

Title: Reform of the Waste Carrier Broker Dealers regime	Impact Assessment (IA)
IA No:	Date: August 2021
RPC Reference No:	Stage: Consultation
Lead department or agency: Defra	Source of intervention: Domestic
Other departments or agencies: Environment Agency	Type of measure: Secondary legislation
	Contact:
Summary: Intervention and Options	RPC Opinion: Awaiting Scrutiny

Cost of Preferred (or more likely) Option

Total Net Present Value	Business Net Present Value	Net cost to business per year (EANDCB in 2014 prices)	One-In, Three-Out	Business Impact Target Status
-£4m	-£57m	£12m	Not in scope	Qualifying provision

What is the problem under consideration? Why is government intervention necessary?

Since the first parts of the Waste Carrier, Broker, Dealer (CBD) regime were introduced by the Control of Pollution (Amendment) Act 1989¹, the role of the waste industry has changed, and the CBD regime has not sufficiently evolved to take account of these changes. The regime does not differentiate between small and large players or the risks posed by the types and quantities of waste handled or managed by them. The lack of information captured within the current registration system results in an information failure as the Environment Agency has insufficient information to carry out effective compliance monitoring and enforcement. This in turn enables businesses to carry out criminal activity safe in the knowledge that they are unlikely to be prosecuted – resulting in significant social and environmental negative externalities and economic inefficiencies. In 2015, the Environment Agency wrote a review of the CBD regime² that identified the problems with the current registration system. Issues to be reformed were identified in the **registration, compliance, enforcement, and revocation** areas of the legislation.

What are the policy objectives and the intended effects?

The overall policy objective is to reduce activity that causes environmental harm and undermines fair competition in the waste transportation sector. This requires measures to ensure that those operating in the sector have a suitable level of technical competence in terms of classification and handling of waste, as well as measures to make it harder for deliberate criminals to operate. The policy objectives for the recommended areas of reform are:

- **Increase the requirements and standards** for becoming a waste carrier, broker or dealer.
- **Ensure waste carriers, brokers and dealers are competent**, that they understand their responsibilities and the role they need to play in securing compliance and preventing waste crime.
- **Capture more information about carriers, brokers and dealers to improve understanding** of the scale and the types of activities carried out in the sector, and subsequently improve opportunities for compliance monitoring and enforcement.
- **Ensure that the regulator has appropriate funding and powers** for compliance monitoring and enforcement.
- **Align with the proposed Digital Waste Tracking system** to strengthen the links in the relationship between the producer and the carrier, and carrier (and any broker) and recovery or disposal site.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

Non-regulatory options (voluntary measures) were initially considered but were deemed to be ineffective given the widespread non-compliance with current regulations within the sector.

- Option 1:** Do Nothing option (the baseline)
- Option 2:** Introduce a new permitting regime - mandate that waste carriers, brokers and dealers who were previously required to register as a lower tier or upper tier CBD, register for a “registered exemption” or apply for a “waste transporter / controller permit”.
- Option 3 (preferred option – on the basis that it provides the highest NPV):** Introduce a new permitting regime (as in Option 2) with the additional requirement of providing proof of technical competence at the point of registration.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: October 2028

Does implementation go beyond minimum EU requirements?	Yes / No / N/A -			
Are any of these organisations in scope? Yes – all.	Micro	Small	Medium	Large
What is the CO ₂ equivalent change in greenhouse gas emissions?	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:

¹ <https://www.legislation.gov.uk/ukpga/1989/14/contents>

² Unpublished

Summary: Analysis & Evidence

Policy Option 2

Description: Introduce a new Waste Carriers, Brokers and Dealers permitting regime

FULL ECONOMIC ASSESSMENT

Price Base Year 2020	PV Base Year 2022	Time Period Years 11	Net Benefit (Present Value (PV)) (£m)		
			Low: -£36m	High: £11m	Best Estimate: -£14m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	60.8	3	2.4	77.2
High	61.8		3.6	88.8
Best Estimate	61.3		3.1	84.1

Description and scale of key monetised costs by 'main affected groups' (all figures discounted - 2022-2032)

The Environment Agency will face transition costs associated with new IT (£1m), a communication campaigns (£0.1m) and familiarisation costs (£0.01m). The Environment Agency will face ongoing costs associated with enforcement (£3m) and managing 'registered exemptions' (£2m). During the transition period, businesses will face familiarisation costs (£40m) and businesses currently registered as an 'upper tier' carrier, broker, dealer, will need to apply for a waste transporter / controller permit which will have an application fee (£15m). New businesses joining the market will face ongoing costs associated with the time spent applying for permits (£11m). Businesses with 'registered exemptions' will need to renew their exemptions every 3 years which will have an associated time cost (£2m). Businesses will also incur costs from increased tax (businesses that are brought into compliance will begin paying tax) (£10m).

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

Additional compliance monitoring costs will be recovered from businesses through subsistence fees chargeable to businesses – these costs are currently non-monetised. Please see section 9 for further details.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	3	5.9	52.5
High	0.0		9.9	88.0
Best Estimate	0.0		7.9	70.2

Description and scale of key monetised benefits by 'main affected groups' (all figures discounted - 2022-2032)

The public sector will benefit from reduced waste crime (£10m). There will also be societal and environmental benefits from reduced waste crime (£3m). Businesses will benefit from reduced waste crime (£22m) and the removal of the current 'renewal fee' for upper tier registrations (£33m).

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

There may be time savings to businesses from not needing to renew their permit (currently businesses need to renew upper tier CBD registrations). The Environment Agency might benefit from efficiency savings – for example, they will have improved access to information which could enable more effective compliance monitoring and enforcement activities. There will also be significant environmental and societal benefits. See section 9 for further detail.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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We have assumed that the total number of businesses carrying out CBD activities will stay constant over the appraisal period. We have assumed that all upper tier CBD businesses will apply for a waste transporter / controller permit and all lower tier CBD businesses will register for a 'registered exemption'. These assumptions are both uncertain. The proposed application fee is an initial estimation and is subject to change. The assumptions on reduced waste crime are derived based on policy expertise within the Environment Agency and Defra – these are also uncertain assumptions.

BUSINESS ASSESSMENT (Option 2)

Direct impact on legitimate business (Equivalent Annual Costs: £7.3m)	Benefits: £3.6	Net: £3.7m	Score for Business Impact Target (qualifying provisions only): £16.3m
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Summary: Analysis & Evidence

Policy Option 3

Description: Introduce a new Waste Carriers, Brokers and Dealers permitting regime and introduce technical competency requirements.

FULL ECONOMIC ASSESSMENT

Price Base Year 2020	Base PV Base Year 2022	Time Period Years 11	Net Benefit (Present Value (PV)) (£m)		
			Low: -£121m	High: £110m	Best Estimate: -£5m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	60.8	3	15.3	190.1
High	61.8		21.2	243.5
Best Estimate	61.3		18.2	216.6

Description and scale of key monetised costs by 'main affected groups' (all figures discounted - 2022-2032)

The Environment Agency (EA) will face transition costs associated with new IT (£1m), a communication campaigns (£0.1m) and familiarisation costs (£0.01m). The EA will face ongoing costs associated with enforcement (£3m) and managing 'registered exemptions' (£2m). Businesses will face familiarisation costs (£40m) and businesses currently registered as an 'upper tier' carrier, broker, dealer, will need to apply for a waste transporter / controller permit and face an application fee (£15m). Businesses will face ongoing costs associated with the time spent applying for permits (£11m) and for 'registered exemptions (£2m) - incurred by current businesses operating as a CBD and new businesses that enter the market. Businesses will also incur costs from increased taxation (businesses that are brought into compliance will begin paying tax) (£52m) and increased time spent training (£92m).

