

Title: Consultation on proposed enforcement arrangements for updated EU marketing standards on Olive Oil IA No: DEFRA 1058 Lead department or agency: Department of Environment Food and Rural Affairs Other departments or agencies:	Impact Assessment (IA)		
	Date: 25/10/2013		
	Stage: Consultation		
	Source of intervention: EU		
	Type of measure: Secondary legislation		
Contact for enquiries: Andrew Chandiramani			
Summary: Intervention and Options			RPC Opinion: 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, Two-Out? Measure qualifies as
£-1.61m	£-0.71m	£-0.071m	No NA

What is the problem under consideration? Why is government intervention necessary?
 Since 2011, various media articles have questioned the authenticity of EU produced Olive Oil, suggesting widespread adulteration with cheaper oils. In response, the EU has amended the regulations which set marketing standards for olive oil to ensure such oil is marketed accurately and to protect consumers against fraud. In particular, an annual sampling regime, including a system of inspections of olive oil bottlers and testing of olive oil, must be set up by member States, with the number of tests being calculated on the basis of the amount of oil marketed in the member State. Government intervention is necessary as national legislation is required to give powers to enforce the amended EU regulations in the UK.

What are the policy objectives and the intended effects?
 To protect consumers from misdescribed and adulterated olive oil products through a light touch, proportionate and risk-based compliance mechanism. This will also meet our legal obligations to implement the amendments to EU marketing standards.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
 Option 0 - Baseline - Do nothing. While this does not ensure compliance with the regulations it is being looked at as the counterfactual against which the preferred policy option is assessed.
 Option 1 – Preferred option. Inspect the four main bottlers plus another four bottlers. The number of samples to be taken from each bottler will be dependent on size of operation and risk of non compliance, to be assessed by a risk analysis. This option meets the minimum requirements of the EU marketing standards on olive. It introduces a light touch, proportionate sampling regime which represents good value for money.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 01/2019					
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 No	< 20 No	Small No	Medium No	Large No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: NA		Non-traded: NA

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 SELECT SIGNATORY: _____ Date: _____

Summary: Analysis & Evidence

Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year 2013	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: -1.616

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low		0.175	Optional
High		0.212	Optional
Best Estimate	0.003	0.194	1.61

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

Costs to Government relate to the annual sampling regime and operating an appeals procedure; estimated annual average £108,517 (after first year). Costs to industry relate to staff time to host an inspection visit; the cost of oil taken for official sampling (conformity checks); and the cost to update entry and withdrawal registers; cost of appeals; estimated annual average £85,395. We hope to get verification the of robustness of the figures during the consultation exercise.

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

There may be familiarisation costs but one would expect these to be negligible because the regulatory framework is well established and the new requirements are fairly simple and straightforward. No other costs have been identified at present, but we hope to get feedback from stakeholders during the consultation.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NA	NA	NA
High	NA	NA	NA
Best Estimate	NA	NA	NA

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

Benefits have not been monetised due to the lack of empirical data. We hope to receive pertinent feedback during the consultation exercise.

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

Provide verification and assurance for consumers on the reliability of information on the quality of olive oil marketed in the UK and thereby protect them against fraudulent activity.

Key assumptions/sensitivities/risks

The inspection regime that is envisaged is dependent on current perceptions of non-compliance risks.

Discount rate (%) 3.5

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0.0825	Benefits: 0	Net: -0.0825	No	NA

Evidence Base (for summary sheets)

