24. The table below summarises the savings to the RPA given full uptake of electronic or telephone reporting (i.e. no paper reporting), which is the agreed aim of both government and industry. The calculations take into account current usage of CTS Online and Web Services.

Table 1: current RPA costs which would disappear with full use of electronic or telephone reporting (Figures supplied by BCMS)

Activity	Annual benefit
Printing of passport application forms for keepers not registered to use CTS Online	£108,000
Postage of passport application forms	£34,800
Scanning of passport applications forms	£29,483
Sub-total: passport application forms	£172,283
Return postage costs of pre-paid movement cards	£337,575
Scanning of pre-paid movement cards	£80,588
Sub-total: pre-paid movement cards	£418,163
Sub-total: Scanning of returned passports on death	£57,001
Total Government annual benefit	£647,447

25. These improvements to the current reporting systems will generate savings for farmers, markets and slaughterhouses. Dealing with farmers first, farmers incur significant postage costs if they use paper reporting methods. Reporting using CTS Online or SSL is quicker than writing. The table below summarises the time, postage and telephone costs of each of the recording options and for each likely activity:

Table 2: Report events to CTS – Time and cost (Figures taken from research for Defra by ADAS November 2009).

Activity	Paper	Electronic	Telephone
Report calf birth: farm (@ 20.12p/min)	1.4 minutes	1.5 minutes	1 minute
Additional costs	32p 2 nd class post 5 minutes to post @ 20.12p per minute	0.5p notional broadband cost	8.7p per minute local BT telephone charge
Cost: 5 births	£2.73	£1.53	£1.44
Reporting cattle movement off or on to farm	0.7 minutes	0.55 minutes	0.8 minutes
Additional costs	Freepost 5 minutes to post	0.5p notional broadband cost	6.96p BT local call charge (@8.7p per min)
Cost: 10 movements/farms	£2.41	£1.15	£2.30
Reporting through movement by market	0.7 minutes	0.55 minutes	0.8 minutes

Or On movement by slaughterhouse			
Cost:	£0.12	£0.09	£0.14
Movement/market or slaughterhouse			
Reporting on-farm deaths	3 minutes	1.4 minutes	2 minutes
Additional costs	32p 2 nd class post 5 minutes to post	0.5p notional broadband cost	17.4p BT local call charge (@8.7p per min)
Cost: 1 death/farm	£1.93	£0.29	£0.57
Reporting slaughterhouse death	3 minutes	1.4 minutes	2 minutes
Cost: 1 death/slaughterhouse	£0.51	£0.24	£0.34

26. For the annual average number of reports in each activity the table below illustrates the total cost to farmers of reporting events by paper, telephone and online. The table illustrates the potential differences in overall farming sector costs between the methods of reporting; a difference of £1,644,632 a year between paper and electronic; £741,348 a year between paper and telephone.

Table 3: English farms; costs of using different methods of reporting

Activity	Annual average reports	Paper	Electronic	Telephone
Births (batch 5)	1.5 million	£820,320	£460,200	£432,300
Movements (batch10)	7.6 million	£1,834,944	£879,016	£1,752,256
Deaths (singly)	0.2 million	£385,920	£57,336	£115,280
Totals		£3,041,184	£1,396,552	£2,299,836

27. All the large and medium-sized markets already notify movements using electronic channels. The only change in the market sector would be to the 55 small markets who could switch from reporting movements by paper to reporting either by internet or telephone. The difference is illustrated below. Moving to electronic reporting is estimated to save small markets £8,250 but if they moved to telephone reporting this would cost an extra £5,500.

Table 4: English small markets: annual costs of different methods of reporting

Annual throughput of 5000 cattle	Paper	Electronic	Telephone
Individual market cost	£600	£450	£700
Cost for all 55 markets	£33,000	£24,750	£38,500

28. For slaughterhouses the major difference of these proposals relative to current reporting procedures is to de-couple the reporting of death from the return of the cattle passport to BCMS (both required under EU law), and allowing for the first time deaths to be reported by electronic or telephone methods. All large, and most medium-sized slaughterhouses run their business using computers; reporting cattle deaths by writing on the back of the

passport is the only activity they have to do manually, and this change abolishes the necessity to do this.

29. The table below describes the reporting time taken for the different methods and uses this data to compare the costs across methods for both movement reporting and death reporting. It excludes the 70 slaughterhouses already using CTS Online/ Web Services to report movements.