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

Additional compliance monitoring costs will be recovered from businesses through subsistence fees – these costs are currently non-monetised. The technical competence qualifications that businesses will be required to complete will incur a cost – this cost is currently non-monetised. In addition, businesses may incur additional familiarisation costs associated with the technical competence framework. Please see section 9 for further details.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0.0	3	13.8	122.8
High	0.0		34.0	300.5
Best Estimate	0.0		23.9	211.6

Description and scale of key monetised benefits by 'main affected groups' (all figures discounted - 2022-2032)

The public sector will benefit from reduced waste crime (£52m). There will also be societal and environmental benefits from reduced waste crime (£14m). Businesses will benefit from reduced waste crime (£112m) and the removal of the current 'renewal fee' for upper tier registrations (£33m).

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

There may be time savings to businesses from not needing to renew their permit (currently businesses need to renew upper tier CBD registrations). The Environment Agency might benefit from efficiency savings – for example, they will have improved access to information which could enable more effective compliance monitoring and enforcement activities. There will also be environmental and societal benefits. See section 9 for further detail.

Key assumptions/sensitivities/risks	Discount rate (%)	3.5
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We have assumed that the total number of businesses carrying out CBD activities will stay constant over the appraisal period. We have assumed that all upper tier CBD businesses will apply for a waste transporter / controller permit and all lower tier CBD businesses will register for a 'registered exemption'. The proposed application fee is an initial estimation and is subject to change. The assumptions on reduced waste crime are derived based on policy expertise within the Environment Agency and Defra. We have assumed that permitted businesses will each need to spend an additional half day training to meet the new technical competence requirements. These assumptions are all uncertain.

BUSINESS ASSESSMENT (Option 3)

Direct impact on legitimate business (Equivalent Annual) £m:	
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Costs: £17m	Benefits: £3.6m	Net: £13.4m	Score for Business Impact Target (qualifying provisions only) £59m
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Glossary

Controlled waste – waste that is subject to legislative control in either its handling or its disposal.

Waste carriers - transport controlled waste as part of their business.

Waste brokers - arrange for the handling, transportation, disposal or recovery of controlled waste produced by other businesses.

Waste dealers – buy controlled waste from other businesses to sell on.

Waste transporter – An operator who moves controlled waste in a professional capacity and does not make decisions on the classification or fate of the waste. This would include carriers who currently only work as hauliers of waste, where the waste is just a material they have been paid to move. A waste carrier would be a waste transporter.

Waste controller – A controller makes decisions on the fate of controlled waste. A waste broker or dealer would be classed as a ‘Controller’.

Waste transporter / controller (T/C) - Operators that transport controlled waste and determine where it needs to be taken.

1. Regulatory background

The waste carriers, brokers and dealer’s registration regime³ (CBD regime) is intended to ensure that controlled waste in England and Wales is moved or traded by authorised persons and in a safe manner.

Under the Control of Pollution (Amendment) Act 1989⁴ and the Waste (England and Wales) Regulations 2011⁵, all movements or dealings in controlled waste⁶ in a professional capacity must be registered and periodically inspected.

These Regulations also establish major principles such as an obligation to handle waste in a way that does not have a negative impact on the environment or human health, an encouragement to apply the waste hierarchy and, in accordance with the polluter-pays principle, a requirement that the costs of disposing of waste must be borne by the holder of waste, by previous holders or by the producers of the product from which the waste came.

The current regulatory system requires individuals or businesses that carry controlled waste (‘carriers’), arrange for the movement of controlled waste (‘brokers’), or buy and sell controlled waste (‘dealers’) to be registered with the Environment Agency (EA) to operate in England. Registration can only be refused or revoked only if: *“that person or other relevant person has been convicted of a prescribed offence: and in the opinion of the authority, it is undesirable for the registered carrier to continue to be authorised to transport controlled waste.”*⁷ Registration itself confers no specific requirements on the registered entity.

Under the current registration system, CBDs must register as upper tier or lower tier depending on their activities⁸. The EA do not currently carry out initial checks of the information provided.

Table 1 – lower tier and upper tier descriptions, fees and registration requirements

	Description	Fees	Required registration details
Lower tier	Lower tier carriers only carry waste they produced in the course of carrying out their business, and not construction or demolition waste.	Free and does not need to be renewed.	Requirements on registration for lower tier are minimal, including just: name, address and contact details.

³ <https://www.gov.uk/register-renew-waste-carrier-broker-dealer-england>

⁴ <https://www.legislation.gov.uk/ukpga/1989/14/contents>

⁵ <https://www.legislation.gov.uk/uksi/2011/988/contents/made>

⁶ Waste that is subject to legislative control in either its handling or disposal

⁷ <https://www.legislation.gov.uk/ukpga/1989/14/section/3>

⁸ The EA maintains a list of registered waste carriers, brokers and dealers in England - <https://environment.data.gov.uk/public-register/view/search-waste-carriers-brokers>

Upper tier	If a person or organisation carries others' waste, carries construction or demolition waste, or arranges for waste from other businesses to be transported, recovered or disposed of, or buys or sells waste themselves or through an agent, their activities are classed as upper tier.	<u>Registration</u> Lasts for 3 years: £154 <u>Renewal</u> Lasts for a further 3 years: £105 .	An operator must provide details of the organisation's: <ul style="list-style-type: none"> - Executives, - Owners, - Directors or partners, - a list of any environmental offences they have committed.
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2. The problem under consideration

Since the first parts of the CBD regime were introduced by the Control of Pollution (Amendment) Act 1989 (CoPA), the role of the waste industry has changed, and the CBD regime has not sufficiently evolved to take account of these changes. There has been expansion of the private sector, new market segments and processes, more waste exports and the importance of brokers and now, dealers, in the chain of waste management has increased as the treatment and disposal of waste has become more complex. The regime does not differentiate between small and large players or the risks posed by the types and quantities of waste handled or managed by them.

In 2015, the Environment Agency (EA) wrote a review of the CBD regime that identified the problems with the current registration system⁹. Issues to be reformed were identified in the **registration, compliance, enforcement, and revocation** areas of the legislation.

Registration

The current **registration** process has been identified by government, regulators and industry groups as being inadequate to ensure that only legitimate, competent operators are able to control and transport waste. This is because, lower tier operators can register easily by providing limited information – enabling some operators to carry out illegal activities with minimal oversight from regulators / the government.

The current registration system also does not allow individuals to register as only a carrier, broker or dealer, which means that the EA cannot distinguish between each of the types of waste handler. This is a problem because brokers and dealers can be key players in waste crime, as identified in an internal EA report in May 2014¹⁰, and pose more of a risk than carriers with regards to profiting from avoiding regulation and tax.

Waste carriers, brokers and dealers are charged the same fee, regardless if they register as a sole carrier, or as a carrier-broker-dealer (£154 for upper tier operators). A one-size-fits-all charge assumes that there are no proportionate costs. The EA report ascertains that this is not the case, and that EA require a more complex, intelligence-led approach in their compliance work in respect of brokers and dealers.

There are convictions checks carried out at application stage for new upper tier registrations and renewals, and applicants have a legal obligation to declare unspent relevant convictions¹¹. The EA can only refuse or revoke registrations if the registered person or another person relevant to the business has been convicted of a relevant offence and if *"in the regulator's opinion, it is undesirable for the registered carrier/broker/dealer to hold or continue to be authorised to act as a carrier or broker of, or a dealer in, controlled waste"*¹².

Currently, the EA cannot revoke or refuse registration if an applicant supplies false or mis-leading information. On application, there are no initial checks of the basic information provided (name, address, place of business).

⁹ Brokers and waste crime, internal report, Environment Agency, May 2014. Unpublished.

¹⁰ Brokers and waste crime, internal report, Environment Agency, May 2014. Unpublished.