Background

- 1.1 The sale of olive oil within the EU is governed by specific olive oil marketing standard regulations which seek to protect the consumer by ensuring that olive oil is marketed accurately and by providing a deterrent against fraud.
- 1.2 The marketing standards are outlined in Council Regulation (EC) No 1234/2007, the basic EU Regulation which sets out all of the market management rules that make up the Common Agricultural policy (CAP). The detailed rules for these standards are set out in two Commission Regulations:
 - Commission Implementing Regulation (EU) No 29/2012 covers the marketing standards for olive oil, including the setting of labelling requirements; and
 - Commission Regulation (EEC) No 2568/1991 sets out in detail the characteristics of olive oils of various types and establishes the relevant methods of analysis.
- 1.3 In summary these EU regulations:
 - detail the characteristics of the different categories of olive oil, enabling the consumer to distinguish between these categories, including the higher value unrefined products and the lower value refined oils;
 - detail the methods of analysis to determine the characteristics of the oil; and
 - specify labelling requirements, including optional terms that may be used on the label to describe the taste and smell of extra virgin or virgin olive oil.
- 1.4 The EU regulations are directly applicable in each member State. However, national legislation is required to give powers to enforce the provisions within the UK.
- 1.5 In late 2011, various media articles were published in the UK press which questioned the authenticity of EU produced olive oil, suggesting widespread adulteration with cheaper oils.
- 1.6 In response to this bad publicity, as well as to meet the challenge of competition from third country producers and to deal with structural problems within the sector, the European Commission produced an Action Plan to improve the reputation of EU produced olive oil.
- 1.7 The Action Plan made a number of recommendations, including improved member State controls. This has been implemented through amendments to Commission Regulation (EEC) No 2568/91. The main changes are as follows:
 - (i) Member State control obligations are clarified.
 - (ii) A new minimum annual sampling requirement is introduced based on the amount of oil marketed in each member State. Results of the sampling carried out must be communicated to the European Commission by 31 May of the following year.

- (iii) A new provision is introduced which requires operators who hold olive oil up to the bottling stage to keep entry and withdrawal registers of each category of olive oil. Member States will be required to check that this obligation has been carried out.

1.8 These new rules will come into force on 1 January 2014 and will be enforced by a new Statutory Instrument (SI).

Industry overview

1.9 All olive oil marketed in the UK is imported. European Commission figures show that approximately 59,000 tonnes of olive oil is marketed in the UK in total. Industry figures indicate that approximately 35,000 tonnes is marketed as bottled oil in the UK, of which about 15,000 tonnes is bottled abroad and around 20,000 tonnes is imported in bulk and bottled in the UK. The remaining 24,000 tonnes is believed to be used as an input to processed products.

1.10 We are aware of 40 bottlers of olive oil currently trading in the UK. Based on discussions with industry we estimate that one company accounts for 95% of the market by volume of olive oil and the top four comprise over 99% between them. The largest company bottles millions of litres a year. There are other, medium sized operators producing a few hundred thousand litres, and at the other end of the scale, individuals bottling small amounts over their kitchen sink. Further details on the concentration profile of the bottlers is at Appendix 1.

1.11 There have been several small operators who have started bottling over the last few years. This has been balanced out by several who have ceased bottling. We expect the overall number to remain stable.

1.12 Appendix 2 shows the size of the olive oil market in terms of average volume (litres) purchased per week and the retail sales data and estimates for the annual value of UK olive oil market.

Enforcement

1.13 Member States are required to define appropriate penalties at the national level which must be effective, proportionate and dissuasive. We have had discussions with the Ministry of Justice to design the enforcement regime. This comprises a compliance notice which may be issued in respect of a breach of the EU Regulations. Failure to comply with a notice will be a criminal offence. Obstruction of inspectors (e.g. failure to provide a register on request) will also be a criminal offence.

1.14 The Regulations will be enforced by the Rural Payments Agency (RPA) which is an executive agency of Defra. The RPA will act in Wales, Scotland and Northern Ireland under agency agreements with the Welsh Minister, Scottish Minister and Northern Ireland Minister. Local authorities will have no duty to enforce, but will have the necessary powers to investigate if they receive evidence of non compliance which they wish to follow up.

1.15 Member States are required to ensure industry compliance with the regulations. This will be done through:

- Inspections of bottlers to check a sample of paperwork, including compliance with the requirement to keep an entry and withdrawal register;

- Conformity checks to ensure the oil complies with the category declared. The conformity check consists of a chemical and taste analysis as detailed in Commission Regulation (EEC) No 2568/91. Bottles of oil collected for the conformity check will also be examined to ensure that the labelling complies with EU legislation.
- 1.16 The selection of products for the conformity checks will be determined by a risk analysis drawn up by the RPA. The detail of the risk analysis is not the subject of this consultation.
- 1.17 At least one conformity check must be carried out per thousand tonnes of olive oil marketed in the member State per year. Latest figures from the European Commission state that 59,000 tonnes was marketed in the UK. This equates to 59 conformity checks.
- 1.18 Additional checks on a UK based operator will be required if a request is made to verify the information given on a label of an olive oil product. This request may originate from another member State; a body representing operators in another member State; or the European Commission.