Table 5: Slaughterhouse movement reporting costs (Figures from research for Defra by ADAS, November 2009)

Slaughterhouse by annual throughput	Paper	Electronic	Telephone
Time cost (£ per min)	0.17	0.17	0.17
Time taken	0.70	0.55	0.80
Unit Cost (£)	0.12	0.09	0.14
Number of movements	252,000	252,000	252,000
Total	29,988	23,562	34,272

Table 6: Slaughterhouse death reporting costs (Figures from research for Defra by ADAS report, November 2009).

Slaughterhouses	Paper	Electronic	SSL
Unit Costs			
Time cost (£ per min)	0.17	0.17	0.17
Time taken	3.00	1.40	2.00
Unit Cost (£)	0.51	0.24	0.34
Number of deaths			
Large (10,000)	400,000	400,000	400,000
E-enabled medium (5,000)	150,000	150,000	150,000
Not e-enabled medium (5,000)	140,000	140,000	140,000
Small (1,000)	112,000	112,000	112,000
Total Costs			
40 Large (10,000)	£204,000	£95,200	N/A
30 e-enabled medium (5000)	£76,500	£35,700	N/A
28 not e-enabled medium (5000)	£71,400	£33,320	£47,600
112 Small (1000)	£57,120	£26,656	£38,080
Total	£409,020	£190,876	£85,680

30. To derive the aggregate benefits of these improvements it has been assumed that 75% of reports will be made using the internet while the remaining 25% will be made by telephone. Nearly 50% of keepers are already registered to use CTS Online/Web Services. This includes all large and medium-sized markets, 70 slaughterhouses (including the largest 40), and about 40% of farmers (including the largest farms keeping 50% of the national herd). As this includes the largest businesses, already only around 25% of transactions are still made on paper and we've conservatively assumed that the 25% of reports currently conducted via paper all switch to the telephone rather than report electronically.

31. The table below uses the information provided above to generate the aggregate benefits resulting from this option:

Table 7: Death reporting changes and opening SSL: annual benefit to industry calculated using costs from tables above

Reporting cattle deaths (non-paper)	Annual Benefit
Slaughterhouses	
Death Reporting saving	211,718
Movement Reporting saving	4,820
Farms	
75% of on-farm deaths move to CTS Online report	246,438
25% of on-farm deaths move to SSL report	67,660
Sub-total: death reporting	530,636
Benefit of SSL over paper for births and movements	
25% of births reported by SSL - farms	90,030
25% of movements reported by SSL- farms	20,672
25% of movements reported by SSL - markets	-1,375
25% of movements reported by SSL - slaughterhouses	-1,071
Sub-total: SSL	108,256
Total Annual Industry benefit	638,892

Summary of Cost and Benefit Impacts over 10 years

Table 8: Costs over 10 years by item, £

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Industry											
Training	241968	0	0	0	0	0	0	0	0	0	
Government											
New telephone line	93000	0	0	0	0	0	0	0	0	0	
CTS changes	593000	0	0	0	0	0	0	0	0	0	
SSL administration	69000	69000	69000	69000	69000	69000	69000	69000	69000	69000	
Gov. Total:	755000	69000	69000	69000	69000	69000	69000	69000	69000	69000	1617968

Table 9: Benefits over 10 years by item, £

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Industry (see Table 7)											
Reporting cost savings	638892	638892	638892	638892	638892	638892	638892	638892	638892	638892	
Government (see Table 1)											
Passport application forms	172283	172283	172283	172283	172283	172283	172283	172283	172283	172283	
Pre-paid movement cards	418163	418163	418163	418163	418163	418163	418163	418163	418163	418163	
Passport scanning	57001	57001	57001	57001	57001	57001	57001	57001	57001	57001	
Gov. Total:	647447	647447	647447	647447	647447	647447	647447	647447	647447	647447	12863390

Table 10: Net benefits (see Tables 8 and 9) and Net Present Values by sector, £

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Industry Net	396924	638892	638892	638892	638892	638892	638892	638892	638892	638892	
Industry NPV	396924	617287	596413	576244	556757	537930	519739	502163	485182	468775	
Government Net	-107553	578447	578447	578447	578447	578447	578447	578447	578447	578447	
Government NPV	-107553	558886	539986	521726	504083	487037	470567	454654	439279	424424	
Net Value	289371	1217339	1217339	1217339	1217339	1217339	1217339	1217339	1217339	1217339	
NPV	289371	1176173	1136399	1097970	1060841	1024967	990306	956817	924461	893199	9550504