¹¹ Unspent convictions are those records that have not yet reached a defined time period and will appear on a Basic Criminal Record Check.

¹² <https://www.legislation.gov.uk/ukdsi/2011/9780111506462>

If someone registers with fake details the EA will only find out if they start to investigate the business. At this point the EA still can't revoke the registration until there is a conviction. The EA could remove the registration from the public register, but they could be challenged on this and may need to reinstate the registrant.

In addition, no operator currently has to provide evidence of technical competence or financial competence in order to register. Where operators are insufficiently informed and/or insufficiently skilled to carry out the safe transportation of waste, there can be significantly detrimental impacts to society and the environment.

Compliance

The current lack of identification of waste-carrying activities within the registration system means that the EA cannot target their compliance work to ensure its efficacy. The required information for registration does not currently provide enough information to identify high risk CBDs to target for compliance monitoring.

The regime does not differentiate between small and large players or the risks posed by the types and quantities of waste handled or managed by them. This is at odds with the other regulatory waste regimes which aim to deliver proportional charges and regulatory effort. As a result, CBD compliance work has become reactive rather than proactive, and often only occurs following enforcement activity for other reasons.

The current registration makes it difficult to identify dealers and brokers, and as a result the focus of compliance campaigns has been on waste carriers. Dealers and brokers can play a key role in the description and management of high priority wastes. Therefore, the EA is missing an opportunity to target compliance work at some of the key influential players in the waste sector.

A certain level of technical competence is not a requirement to register or to operate. As it is not a requirement, there are no compliance checks on this element and this therefore misses opportunities to tackle poor performance or illegal activities. Non-compliant operators, either through incompetence or through criminality, do not follow regulation for the transportation of controlled waste. This can result in misclassification (leading to wrongful disposal) and water, soil and air pollution through fly-tipping or illegal dumping. In addition, illegal disposal avoids the costs of legitimate disposal, which can lead to illegal businesses undercutting legal and competent operators. This not only diverts income from individual compliant operators, but also from the regulator through fees and charges, and from the government through taxation receipts. In addition, local government often incur the costs of clearing fly-tipped waste.

Enforcement

As a result of the limited scope of current legislation, there are restrictions on enforcement in the CBD sector. The range of sanctions is limited, and restricts the effectiveness of the regime and reduces its credibility. The only occasion for refusal or revocation of registration is when there is a relevant conviction.

Under CoPA, there is one offence that warrants a fixed penalty notice: failure to provide proof of registration. However, the EA rarely enforce this offence with Fixed Penalty notices as EA officers would normally have investigated the carrier prior to asking for registration, and would therefore know if they are registered or not. It also takes a lot of EA resource to pursue this route when they currently cannot reclaim costs.

The current regime does not lend itself to a regular inspection programme due to the lack of information required to be entered onto the register. The EA do not actively seek out unregistered CBDs, and if unregistered CBDs are found they are first advised to register rather than prosecuted, due to the time and monetary costs of pursuing prosecution. As a result, there has been relatively little action against registered persons acting illegally.

Furthermore, the application fees and other income to the regulator do not cover the costs of enforcement. The prosecution process will cost more than the proceeds of a successful prosecution unless combined with additional offences. This is a disincentive to the EA to take on standalone cases. The figures from recent Control

of Pollution Amendment Act 1991 (CoPA) prosecutions suggests that the EA receive only about 75% of their actual costs¹³.

More operators in the industry has also meant that there are limited options for regulatory enforcement as a result of stretched resources within the EA.

Changes in the law (the Legal Aid, Sentencing and Punishment of Offenders Act 2012¹⁴) relating to spent convictions¹⁵ pose further difficulties for the Environment Agency. Most penalties levied are fines which become spent after a year. This has an impact on the CBD regime as if the Environment Agency identify an individual with a conviction applying to register as a CBD operator, the Environment Agency have no powers to refuse where a conviction is spent. Therefore, businesses will be able to register as an upper tier CBD just one year after being convicted.

3. Rationale for intervention

Work to tackle waste crime is strongly supported by the waste industry and the existing CBD regime has been subject to criticism for a number of years.

In the government's 2018 Resources and Waste Strategy¹⁶, commitment 4.1.1 was "to improve the transport, management and description of waste by reforming regulations for duty of care, carriers/brokers/dealers, hazardous waste, and international waste shipments."

In addition, in the 2018 Statutory Review of the Waste (England and Wales) Regulations 2011¹⁷, stakeholders expressed their support for the 'Redesign of the Carriers, Brokers and Dealers (CBD) registration system in order to drive poor performance out of the industry and enable the EA to target compliance work at high risk operators, whilst ensuring burdens are kept to a minimum for lower risk operators'¹⁸.

The Independent Review into Serious and Organised Crime in the Waste Sector in 2018 highlighted "the extent to which waste is handled by an increasing number of, often opaque, intermediaries". It recommended that "Registration and duty of care requirements for carriers, brokers and dealers should be reformed (including in relation to hazardous waste)." ¹⁹

There are a number of market failures associated with the base case that this reform will address if it is implemented.

Social and Environmental negative externalities

Illegal operators generate externalities associated with market failure, which occurs when economic activities give rise to costs that are not reflected in market prices. Externalities in this case consist of the negative environmental impacts, risk to human health, and disamenity effects.

These externalities stem from disposing of waste in a non-optimal manner (e.g. not recycling, disposing of hazardous waste unsafely, or fly-tipping). Operators do this to avoid the private costs associated with the correct treatment of waste (for example, paying Landfill Tax), however in doing so there are significant costs to society and the environment – including, carbon emissions, the release of harmful chemicals, the release

¹³ Figures not published

¹⁴ <https://www.legislation.gov.uk/ukpga/2012/10/contents/enacted>

¹⁵ Unspent convictions are those records that have not yet reached a defined time period and will appear on a Basic Criminal Record Check.

¹⁶ <https://www.gov.uk/government/publications/resources-and-waste-strategy-for-england>

¹⁷ https://www.legislation.gov.uk/uksi/2011/988/pdfs/uksiod_20110988_en.pdf

¹⁸ https://www.legislation.gov.uk/uksi/2011/988/pdfs/uksiod_20110988_en.pdf

¹⁹ Recommendation 7- Independent report Serious and organised waste crime: 2018 review; commissioned by Defra

of foul odours, pollution of surface or ground water, noise and dust from vehicle movements or on-site operations, wider disamenity impacts, or safety risks from fires.

A waste controller / transporter permitting system will provide a barrier to entry through increased background checks (including criminal conviction checks²⁰) and the requirement to demonstrate technical competence (in Option 3). This, combined with the electronic waste tracking system and changes to the duty of care legislation, will ensure that only those who are legitimate and competent are able to operate. Moving to a permitting system also allows the regulators more flexibility in how they enforce the regime as they will be able to suspend and revoke permits as well as amend permit conditions. In addition, the permit system will hold additional information on businesses and their activities which will make non-compliance easier to identify and therefore easier to enforce against.

Informational failure

Currently there is an informational failure as the Environment Agency do not have access to sufficient information to effectively monitor compliance and enforce against non-compliance. This is due to the registration process obtaining limited information. An upper-tier registered business only provides details of the organisation's: Executives, Owners, Directors or partners and a list of any environmental offences they have committed. In contrast, the permitting system will require permit holders to provide additional information including: the type of organisation, the company registration number/charity commission number, contact details, dates of birth and detail any relevant offences (not just environmental offences). Under Option 3, permit holders will also need to confirm that they have met necessary technical competence requirements.

Additionally, some exemptions cover a very wide range of activities, making it difficult to know which of those is being registered and undertake subsequent risk-based compliance checks.

Economic inefficiencies

These stem from diverting waste from legal operators to illegal operators – this is detrimental to the economy as legal operators will have less waste flow through their businesses which undermines business revenue, investment, growth and employment opportunities within the legitimate waste and resources industry.