Rationale for intervention

- 2.1 Each member State is required to take necessary steps at national level to enforce the amended EU Olive Oil Marketing Standards. In particular, the marketing standards:
- Require member States to define penalties for non compliance; and
 - Require member States to carry out conformity checks through an annual risk based sampling programme. The results of the conformity checks must be reported to the European Commission by 15 May of the following year. The first sampling programme must take place during 2014, with a report to be sent to the Commission by 15 May 2015.

Policy objective

- 3.1 A new SI will be made that will replace the current regulations 'The Olive Oil (Marketing Standards) Regulation 2003' and 'The Olive Oil (Marketing Standards) Regulations (Northern Ireland) 2008'. The new SI will
- Provide powers to enforcement authorities to enable them to enforce the EU legislation; and
 - Provide the basis for an inspection and sampling regime under which spot checks will be carried out on olive oil products and operators bottling olive oil in order to protect consumers by ensuring the oil is marketed accurately and by deterring any potential fraudulent activity

Policy options

- 4.1 The amendments to the EU regulations on olive oil are directly applicable and are not the subject of the public consultation. Industry self-regulation is not permitted under the EU marketing standards on olive oil and cannot be considered as an option.
- 4.2 We have devised a sampling regime which consists of:

- (i) Inspections of operators bottling olive oil;
 - (ii) Conformity checks. Each check consists of a chemical and taste analysis of olive oil samples collected from operators bottling olive oil and from the retail sector. The labels of products collected for conformity checks will also be examined to ensure the labelling is compliant with the EU marketing standards on olive oil.
- 4.3 The number of conformity checks, i.e. samples to be analysed is dependent on the amount of oil marketed in the member State. Latest figures from the Commission suggest that this will be 59 samples. However, the number of bottlers to be inspected is flexible. The number of visits to collect oil for the checks is also flexible.
- 4.4 Whilst the exact details will be subject to a risk analysis, the general principles will be the subject of the public consultation as follows:
- **Option 0 Baseline – Do nothing.**
 - **Option 1 Preferred option – Inspect the four main bottlers plus another four bottlers every year. The number of samples to be taken from each bottler will be dependent on size of operation and risk of non compliance. This will be determined by a risk analysis.**

Option 0 ‘Do nothing’

- 4.5 This is the baseline option. The EU legislation requires member States to have a workable enforcement regime. In the UK this must be implemented through a new SI. To not implement would mean that we would not be meeting our obligations under EU law and would put the UK at risk of infraction proceedings for non compliance. Nevertheless we look at this option as the counterfactual for estimating the impacts for Option 1.

Option 1 Preferred Option

- 4.6 Subject to the risk analysis, we will inspect the four largest bottlers representing 99.5% of the olive oil marketed by volume plus four others. During these inspections approximately 20 conformity checks will be undertaken. In addition, approximately 15 establishments in the retail sector will be visited and 39 conformity checks undertaken. This gives a total of 59 conformity checks. The exact number of visits and number of samples collected from each establishment will be determined by the risk analysis.
- 4.7 The policy falls outside the Scope of the Micro-business Moratorium because it is outside the scope of OITO. However our aim would be to minimise inspections on micro businesses. This is justified from an enforcement point of view because a case of non compliance from a micro business will have far less effect than from a larger operator.
- 4.8 The approach outlined above meets the minimum sampling requirements of the EU marketing standards on olive oil. Industry self regulation is not permitted, thus the only possible alternatives would involve an increase in the number of establishments being visited. Any increase in the number of visits would increase burdens on micro-businesses and would not represent value for money.

Monetised and non-monetised costs and benefits (including administrative burden)

Costs to Central Government

5.1 There will be two main costs to Government:

- (i) Setting up and running an appeals mechanism; and
- (ii) Running the annual sampling regime.

Appeals

5.2 A compliance notice may be issued for breaches of the regulations. A mechanism is required to hear appeals against any compliance notices that are issued. In England and Wales appeals against a compliance notice will be heard by a First-tier Tribunal (FTT). There will be both one off set up costs and running costs to use the FTT service. We are in discussions with the Ministry of Justice (MOJ) on this.