32. The above summary tables are based on the annual figures calculated in the preceding pages. The totals are also quoted in the summary pages at the start of this document. The 'Industry NPV' total figure given in Table 10 (£5.257m) is used to calculate the Equivalent Annual Net Cost to Business of - £0.611m (i.e. a net benefit). This is the figure which, if it were paid annually over the 10 year period, would sum to the same present value when discounted. The total net present benefit to government and industry of this measure is approximately £9.551m.

Non-monetised benefits

Paves way for future abolition of cattle passports

33. Since 1998, the only way to report the death of a bovine animal to CTS has been to write the details in the back of the cattle passport and return it to BCMS. This was to ensure that passports of dead animals were returned. The annual saving to government if official cattle passports for domestic trade in GB could be abolished is estimated to be approximately £3.3 million per annum. Industry support the abolition of passports as a de-regulatory measure, but the costs/benefits have not yet been quantified, since passports are compulsory until changes in EU law are made in 2013/14. We are making sure, by making these changes, that industry can report cattle deaths using any of the other channels, so that when the time comes, there is no obstacle to getting rid of passports.

Fewer mistakes; lower penalty

34. A feature of the electronic and telephony methods of notification is that they have automated plausibility checks built in, which paper methods cannot have. Some checks actively prevent the keeper making errors (for example: wrong dates, transposed digits in ear tag numbers) while others draw the reporter's attention to potential problems in the notifications. Examples would be, if a breeder has tried to record a birth against a dam which has already had a calf, a dam which is too young or has an ear tag number showing it to be a male. These checks mean that farmers in particular have certain errors in their herd data quickly dealt with and are less susceptible to breaches of the rules being found at inspection, which in turn may result in a subsidy claim reduction under the Single Farm Payment Scheme.

35. Accurate and up-to-date data on CTS is essential for effective animal disease and food safety controls.

Assumptions and risks

Assumptions

36. The sizes of farms, markets and slaughterhouses and salary costs are taken from Defra statistics as used by ADAS in research commissioned in 2009 by Defra. Statistics on the national herd, volumes of notifications and registered cattle keepers are provided by BCMS from the CTS database. The costs of establishing a SSL system and expanding the use of CTS supplied by BCMS. Assumptions made on the average time spent carrying out specific tasks was also taken from the ADAS research in 2009. Take up of electronic reporting is currently running at about 90% with 5% of movement being reported by Self Service Telephone Line.

Risks

37. There are no major risks involved in these changes to procedures to the quality of cattle traceability or the integrity of the CTS database. All have been discussed in depth and trialled with industry representatives and discussed with enforcement agencies before

decisions were made to consider them. Nor are there major financial risks. Government expenditure on technology has been small in real terms, especially when compared to an overall annual budget for running the cattle tracing system of around £20 million per annum.

38. The only risk is that, if we are not allowed to amend the legislation, enforcement of any serious non-compliance involving use of the telephone system or reporting deaths by electronic/telephony channels could be compromised. Bearing in mind that cattle tracing underpins food safety controls for beef, this would be undesirable.

39. All experience to date suggests that quality and accuracy of data is improved by the electronic data recording of cattle movements, births and deaths.

Wider impacts

Ins, Outs and Moratorium on micro-businesses

40. The Cattle Identification Regulations 2007 (CIRs), of which this SI is a minor amendment, enforce nine directly applicable EU regulations which set out the exact structure of the cattle tracing system of every EU MS. They do not stand alone as a domestic measure. As such the moratorium on micro-businesses would not apply, but even if it did, the CIRs have already imposed the reporting burdens on farms for 16 years since 1998, and will continue to do so into the foreseeable future, while beef, dairy milk and their products are consumed by humans. The amendments in this SI seek to give farmers and other small businesses opportunities to save time and money in complying with those EU cattle tracing requirements. The savings which we envisage following on the predicted take-up of the telephone and internet services can be regarded as an OUT because they reduce the burden imposed through the domestic implementation of EU law. The scale of this OUT is approximately £0.611m i.e. the EANCB in 2009 prices (see para 33 above for derivation).