In 2015 it was estimated that the total cost to the English economy of criminal activity in the waste sector was at least £604 million²¹. The main economic costs are lost business revenues to the legitimate waste sector, loss of Landfill Tax through misclassification of waste and costs to the public sector of clearing abandoned waste sites and fly-tipped waste.

4. Policy objectives

The overall policy objective is to reduce activity that causes environmental harm and undermines fair competition in the waste transportation sector. This requires measures to ensure that those operating in the sector have a suitable level of technical competence in handling of waste, as well as measures to make it harder for deliberate criminals to operate in the waste transport sector. The policy objectives for the recommended areas of reform are:

- 1. Increase the requirements and standards** for becoming a carrier, broker or dealer to enable greater confidence in the credibility of the CBD regime and reduce opportunities for waste criminals to exploit the current weaknesses in the regime.

²⁰ Currently businesses are asked to declare whether they hold any relevant convictions, but criminal conviction checks are not routine carried out.

²¹ Rethinking Waste Crime, 2017, commissioned by the Environmental Services Association and written by Eunomia.
http://www.esauk.org/application/files/7515/3589/6448/20170502_Rethinking_Waste_Crime.pdf

2. **Ensure carriers, brokers and dealers are competent**, that they understand their responsibilities and the role they need to play in securing compliance and preventing waste crime²².
3. **Capture more information about carriers, brokers and dealers to improve understanding** of the scale and the types of activities carried out in the sector, and subsequently improve opportunities for compliance monitoring and enforcement.
4. **Ensure that the regulator has appropriate funding and powers** for compliance monitoring and enforcement.
5. **Align with the proposed Digital Waste Tracking system** to strengthen the links in the relationship between the producer and the carrier, and carrier and any broker and recovery or disposal site.

5. The Base Case

Registration

Waste carriers, brokers and dealers (CBD) must register with the Environment Agency as either lower tier or upper tier. Registration for lower tier is free of charge and lasts indefinitely, whilst registration for upper tier lasts for 3 years, after which renewal are required (which also last for 3 years). There are fixed charges for registrations, additions and renewals. Registration in itself brings no specific responsibilities or requirements beyond that of the waste Duty of Care requirements²³.

Data from 2019 suggests that there are 275,000 waste carriers, brokers and dealers registered with the Environment Agency²⁴.

Table 2 – Registered Carriers, Brokers and Dealers (2019 data)

Number of Waste Carriers, Brokers and Dealers - Total	275,198	Registration fee	Renewal fee (every 3-years)
Number of Waste Carriers, Brokers and Dealers - Lower tier	150,151	No charge	No charge
Number of Waste Carriers, Brokers and Dealers - Upper tier	125,047	£154	£105

Upper tier waste carriers, brokers and dealers are charged the same fee, regardless if they are sole carriers, or carrier-broker-dealers. £154 is the current registration fee for upper tier applicants and lower tier applicants are not required to pay a registration fee at all. Upper tier only CBDs are currently required to renew their registration and pay a renewal fee of £105 every 3 years.

Currently, the EA cannot revoke or refuse registration if an applicant supplies false or mis-leading information. The EA can only revoke a registration once the carrier/broker/dealer has been investigated and convicted of a relevant offence. Investigating and convicting a carrier/broker/dealer can be difficult and during the time it takes to get a conviction, the waste carrier, broker or dealer can continue to operate.

Technical competence is not a requirement and so is not tested at the point of registration. However, businesses may have obtained a level of technical competence for other permitted waste management activities they undertake for which it is a requirement. Many businesses also voluntarily obtain technical

²² Proposals for a new permitting regime for waste carriers, brokers and dealers, CIWM, ESA and UROC, February 2019. <https://sp.demeter.zeus.gsi.gov.uk/Sites/aa23/WRC/ layouts/15/WopiFrame.aspx?sourcedoc=/Sites/aa23/WRC/CBDR/Waste%20Regulations%20Reform/Proposals%20for%20registration%20of%20waste%20CBD%20final%2020180712.pdf&action=default>

²³ issued under section 34(7) of the Environmental Protection Act 1990 (the EPA) in relation to the duty of care set out in Section 34(1) of that Act.

²⁴ Not published data from the Environment Agency.

competence qualifications – these are usually delivered by private consultancy companies.

Compliance

In 2019/20, the EA received £5.1 million in income from CBD registration fees²⁵. This was used to fund key aspects of their work, including: The National Customer Contact Centre (NCCC)²⁶ and area operational teams to carry out compliance work.

Area operational teams carry out compliance work, in the form of roadside checks to ensure waste carriers are registered, site inspections or audits of registered CBD, and local campaigns to check registrations or identify those that are unregistered. The income from registration, however, cannot currently fund enforcement activity of the regime²⁷.

Enforcement

Offences carried out by waste carriers, brokers and dealers (namely failing to register or providing incorrect information) can only be dealt with by warning, formal caution and prosecution. This range of sanctions is limited, and restricts the effectiveness of the regime and reduces its credibility. The limitations of current legislation that can be used to enforce against illegal CBD activities, has meant that waste crime in the CBD sector is difficult to prevent, and tackle.

6. Description of policy options

Prior to carrying out this impact assessment, a number of regulatory (and non-regulatory) options were considered - these options included the possibility of self-regulation, or co-regulation. Self-regulation, co-regulation and non-regulatory options were however deemed to be effective only where wide-spread non-compliance with current regulation is not an issue.

The two key elements of the reform are the transition from a registration system to a permit system and the implementation of technical competence requirements. The points below set out why regulations rather than voluntary initiatives are being proposed in this consultation.

The permit system:

De-regulating the registration system would not be viable as the Environment Agency would not have sufficient data to monitor CBD activities and therefore waste crime would be even harder to identify and enforce against. In contrast, transitioning to a permit system (under the existing Environmental Permitting Regulations) will provide the Environment Agency with additional data that will enable more effective compliance monitoring which will make criminal activity easier to catch – therefore deterring criminals from carrying out waste crime in the first place.

In addition, the current CBD regulatory regime presents a number of limitations in the powers available to the regulator to enforce registration requirements and revoke registrations, and the absence of legislative powers to address these limitations. One major limitation is the lack of ability to enforce when operators are registered as, and therefore operate under, the incorrect tier. Reducing regulation on the requirement to formally register as a waste carrier, broker, and/or dealer would only make it more difficult to reduce waste crime.

²⁵ Income from CBD registration fees varies over the 3-year rolling renewal cycle (EA data).

²⁶ The NCCC deliver the online registration service for new and renewal applications, carry out sample checks on applicants, answer customer queries, manage the process of issuing copy cards, deal with retrieving and refunding income from charges and deal with complaints.

²⁷ CBD regime review, Environment Agency.

Technical competence requirements:

The majority of waste CBD illegal activity has been identified as being tied to the misclassification of waste or deciding for it to be taken to an inappropriate destination²⁸, and this therefore makes a strong case for reform to the current technical competence requirements.

Currently training qualifications to improve the competence of waste carriers, brokers and dealers are available on the market for businesses voluntarily undertaking them. Whilst a number of (typically larger) businesses support their staff to complete these qualifications, the voluntary nature of these qualifications means that there is insufficient uptake of the voluntary training. There's currently little incentive for businesses (particularly small businesses) to undertake voluntary training as the private cost is perceived to be greater than the private benefit.

Non-regulatory approaches for incentivising training could include subsidising training courses or monitoring compliance of businesses that have not provided evidence of specific technical competence qualifications.

However, our preferred approach is the introduction of mandatory technical competence requirements – these requirements will be implemented in a proportionate manner that takes into account the potential burden on smaller businesses. The key benefit that regulatory reform brings is the flexibility around enforcement and the upskilling of operators via the competency requirement. Therefore, only regulatory options for reforming the CBD regime have been assessed in this Impact Assessment. Non-regulatory and regulatory options will be reviewed following consultation responses ahead of the final Impact Assessment.