5.3 The set up costs quoted are in the region of £3,000. Running costs quoted by the MOJ are in the region of £35,000 per year for a minimum of 10 appeals per year. However, before an appeal is made, the regulations allow for further testing of samples by other laboratories/taste panels. There is also the possibility of recourse to the RPA complaints and appeals procedure. These additional steps are likely to reduce the probability an appeal being made. We anticipate two appeals per year in the olive oil sector. We are in discussions with the MOJ on a shared cost model where payment will be made to the MOJ on a pro rata basis with respect to appeals made in relation to other pieces of food legislation. Subject to this, the annual running costs are estimated to be £7,000 as set out in table 1.

Table 1: Annual running costs of FTT in the olive oil sector

Cost for 10 appeals	£35,000
Cost per appeal	£3,500
Number of appeals	2
Total running cost for two appeals	£7,000

5.4 In Scotland, appeals will be heard by the Sheriff's Court and in Northern Ireland by Magistrates Courts. These two administrations have no bottling plants. We believe the probability of an appeal being heard in these parts of the UK is low. We have, therefore, not attributed an additional cost to Government for appeals in Scotland and Northern Ireland.

Costs relating to sampling regime

5.5 This relates to two main costs:

- Staff costs to carry out inspections of bottling establishments; and
- 59 conformity checks (cost of the chemical and taste tests on samples of olive oil).

- 5.6 The exact details of the sampling regime will be determined by a risk assessment which will be drawn up the RPA.
- 5.7 The number of conformity checks to be made is based on the amount of olive oil marketed in the UK. A total of 59 samples will be collected for analysis both from establishments which bottle olive oil and from the retail sector.

RPA staff costs

- 5.8 Visits will be carried out by an inspector at the civil service Executive Officer grade. To determine the RPA staff cost for each visit we have therefore used RPA's daily staff for Executive Officers of £203 per day including travel. Visits to the largest bottler are likely to take two days. A visit to the other seven bottlers is likely to take one day. The total cost to visit all eight bottlers is estimated to be £1,830 as outlined in table 2.
- 5.9 A visit to a retail establishment is likely to take about two thirds of a day including travel. RPA have quoted a cost of £130 for each visit. This gives a total cost for 15 visits to retailers of £1,950 and a total overall cost for RPA visits of around £3,780 as set out in table 2.

Table 2: RPA staff costs to carry out visits

Staff cost per day to visit bottlers	£203
Number of days to visit 8 bottlers	9
Total cost to visit bottlers	£1,830*
Staff cost to visit retailers	£130
Number of retailers	15
Total cost to visit retail sector	£1,950
Total cost to visit bottlers and retailers	£3,780*

*Figures rounded to the nearest £10.

Chemical analysis

- 5.10 The chemical analysis will be carried out according to methodology specified in EU Regulation 2568/91. This requires each sample collected to be subdivided into 'laboratory samples'. The cost of each 'sample' will be dependent on a number of factors including the size of the bottle; and the batch size. It will also dependent on the number of tests to be carried out on each 'sample' which can vary if an analysis of the 'laboratory samples' does not give uniform results.
- 5.11 Based on a quote received, it is estimated that the cost of the chemical analysis will fall into a range between £74,980 to £110,450 (rounded to the nearest £10).

Taste analysis

- 5.12 The taste test analysis must be carried out by an official taste panel recognised by the International Olive Council. There are no such taste panels in the UK and we have therefore received a quote from a panel based in another member state (Portugal). This was for €450 for a maximum of 15 samples. For 59 samples the cost will be €1,800 plus VAT (£1,550 based on an exchange rate of €/£ 0.8586 quoted by the BBC on 28 August

2013). The standard VAT rate in Portugal is 23%, which gives a total cost of £1,900 (rounded to the nearest £10).

Cost of despatch of samples

- 5.13 The cost of despatch of each sample will be dependent on the size and the weight of the bottles of oil. Based on existing contracts held by RPA with courier companies, it is estimated that the cost per sample for despatch to the laboratory will be in the region of £23 per sample for the chemical analysis and £30 per sample for despatch to the taste panel (which will be abroad). Total courier costs for 59 samples would, therefore be £3,130 (rounded to the nearest £10).
- 5.14 Taking account of the costs identified in paragraphs 5.8 to 5.13, the total cost of an annual inspection regime would, therefore be £83,780 to £119,250 (rounded to the nearest £10) as summarised in table 3.