Impact on small businesses

41. The cattle industry covers a wide range from hobby keepers of one or two cattle bred for their own consumption to multi-million pound businesses processing thousands of cattle, whether farms, markets or slaughterhouses. Nevertheless both small or remote operators such as Scottish Island crofters and large, complex supermarket slaughter/processing plants support the use of computer technology. It allows them the ability to combine their duties under the traceability laws with all the other aspects of their business, which the majority use computer technology to control and manage – weight management, milk production, feed and veterinary medicine records, customer or supplier information, and so on. The one clear message from the major representative bodies – NFU, Country Landowners Association, National Beef Association, Livestock Auctioneers, British Meat Packers Association, and others – is that the progress of the dynamic sector of the industry must not be held back by government processes reliant on paper form-filling and postage, and they are pressing us for full electronic data capture and sharing on cattle identification and tracing. These changes move towards that goal.

42. Most farms and some markets and slaughterhouses, will be small or micro businesses, with 9 or fewer employees. Tables 4 above illustrate the impact on small throughput markets. Table 6 illustrates the impact on slaughterhouses of all sizes. The table below illustrates the impact on an average farm. The median herd size in England is 107 cattle. The table below illustrates the possible impact on a herd of this size in a year and showed that electronic notifications are much the cheapest.

Table 11: impact on an average small farm business

Activity	Paper methods	CTS Online	SSL
32 Birth applications	£51.25	£9.76	£9.28
81 movement reports	£20.43	£9.32	£18.63
5 deaths	£9.65	£1.53	£2.85
Total annual costs	£81.33	£20.61	£30.76

Summary and preferred option with description of implementation plan

43. The preferred option is Option 1 which revises the legislation to underpin electronic reporting of deaths. This option leads to significant time savings for farmers, markets and slaughterhouses and as a result has a positive NPV. It is supported by all major representative bodies.
44. Implementation: Pilot projects were undertaken in 2010 for both the telephone system and electronic reporting of deaths from slaughterhouses, to ensure that the systems were fit for purpose before fully going live. These pilots have proved successful. Having done this, it is not then possible to turn the systems off. So the pilots have been allowed to carry on, with encouragement to any who wish to use the new systems to do so. The choice to use the systems is voluntary; there is no requirement on any cattle keeper to choose one method of reporting over another.

Glossary

ADAS – ADAS Group Limited; independent rural and environmental consultancy

BCMS - British Cattle Movement Service – A subsidiary department of the Rural Payments Agency (RPA) that maintains, updates and extrapolates data from the Cattle Tracing System computer database

BSE – Bovine Spongiform Encephalopathy

Bovine TB – bovine Tuberculosis

CAP – the EU's Common Agricultural Policy

CIRs – The Cattle Identification Regulations 2007 (as amended) enforce the EU Council and Parliament Regulation (EC) No 1760/2000, and seven EU Commission Regulations setting out detailed rules on tags, passports, herd registers, inspections and sanctions, and different treatment for bison and cattle kept for historical or cultural purposes. (Note; that Northern Ireland, Scotland and Wales make their own cattle identification regulations which equally enforce the EU law.)

CTS - Cattle Tracing System – The GB central tracing computer database (required by EU law) for the recording of births deaths and movements of all cattle in GB; administered by BCMS

CTS Online – a web facility allowing cattle keepers to report cattle, births, movements and deaths to CTS, and giving them access to the records which CTS keeps about their herd

Defra – Department for Environment, Food and Rural Affairs

EU – the European Union

MS – Member State of the European Union

FSA – Food Standards Agency; a stand-alone agency reporting to the Secretary of State for Health

FSA Operations Group – formerly the Meat Hygiene Service; provides inspection service in slaughterhouses to enforce food hygiene legislation. Also employed by BCMS to collect and cancel cattle passports of slaughtered cattle under a Service Level Agreement

OV - Official Veterinarian: in this Impact Assessment means a veterinary surgeon employed by the Food Standards Agency under the Food Hygiene Regulations to oversee meat hygiene procedures in slaughterhouses (not to be confused with OV's who work for the Animal Health Veterinary Laboratory Agency on animal disease controls)

RPA – Rural Payments Agency; a government agency sponsored by Defra, mainly for the payment of CAP subsidy. BCMS is a division of the RPA

SSL - Self Service Line: automated telephone set up to cater for keepers who do not have the capability to report movements electronically.