6.1 Option 1: Do nothing (baseline)

The first option is for the government not to intervene in the CBD regime. This option will not address the activity within the CBD industry that results in waste crime.

6.2 Option 2: A new permitting regime for waste carriers, brokers and dealers

The second option is to mandate that all waste carriers, brokers and dealers who were previously required to register as a lower tier or upper tier CBD, instead have to register for a “registered exemption”²⁹ or apply for a “waste transporter / controller permit” from the Environment Agency - unless their operation is exempt from both of these requirements³⁰. Permits will broadly replace upper tier registrations and registered exemptions will broadly replace lower tier registrations. Permits will take the form of standard rules permits.

We expect that the new waste transporter/controller permit would be part of the existing environmental permitting regime, but the application process may be separate. We would expect however that operators would be able to apply for a permit in the same way as they would an environmental permit. We would plan for the new regime to go live from October 2023. Upper tier businesses are likely to have three years to transition to having a permit and lower tier businesses are likely to have one year to transition to having a ‘registered exemption’.

²⁸ Waste carriers, brokers and dealers - Regime review report, Environment Agency 2015

²⁹ We anticipate exemptions will be available for those transporting their own non-construction/demolition waste, and some agricultural/mining/quarry waste.

³⁰ Some activities (such as local authorities operating within their statutory roles and not for profit) may be exempt from the requirement to apply for a permit or register an exemption – these policy decisions will be reviewed following the consultation.

Box 1 – Environmental permits

Currently, any establishment or undertaking that runs a waste operation (a business that uses, recycles, treats, stores or disposes of waste or mining waste) is required to hold an environmental permit issued by the Environment Agency, unless it is an exempt waste operation. The Environment Agency checks that operators comply with their permits and are competent operators through carrying out assessments and inspections, and intervening where there is a breach of permit or exemption conditions.

Application requirements

To reflect the wide ranging scale and subsequent varying activities carried out by transporter and controller (T/C) businesses, there are expected to be a range of standard rules permits created, alongside the option to register for an exemption. The exact number and details of these different standard rule permits will be subject to a separate consultation by the Environment Agency.

Box 2 – Proposed permit types

Transporter (T) - A transporter permit will be required for any operator who moves waste in a professional capacity and does not make decisions on the fate of the waste. This would include carriers who currently only work as hauliers of waste, where the waste is just a material they have been paid to move.

Controller (C) - A controller permit will be required for those **that make decisions** on the fate of waste produced by others. This will include brokers and dealers

Both Transporter and Controller (T/C) - For operators who both transport waste and determine where it needs to be taken, they will need Transporter/Controller (T/C) permits appropriate to their activities.

We are consulting on whether there is a business need for a standalone transporter permit. The range of permits and where operators may fall within them will depend on the scale and range of the operations they carry out (ie if they handle hazardous, commercial, demolition or excavation waste and if they export waste)

All applicants would be required to provide proof of identity, a principal place of business and addresses of operating centres. The applicant would also be required to prove their competence through the provision of a past record of convictions and compliance³¹.

Table 3- Potential application requirements.

Application requirements	Registered exemptions	Permit
	Applicant info	Applicant info
	Type of organisation	Type of organisation
	Names of directors	Names of directors
	Charity commission numbers or company registration number	Company secretaries
	Contact names	Company registration number or Charity commission numbers
	Date of birth	Date of birth
		Addresses
		Contact names
		Contact details so the EA can contact if they have questions about the application, the operation or billing and invoices.
	Operator competence	Operator competence
	Relevant offences	Relevant offences

³¹ The Environment Agency will check the environmental record of applicants, which indicates an operator's response to any accidents that they have been involved in, previous convictions for environmental offences and a record of compliance with permits.

We have assumed that all T/C's that are currently registered as lower tier CBDs (150,151) will register for an exemption and all T/C's that are currently registered as upper tier CBDs (125,047) will apply for a T/C permit.

There is currently no legal requirement in the Environmental Permitting Regulations for permits to be renewed. We are considering the implications of this from a policy and legal perspective, and scoping out options to make it a legal requirement or a permit condition. We do expect that at a minimum operators would be prompted to ensure that the details outlined in their permit application are up to date, to change any details as necessary and to confirm they are continuing to meet the associated competency requirements (e.g. declaring that they have not been charged with any relevant convictions). This should ensure knowledge of permitted waste controllers and transporters is up-to-date, and would allow for more targeted regulatory action in applying compliance monitoring and enforcement. As the information will be stored on their online registration, and the majority of information would not change over time, we do not expect this to be a significant additional burden. In addition, compared to the baseline whereby upper tier registered CBD operators have to renew their registration every 3-years, this more light-touch approach to renewals may result in time savings for businesses.

Table 4 – Detail on the application of permits (fees and appeal rights)

	Registered exemptions	Permit
Payment of application fee	No	Yes
Payment of annual subsistence charge ³²	No	Yes
Right of appeal against refusal / failure to grant of permit (& conditions)	N/A	Yes

Compliance monitoring

Transporters will be subject to appropriate periodic inspections. It is envisaged that inspections and other compliance monitoring would be carried out primarily to check on operator competence and record-keeping and supporting evidence.

The costs of compliance monitoring incurred by the EA will be recovered through annual subsistence fees chargeable to Waste Transporter / Controller permit holders.

Enforcement (refusal, revocation and suspension of permits)

Currently CBD registrations cannot be suspended and can only be refused/revoked if certain criteria are met³³. However, under the proposed transporter/controller permitting regime, the EA will have powers to suspend/revoke operators' permits.

Under the revised transporter/controller regime, applicants may be refused on the grounds of:

- An applicant's relevant convictions - subject to the limitations of the Rehabilitation of Offenders' legislation³⁴.
- On the basis of other specified enforcement action taken, such as previous removal of registration, or previous enforcement in relation to another waste regime.

³² Varies depending on level of compliance/intervention

³³ (Waste Regs 2011):

- The applicant/registered person or another relevant person has been convicted of a relevant offence; and
- in the EA's opinion, it is undesirable for the registered carrier/broker/dealer to hold or continue to be authorised to act as a carrier or broker of, or a dealer in, controlled waste.

³⁴ <https://www.legislation.gov.uk/ukpga/1974/53>

It is proposed that the regulator would also have power to suspend or revoke permits in the event of failure to meet obligations arising from the permit. They will also have the power to issue fixed penalty notices. New or amended offences include:

- Failing to pay necessary fees
- Collecting or transporting waste or acting as a broker or dealer without the correct permit
- Making a deliberately false or reckless statement or declaration
- Omission of operators or another relevant person on application
- Failing to keep/submit records
- Failing to supply last waste holders with relevant information

6.3 Option 3 (Preferred): A new permitting regime for waste carriers, brokers and dealers and a requirement to prove technical competence

Under this policy option, a permitting system will replace the current registration system, and all carriers, brokers and dealers will be required to apply for a permit or register an exemption, as with Option 2. Additionally, all carriers, brokers and dealers applying for a permit will be required to provide proof of technical competence through membership of an approved scheme and evidence that a specified qualification has been obtained.

Introducing the requirement for technical competence of waste carriers, brokers and dealers will increase awareness of the importance of record keeping and the impacts of misclassification of waste and illegal disposal of waste. We expect that this will increase compliance with regulation and will reduce waste crime within the industry and will create a more level-playing field for legitimate waste operators.

The technical competence qualification will be required of permit holders, proportionate to the activity that they carry out. For example, businesses that carry out lower-risk activities (e.g. transporting waste only) will be required to demonstrate a reduced scope of technical competence compared to a business that carries out more high-risk activities. Lower-risk businesses will therefore face lower costs for such qualifications. Exemption holders will not need a technical competence qualification.