Table 3: Running the annual sampling regime

staff costs to visit bottlers	£1,830
staff costs to visit retailers	£1,950
Courier costs	£3,130
Chemical analysis	£74,980-£110,450
Taste panel analysis	£1,900
Total sampling costs	£83,780- £119,250

Costs to local authorities

- 5.15 We have had informal discussions with local authorities. They have advised that the new compliance notice procedure is likely to be cost neutral in unitary and metropolitan authorities. The work of the Trading Standards Department in these authorities tends to overlap with that of the Environmental Health Department, who will have the experience in dealing with improvement notices. However whilst there is likely to be some initial start up costs in two tier authorities where the Environmental Health Department is split from Trading Standards, this cost will relate only to new paperwork and this would be minimal. We have therefore not attributed a cost.

Costs to industry

- 5.16 We have identified four main costs to industry:

- (i) Staff time to host an inspection visit;
- (ii) Cost of olive oil used for conformity check;
- (iii) Cost to comply with requirement for entry and withdrawal registers; and
- (iv) Cost of appeals.

(i) Staff time to host an inspection visit

- 5.17 We have estimated staff time to host an inspection visit at both a bottling establishment and a retail establishment. For bottling establishments this would include making

arrangements for the inspection visit to the bottling premises, conveying the inspectors to the production facilities on arrival and at the end signing and handling confirmation forms. We assume that a visit to the four largest bottlers would be hosted by a Technical Manager and at a small bottler by the proprietor. The inspection to the largest bottler is likely to take about 14 hours; visits to the other three large bottlers are expected to take about seven hours; and a visit to a small bottler is likely to about take three hours.

- 5.18 Collection of samples in the retail sector could involve visiting a retail outlet, a storage facility or a distribution centre. The number of each type of establishment to be visited will be dependent on the risk analysis. It is estimated that the visits would take one to two hours depending on the size and type of the establishment and the accessibility of the products.
- 5.19 To determine the staff time cost to host the inspection visits we have made use of Office of National Statistics' Annual Survey of hours and earnings (ASHE). We have added an uplift of 30% to take account of overheads and employer costs such as pensions and national insurance, as per the Standard Cost Model as in table 4.

Table 4: ONS: Annual Survey of hours and earnings, 2012

Type of establishment	ONS ASHE category	ASHE £/HR
Large bottler	Science, engineering & technology associate professionals	£13.18
Small bottler/retailer establishment	Other managers & proprietors	£13.47

- 5.20 Based on these figures, the total costs as shown in table 5 below would be approximately £1,070 to £1,340.

Table 5: Estimate of staff costs of inspections visits

	Length of inspection	Cost
Largest bottler	14 hrs	£184
3 other large bottlers	7 hrs	£277
4 small bottlers	3 hrs	£162
15 visits to the retail sector	1 to 2 hrs	£202- £404
Sub-total		£825-£1,027
Overheads, NI, pension contributions		£248-£308
Total		*£1,070-£1,340

*costs rounded to the nearest £10

(ii) Cost of olive oil used for conformity checks

- 5.21 Annex 1a of EU Regulation 2568/91 specifies the minimum quantity of oil which must be collected to undertake a conformity check. This is dependent on the size of the bottle and the size of the batch. For a typical bottle size of 500ml from a batch size of less than 7,500 litres, 12 litres or 24 bottles of oil must be collected. For a batch size of 7,500 to 25,000 litres, 18 litres or 36 bottles must be taken.

- 5.22 Under the preferred implementation option, 20 conformity checks will be undertaken in the bottling sector. From discussions with industry, we have assumed that 10 of the checks will be from batch sizes of less than 7,500 litres and 10 checks from batches of 7,500 to 25,000 litres.
- 5.23 The preferred implementation option will involve 39 conformity checks carried out at the retail level. We believe that it is unlikely that the batch sizes will be able to be verified at the retail outlet. In such circumstances Annex Ia of EU Regulation 2568/91 provides for an increase in the quantity of oil to be taken for each conformity check. We have, therefore, provided a range for the cost of the oil based on the assumption that 0 to 39 conformity checks are based on batch sizes of less than 7,500 litres; and 0 to 39 checks are also based on batch sizes of 7,500 litres to 25,000 litres.
- 5.24 We have been advised by industry that the average cost of wholesale extra virgin olive oil is about £2 per 500ml and that the normal mark up for retail sales is around 50%. Based on these figures the total cost as shown in table 6 would be approximately £4,010 to £5,410.

Table 6: Estimate of the cost of oil taken for conformity checks

Sector	Conformity checks	Batch less than 7,500	Batch 7,500 to 25,000	Litres	Cost per 500ml	Total cost
Bottler	20	10	10	300	£2	£1,200
Retail	39	0-39	0-39	468-702	£3	£2,810*-£4,210*
Total						£4,010*-£5,410*

*costs rounded to the nearest £10

(iii) Cost to comply with requirement for entry and withdrawal registers.

- 5.25 Informal discussions with industry have shown that some bottlers already have the necessary register for their own purposes. However, others will incur additional costs to comply with the requirement to keep entry and withdrawal registers for each category of oil held. This relates to staff time to complete the registers. We have been advised that this could take about four hours per session and that this could perhaps be undertaken on a weekly basis. Based on discussions with industry we estimate that the additional burden will fall to 20 bottlers. We shall test this assumption during the public consultation.
- 5.26 To calculate the cost to industry we have used the category 'Other managers & proprietors' from the Annual Survey of hours and earnings (ASHE), this includes an uplift of 30% to take account of overheads and employer costs such as pensions and national insurance, as per the Standard Cost Model. The total cost amounts to £72,840 as set out in table 7.

Table 7: cost to industry to comply with entry and withdrawal registers

Number of bottlers	20
Hours to update register per week	4
Cost per hour based on ASHE	£13.47
Overheads, NI, pension contributions	*£320

Weeks	52
Total	*£72,840

*Figures are rounded to the nearest £10.

(iv) Cost to industry of appeals

- 5.27 To determine the cost of appeals to industry we have considered the cost of staff time to prepare and to attend a hearing. We have assumed that preparation including consultation with legal advisors is likely to take one and a half days (10.5 hours) and that the hearing is likely to take one day (7 hours). We have made use of Office of National Statistics' Annual Survey of hours and earnings (ASHE) with an uplift of 30%. Discussions with industry suggest that more than one person, perhaps two would be involved. We have assumed one person from each category of ASHE i.e. 'Other managers & proprietors' and 'Science, engineering & technology associate' would be used. As mentioned in paragraph 5.3, the possibility of further testing and the recourse to the RPA complaints and appeals procedure reduces the likelihood of a formal appeal to the FTT being made. We therefore envisage only two appeals being made per year. Table 8 outlines the staff costs of two operators appealing per year, which is estimated to be £1,200.
- 5.28 To determine the cost of legal advice for the operator making the appeal we have used the guideline hourly rates for the summary assessment of costs issued by the Senior Court Costs Office (SCCO). The guidance specifies rates based on the experience and the geographical location of the legal advisor. We have taken the midpoint of the figures and this gives an indicative cost of £194 per hour. We have assumed that preparation for the case is likely to take one day and the case is likely to take another day (14 hours). The cost based on 2 operators is estimated to be £5,420.
- 5.29 Taking account of the costs identified in paragraphs 5.27 and 5.28, the total cost to industry of the appeals mechanism is estimated to be £6,630, as summarised in table 8.

Table 8: Cost to industry of the appeals mechanism

	Cost per hour
Science, engineering & technology associate professionals	£13.18
Other managers & proprietors	£13.47
Hours	17.50
Overheads, NI, pension contributions	£140
Total per operator	£600
Number of operators	2
Total cost of staff time for two operators	£1,200
Cost per hour of legal advice	£194
Hours	14
Number of operators receiving legal advice	2
Total cost of legal advice	£5,420
Total cost to industry	£6,630

*Costs rounded to the nearest £10

Total costs

5.30 Table 9 provides a summary of the monetised costs. The net present value is -£1.61m. The Net Present Value for business is -0.71m and from this the Equivalent Annual cost to business was derived, please see page 2.