A nominated person within each business may have to complete the technical competence qualification. Competence would rest with the 'establishment or undertaking' and we do not anticipate that all individual employees would need to obtain the approved competence qualification but would have to be able to demonstrate they are competent in the activities they are carrying out. A staff training management plan, produced by the permit holder and/or a nominated competent person, would be used as evidence that competency was in place for the whole workforce.

Alternatively, a workforce-based qualification could perhaps be obtained, which would allow the workplace to demonstrate competency as a whole rather than requiring individual qualifications. We are working with industry to develop the details of this framework. Some businesses may voluntarily pay for more than the minimum standard of training if they deem this to be beneficial for their business.

The framework of competency qualifications is subject to further engagement with stakeholders.

7. Summary of monetised impacts

Table 5: Summary of non-discounted (and discounted in brackets) costs and benefits, £m

	Option 2 (net impacts)	Option 3, preferred (net impacts)
Costs		
Additional registration/application fee costs (businesses)	15.3 (14.8)	15.3 (14.8)
Additional subsistence fee costs (businesses)	<i>Currently non-monetised</i>	
Additional administration cost of familiarising and complying with the reformed regime (businesses)	57.1 (50.8)	57.1 (50.8)
Exemption renewal administrative time cost (businesses)	2.0 (1.6)	2.0 (1.6)
Technical competence qualification costs (businesses)	<i>Currently non-monetised</i>	
Wider training costs (businesses)		114.2 (91.5)
Additional taxation for businesses	12.9 (10.4)	64.7 (51.9)
IT costs (EA)	1.0 (1.0)	1.0 (1.0)
Communication costs (EA)	0.1 (0.1)	0.1 (0.1)
Additional administration cost of checking applications for registered exemptions (EA)	2.3 (1.9)	2.3 (1.9)
EA enforcement costs	4.0 (3.2)	4.0 (3.2)
EA familiarisation costs	0.01 (0.01)	0.01 (0.01)
Benefits		
Removal of renewal fee benefits (businesses)	40.5 (33.2)	40.5 (33.2)
Reduced waste crime benefits (businesses)	27.9 (22.3)	139.4 (111.7)
Reduced waste crime benefits (government)	12.9 (10.4)	64.7 (51.9)
Reduced waste crime benefits (wider society)	3.5 (2.8)	17.6 (14.1)
Total costs (not discounted)	94.7	260.7
Total benefits (not discounted)	84.8	262.2
Total costs (discounted)	84.2	216.6
Total benefits (discounted)	69.5	211.6
Net impact (discounted)	-14.7	-5.0

8. Costs and benefits of each option

8.1 Option 1: Do nothing (Option 1)

This option has no monetised costs or benefits. It represents a scenario where no change is made to the current CBD regime. Options 2 and 3 will be compared against this option.

8.2 Option 2: A new permitting regime for waste carriers, brokers and dealers

Businesses will be required to familiarise themselves with the new regime and apply for a permit or register an exemption under the new regime. This will impose time costs and, in the case of permit applications, application fee costs. Businesses will also incur ongoing time costs associated with complying with the new regime. There will be costs to the regulator in the form of familiarising, transitioning and running the new regime.

The monetised benefits from this policy stem from reduced waste crime.

8.2.1 Costs to businesses (Option 2):

Application fee costs

The permit application fees will be set at a level that covers the cost to the EA of reviewing, accepting and refusing applications. The permit application fees may vary depending on the tier of permit the applicant applies for – however we have not accounted for such differences in this initial assessment.

There will be no registration fee for operators registering an exemption. Therefore, the additional costs to the EA of reviewing, accepting and refusing registered exemptions, and the costs of carrying out compliance monitoring on these businesses, will have to be funded through other means.

The application fee proposed in this analysis is subject to change as the policy develops further. An initial estimate of the application fee has been derived with guidance from colleagues with charging expertise in the EA.

When estimating the T/C permit application fee, we looked at the time costs to the EA of reviewing applications - the specific tasks that the EA are expected to carry out have been summarised in table 6.

Table 6 – activities carried out by the EA which have been factored into the cost of applying for a new permit.

Registered exemption	Transporter	Transporter/controller
Checking applicant information		
Type of organisation	Type of organisation	Type of organisation
Names of directors	Names of directors	Names of directors
Charity commission numbers or company registration number	Company secretaries	Company secretaries
Contact names	Charity commission numbers or company registration number	Charity commission numbers or company registration number
Date of birth	Addresses	Addresses
	Contact names	Contact names
	Date of birth	Date of birth
		Contact details so the EA can contact if they have questions about the application, the operation or billing and invoices.

Checking operator competence		
Relevant offences	Relevant offences	Relevant offences

It was estimated that it would take the EA 1hr 45 minutes to review and accept, or refuse, a T/C permit application. Indicative charge modelling undertaken by the EA suggests that the cost per application would be £130. This was calculated as a time cost based on the projected EA hourly staff costs (wages and non-wage costs) and the number of expected applications per year.

This is lower than the current registration fee for upper tier CBD registrations (£156) as the £130 fee only covers the costs of checking and accepting/refusing applications. In contrast, the upper tier CBD registration fee (£156) raises income to cover administration of the registration system and **compliance monitoring** of CBD businesses.

The compliance monitoring element of the T/C permit fee framework has not been monetised in this IA – this cost will however be included in the final IA. We expect that compliance monitoring costs will be recovered from businesses through annual subsistence fees from their first year of registration. Please refer to the ‘Subsistence fees’ section below for further details.

Table 7 – proposed registration fees

	Registration fee
Registered exemption	No charge
Waste transporter / controller permit holder (T or T/C)	£130

Following the implementation of the new regime in October 2023, operators registered as upper tier CBD operators will have up to three years to apply for a T/C permit – i.e. if their upper tier CBD registration is renewed in September 2023, then they will have until September 2026 to apply for a T/C permit. We expect that the rate of applications will be split equally over this three-year period. In addition, each year we expect new businesses to enter the sector and apply for waste transporter / controller permits. Based on historical trend data³⁵ provided by the EA, we have projected that each year 3,996 new businesses will apply for a waste controller / transporter permit.

We have presented the costs to **current upper tier CBD operators** (125k businesses) of applying for a T/C permit in table 8. In this table, we have not accounted for the saving to these businesses of no longer needing to pay the upper tier renewal fee (£105), that they would have paid in the absence of the new T/C permitting regime - this saving is instead captured in section 8.2.3 below to distinguish between application fees, and renewal fees.

Table 8 – Projected application fees under the new waste controller / transporter regime for current businesses, fees raised each year in £m

Current businesses	2023 ³⁶	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Businesses applying for T/C permits	10,421	41,682	41,682	31,262							
Permit application fee (£130)	1.35	5.40	5.40	4.05							16.20

³⁵ Not published

³⁶ The 2023 cost is 25% lower than other years due to the CBD permitting regime not being implemented until October 2023.

The costs to new businesses entering the sector are described in table 9. This table outlines the change in costs for new businesses joining the sector – the cost of becoming a T/C permit holder under the proposed new permitting regime, compared to becoming an upper tier registered CBD operator, under the current system. The T/C permit application fee does not include the costs associated with compliance monitoring under the new permit regime (as this cost will be captured separately through an annual subsistence fee) – therefore, compared to the baseline CBD registration fee (£154), there appears to be a saving in applying for a T/C permit (£130). This saving needs to be considered alongside the proposed ongoing subsistence fees (currently not monetised) to understand the full impact of the new fee structure on new businesses joining the industry.