Table 9: Summary of costs (rounded to the nearest £10)

	Option 1	
	<i>First year</i>	<i>Subsequent years</i>
Costs to Government		
Set up FTT	£3,000	£0
FTT running costs	£7,000	£7,000
Total appeals	£10,000	£7,000
Sampling		
Staff costs to visit bottlers	£1,830	£1,830
Staff costs to visit retailers	£1,950	£1,950
Courier costs	£3,130	£3,130
Chemical analysis	£74,980-£110,450	£74,980-£110,450
Taste panel analysis	£1,900	£1,900
Total sampling costs	£83,780- £119,250	£83,780- £119,250
Total costs to Government	£93,780-£129,250	£90,780-£126,250
Cost to industry		
Staff time to host visit	£1,070-£1,340	£1,070-£1,340
Cost of oil for conformity checks	£4,010-£5,410	£4,010-£5,410
Cost to complete entry/withdrawal registers	£72,840	£72,840
Cost to industry of appeals	£6,630	£6,630
Total costs to industry	£84,560-£86,230*	£84,560-£86,230*
Total costs	£178,350- £215,480	£175,350- £212,480

*The costs to industry are higher than those seen by the Regulatory Policy Committee who approved the measure as a low cost regulatory proposal. This is because informal discussions with industry have identified additional costs relating to the cost of oil for compliance checks and the cost of complying with the requirement for keeping entry and withdrawal registers. Additional costs relating to the appeals mechanism have also been identified. The costs are still well below the threshold of £1M to keep the measure as a low cost regulatory proposal.

5.31 We have considered whether there will be additional costs to industry in respect to familiarising themselves with the new regulatory requirements. We believe that any such costs will be negligible because the regulatory framework is well established and the new requirements for inspections and entry and withdrawal registers are relatively simple and straightforward.

Benefits

5.32 The UK will comply with the requirements of the EU marketing standards on olive oil and therefore avoid the risk of infraction proceedings.

5.33 Introducing the new regime will reduce the likelihood of potential fraudulent activity, thus avoiding unscrupulous operators gaining an economic benefit. That benefit, if an operator were to adulterate their oil with 10% vegetable oil, is likely to be 15p per 500ml bottle. This is based on industry figures of the wholesale cost of extra virgin olive oil of £2 per 500ml and vegetable oil at 50p per 500ml.

OITO methodology

6.1 The EU marketing standards on olive oil are directly applicable. We will not be gold plating and, therefore, this exercise is outside the scope of OITO.

Small Firms Impact Test

7.1 The policy falls outside the Scope of the Micro-business Moratorium because it is outside the scope of OITO. However, our aim would be to minimise inspections on micro businesses. This is justified from an enforcement point of view because a case of non compliance from a micro business will have far less effect than from a larger operator. Burdens on micro businesses will also be minimised by following the principles of earned recognition within the risk analysis.

Summary and preferred option with description of implementation plan

8.1 The policy is to introduce a light touch, proportionate and risk based enforcement regime to implement amended EU marketing standards on olive oil. We considered two options.