Table 9 – Projected difference in fees under the current registration system, and under the new waste controller / transporter regime for new businesses, fees raised each year in £m

New businesses	2023 ³⁷	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Businesses applying for T/C permits	999	3,996	3,996	3,996	3,996	3,996	3,996	3,996	3,996	3,996	-
Permit application fee (£130)	0.13	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	0.52	4.79
Upper tier registration fee (£154)	0.15	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	0.62	5.69
Net decrease in costs	0.02	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.10	0.90

Subsistence fees

The subsistence fee framework will be designed to enable proportionate and risk-based approach inspection of permit holders. Once an application for a permit has been granted, permit holders will be required to pay annual subsistence fees to fund ongoing compliance monitoring of the T/C regime. The subsistence fee will be set at a level that covers the cost to the EA of carrying out a light touch review of the permit and carrying out compliance monitoring of permit-holders.

Subsistence fees have not been estimated as it is not known what compliance monitoring activities the EA would carry out under the permitted CBD regime (subject to further policy development and for exploration during the consultation period). Defra and the EA have started investigating compliance monitoring activities that will be covered under the permitted T/C regime and are looking into the associated costs that would be captured through subsistence fees. These costs will therefore be included in the final Impact Assessment. Further information on these costs has been included in section 9 (non-monetised impacts).

Time costs of complying with the new permitting system (including familiarisation costs)

We have assumed that upper tier businesses will have 3-years from October 2023 to apply for a T/C permit. We expect that on average a business would spend 12 and a half hours to familiarise themselves with the new system, gather all the information needed to apply for a permit and carry out the application of the permit. This compares to just 11 minutes for the time spent registering as a CBD upper tier operator under the current registration system.

³⁷ The 2023 number of businesses joining the CBD sector is 25% lower than other years due to the T/C permitting regime not being implemented until October 2023.

The estimated transition and familiarisation time commitment for the new T/C permit applications is based on google analytics data³⁸ for the time spent on applying for an existing standard rules Environmental permit using the online digital service only. Whilst the T/C permit will require less information than the Environmental permit, businesses will have to familiarise themselves with the new regulations and permits and gather the required information – therefore, we expect 12 and a half hours to be an accurate estimation of the total additional burden on each upper tier/permitted business. These assumptions are based on expert advice from the EA.

We expect that each lower tier CBD operator will need to re-register within one-year of the new regime being implemented in October 2023 – this time for a ‘registered exemption’. We expect that it will take each business 30 minutes to register for a registered exemption and all businesses in scope will incur this cost once during the transition period³⁹. This is likely to be an overestimate as many lower tier registered CBD operators will likely ‘drop out’ of the system when prompted to re-register. This is because, many lower tier CBD operators would have registered many years ago and their activities may no longer require the business to be registered with the EA.

Using the ASHE median wage for workers in waste disposal (£20.72⁴⁰) and then inflating this by 1.5% per annum to obtain a projected 2023 wage level, and then inflating this by 22% to include non-wage costs, we project that the total transition costs will amount to £44m. The split over the transition period is illustrated in the table 10 below.

Table 10 – Transition costs for currently operating businesses, including permitted and businesses with registered exemptions (Option 2)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Transition costs for all businesses	3.8	15.2	14.2	10.8							44.0
Registered exemptions	0.4	1.3	-								1.7
Permits	3.4	13.9	14.2	10.8	-	-					42.3

In addition to existing CBD operators, new CBD operators will also face additional costs of applying for a permit. Based on EA data⁴¹ on the number of upper tier CBD registrations each year, we have assumed that 3,996 businesses will enter the CBD sector each year and will need to apply for a T/C permit – at the additional time cost of 12 and half hours.

We have not accounted for new CBD operators to register for exemptions – this is because, the time cost of registering an exemption will be very similar to the time cost of registering as a lower tier CBD. Therefore, if a new business enters the industry there will not be a significant difference in the time they spend registering.

Table 11 – Transition costs for new businesses applying for waste controller / transporter permits (Option 2)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Transition costs for businesses	0.33	1.34	1.36	1.38	1.40	1.42	1.44	1.46	1.48	1.51	13.11

³⁸ Not published

³⁹ This assumption is based on internal expertise and judgement and not specific evidence.

⁴⁰<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/11690annualsurveyofhoursandearningsashesimatesofearningscoveringfourdigitoccupationbypublicandprivatesectors>
median 2020 wage for “Private, Waste disposal and environmental services managers”

⁴¹ Not published.

Ongoing compliance costs

Businesses that register for an exemption will need to renew every 3-years. This will be a new burden on small/low-risk operators as under the current system, lower tier registrations do not need to be renewed. We have assumed that it will take 15 minutes for businesses to renew their exemption.

This cost projection is likely to be an overestimate as many lower tier registered CBD operators will likely ‘drop out’ of the system⁴² when prompted to re-register, and therefore fewer exempt operators will renew their registered exemption.

Table 12 – Ongoing costs of renewing registered exemptions (Option 2)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Transition costs for businesses	-	-	-	0.21	0.65	-	0.22	0.68	-	0.23	1.99

Permitted businesses will also need to confirm that the information on their profile is still up to date. We expect businesses to be prompted to check their profile information when they pay their subsistence fee. Businesses with upper tier registrations already have to formally renew their registration every 3-years, therefore confirming that their details are still correct and making changes when necessary is unlikely to be an additional cost to businesses. We will explore this further ahead of the final Impact Assessment.

Increased taxation (This cost represents a transfer of costs from the public sector to businesses)

The implementation of a Waste Carriers, Brokers and Dealers regime will reduce the amount of ‘waste crime’ that is committed in the UK by reducing the opportunity for businesses in the waste CBD sector to carry out illegal activity, and avoid enforcement. The Environment Agency’s increased access to business information will support more targeted monitoring of compliance and provide useful evidence to effectively enforce against criminal activity.

A significant proportion⁴³ of the annual UK public sector costs associated with illegal waste sites, fly-tipping of waste, misclassification of waste and illegal exports of waste (£328m – 2020 prices) is the loss of taxation that would have been reaped if the waste had been handled legitimately. By reducing criminal activity, waste will more likely be held by legitimate operators – either due to operators transitioning from illegal activities, to legal activities, or by illegal operators leaving the market, and therefore allowing the waste that they would have handled to be handled by a legitimate business instead. With more waste being handled legitimately, more taxation (Landfill Tax, Corporation Tax and VAT) will be paid. However, this benefit to government will be a cost to businesses - therefore we have accounted for this shift in costs as a transfer.

To estimate the reduction in waste crime under Option 2 and hence estimate the additional taxation that would be payable, we engaged with the EA to derive some high-level assumptions. We agreed that the number of illegal waste sites, illegal burning incidents, fly-tipping incidents, illegal exports of waste and breaches of

⁴² This is because, many lower tier CBD operators would have registered many years ago and their activities may no longer require the business to be registered with the EA or they may no longer be active.

⁴³ The public sector costs are made up of lost taxation, clearing of fly-tipped waste/abandoned waste sites and regulator costs of enforcement. This is based on evidence provided within the Rethinking Waste Crime study (http://www.esauk.org/application/files/7515/3589/6448/20170502_Rethinking_Waste_Crime.pdf) and more recent evidence on the size of the ‘Landfill Tax gap’ (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907122/Measuring_tax_gaps_2020_edition.pdf - page 89)

permits would fall by 1%, and that misdescription of waste would fall by 0.2%⁴⁴. These assumptions are very uncertain.

A very small proportion of the monetised benefit to the public sector from reduced waste crime (£1.7m per annum) will **not be increased taxation** – reducing waste crime will also benefit the public sector through reduced waste clearing costs (fewer fly-tipping incidents and fewer abandoned illegal waste sites) and reduced enforcement costs. It has not been possible to accurately extract these specific public sector benefits from increased taxation as they’re reported in the ‘Rethinking Waste Crime’ study⁴⁵ as a single figure – therefore, by assuming that the whole public sector monetised benefit should be counted as a cost to businesses is likely overestimating the costs to businesses slightly.