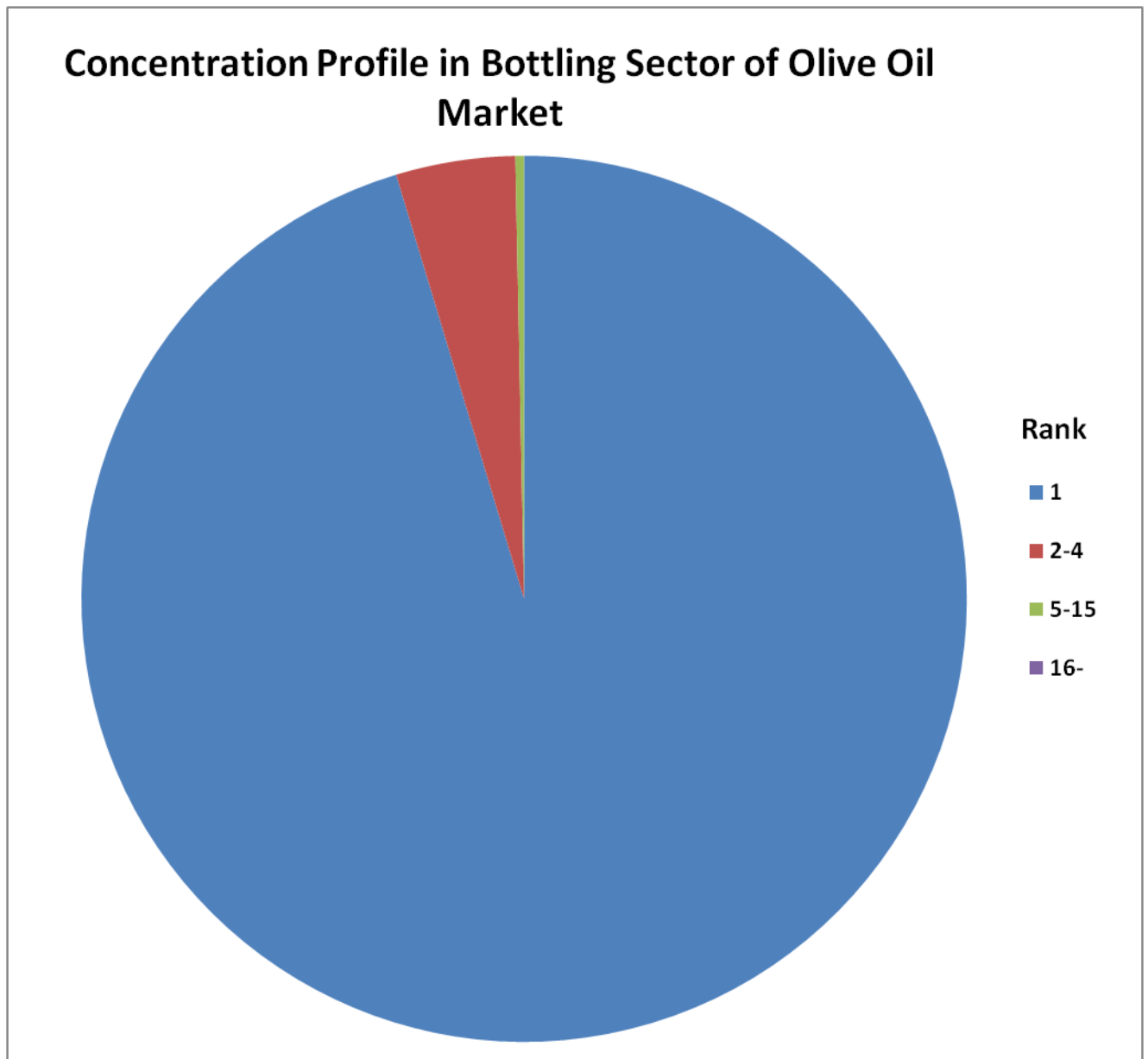
8.2 We first looked at the baseline '*do nothing*' option. However, this would not meet our commitments under EU law and risk infraction proceedings. We therefore regard this as not a feasible option.

8.3 Option 1 is our preferred option. This implements the the EU marketing standard on olive oil and meets our objective of a light touch, proportionate, risk based mechanism which complies with EU regulations. In particular, the approach meets the minimum sampling requirements of the EU marketing standards on olive oil (i.e. 59 conformity checks). We have considered other possible alternatives which would involve an increase in the number of establishments being visited. However, we have not identified evidence to suggest that the risks involved, warrant such a rigorous enforcement regime. Any increase in the number of visits to bottlers would increase burdens on industry, including micro-businesses, and would not represent value for money.

Appendix 1

Table 10: Concentration Profile in Bottling Sector of UK Olive Oil Market

Rank Grouping	Concentration Grouping
	% of UK Market
1	95.331
2-4	4.352
5-15	0.314
16-	0.004



Appendix 2

Table 11: The size of the olive oil market in terms of average volume (litres) purchased per week

	2009	2010	2011
Total (litres)/wk	849,133.67	855,572.81	923,915.29

These are estimated figures on the basis of estimated purchases per capita per week and annual population numbers. An alternative estimate of 2011 purchases is 909,565.55 litres per week.

Table 12: Retail sales data and estimates for the annual value of UK olive oil market.

	2009	2010	2011	% change
	£m	£m	£m	2009-11
Olive oil	140	143	145	3.6
of which:				
Extra virgin	80	81	82	2.5
Plain	39	39	41	5.1
Mild/light	21	23	21	-

Source: Mintel/based on SymphonyIRI Group InfoScan