Table 13 – Increased taxation for businesses as a result of waste being handled legitimately (therefore subject to taxation), rather than illegally (not discounted)

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
0.10	0.52	0.94	1.36	1.67	1.67	1.67	1.67	1.67	1.67	12.94

This cost to businesses is deemed to be ‘indirect’ and therefore it has not been included in the EANDCB calculation. The cost is deemed to be indirect on the basis that the additional taxation for businesses is dependent on illegal businesses leaving the industry or moving their business into compliance (waste brought into the legitimate sphere is more likely to raise tax receipts). To transition to operating legitimately or to accept waste that was previously handled illegally may require some changes to business activities and/or infrastructure. On this basis the cost may not be immediate and therefore we have deemed it to be indirect.

8.2.2 Costs to the Environment Agency (Option 2):

Additional costs to the Environment Agency of managing registered exemptions

The costs associated with overseeing **registered exemptions** cannot legally be recovered through fees as businesses will not be required to pay at the point of registration or renewal. Although there is currently no charge to register an exemption, powers in the Environment Bill (in passage at time of writing) will allow regulators to charge for registering a waste exemption to fund compliance checking and processing. Any charges will need to be considered on an exemption by exemption basis; the relative benefits of having greater compliance activity against the benefits of a free-to-register exemption in facilitating the sustainable use of waste as a resource. The EA will be required to register current lower tier operators (150k) with ‘registered exemptions’ within the first 12-months of the new CBD regime going live.

For the purposes of the analysis we estimate all businesses currently registered as lower tier will register for a ‘registered exemption’ – however, this might be an overestimate on the basis that some businesses who are registered as lower tier, may not actually carry out CBD waste activities anymore. This is because registered exemptions aren’t time limited and won’t reflect businesses who have left the sector. We have not accounted for any additional small/low-risk businesses joining the CBD sector on the basis that we expect new businesses to be balanced out by businesses that leave the sector.

The EA have estimated that there will be ongoing IT costs associated with managing registered exemptions (~£235k/year). The ~£235k figure includes general support and maintenance of the digital IT service (including continuous updates to the service). In addition, the EA will need to spend time assisting with these registrations (~£12k/year). The ~£12k figure is based on 2% of businesses requiring support when registering for a ‘registered exemption’ and each call lasting 10 minutes⁴⁶. We have used the EA’s hourly staff costs

⁴⁴ This assumption is based on expertise and judgement and not specific evidence.

⁴⁵ http://www.esauk.org/application/files/7515/3589/6448/20170502_Rethinking_Waste_Crime.pdf

⁴⁶ These assumptions are based on expertise and judgement and not specific evidence.

(including non-wage costs) to estimate the cost. Given the uncertainty, we have also included a low-estimate (0% of businesses requiring support, £0) and a high-estimate (10% of businesses requiring support, ~£76k/year).

Table 14 – Additional cost to the EA of managing registered exemptions (Option 2)⁴⁷

	2023 ⁴⁸	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Best	0.06	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	2.32
Low	0.06	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	0.24	2.17
High	0.08	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	0.31	2.87

Enforcement costs

Enforcing this policy proposal would present an additional cost to the regulator of £500k/year⁴⁹ from 2026 – increasing incrementally to this cost from implementation of the new regime in 2023. The incremental rise in costs is due to the assumption that operators will gradually transition to the new T/C regime following its implementation in 2023 – i.e. operators will still be registered as lower/upper tier until their current registrations expire and whilst operators are registered under the previous regime they are less likely to be involved in additional enforcement activity carried out by the EA as they will not have provided additional information to support the EA’s targeted enforcement.

Table 15 – Enforcement costs to the EA (Option 2)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Enforcement costs	0.03	0.16	0.28	0.50	0.50	0.50	0.50	0.50	0.50	0.50	3.97

In “Waste Crime: Tackling Britain’s Dirty Secret”⁵⁰ the ESA outlined the case for investment in enforcement - the report estimated that, at the margin, for every £1 invested in combatting waste crime, as much as £5.60 could be returned in benefits.

Familiarisation costs

Operational staff within the EA will need to spend time familiarising themselves with the new permitting process and learning about the new categories for permits. The EA have estimated that familiarising with the new T/C regime will take 200-hours in total. We have used the projected EA FTE hourly cost for 2023 and applied this to the 200-hour time cost to get a familiarisation cost of £13,313⁵¹.

Campaigns to promote public awareness

The EA are expected to run a communication campaign to inform businesses of the changes to the CBD regime. In total the EA have estimated that it will cost £100k to support the development of external campaign materials and run the campaign.

We expect that these costs will be split in the following way:

- Half of the costs (£50,000) will be incurred in the 12-months ahead of implementation of the new reform, in 2022; this is likely to capture the work undertaken to prepare the campaign.
- The remainder of the cost will account for the running of the campaign over 2023-2026. We assume this will be equally split and represent roughly £12,500/year over the period 2023-2026.

⁴⁷ Figures may not sum exactly due to rounding.

⁴⁸ The 2023 cost is 25% lower than other years due to the CBD permitting regime not being implemented until October 2023.

⁴⁹ Estimate provided by the Environment Agency following discussions with Defra officials.

⁵⁰ http://www.esauk.org/application/files/4515/3589/6453/ESAET_Waste_Crime_Tackling_Britains_Dirty_Secret_LIVE.pdf

⁵¹ 200 hours x (the EA’s wage cost + non-wage costs)

Table 16 – communication costs to the EA (Option 2), £m

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Campaign to promote public awareness	0.05	0.01	0.01	0.01	0.01							0.10

IT costs

The IT system that the EA uses to process CBD registrations and renewals will need to be replaced to administer at least four categories of permits and registered exemptions. The new IT system will also need to obtain additional information compared to the current IT system in use. The new IT system will replicate the Environmental permitting process for applications/renewals. The EA have estimated that a new IT system will cost £1m⁵². We have assumed that this cost will be incurred in the first year of the transition period (2023) – ahead of the Waste transporter / controller regime going live in October 2023. To account for uncertainty around this IT cost, a low estimate (£0.5m) and a high estimate (£1.5m) have been included within the analysis.

8.2.3 Benefits to businesses (Option 2)

Removal of the renewal fee

Currently, upper tier registrations are renewed every 3-years – renewals require businesses to pay a ‘renewal fee’ of £105 each time. Waste controller / transporter permits will not need to be formally renewed, and therefore there will be a saving to waste transporter / controller permitted businesses from no longer having to incur the associated renewal fee (£105 every 3-years).

We have applied this saving to the total number of permitted businesses (125,047⁵³) and split the saving equally over 3-year periods (i.e. October 2023-October 2026).

Table 17 – savings to businesses from the removal of the renewal fee for upper tier registrations (Option 2), £m

	2023 ⁵⁴	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Number of businesses	10,421	41,682	41,682	41,682	41,682	41,682	41,682	41,682	41,682	41,682	
Annual saving (£m)	1.1	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	4.4	40.5

Reduced waste crime

The reforms to the CBD regime proposed under Option 2 will reduce waste crime by providing the EA with additional data, and enforcement powers, to more effectively target compliance monitoring and carry out enforcement activities.

⁵² This assumption is based on EA expertise and judgement.

⁵³ Upper tier registered CBD operators in 2019.

⁵⁴ The 2023 saving is 25% lower than other years due to the CBD permitting regime not being implemented until October 2023.

Waste crime currently has a significant impact on legitimate businesses in the waste sector – in 2015, it was estimated that the total annual cost to legitimate businesses a result of waste crime was £360m⁵⁵ (uplifted to 2020 prices). The costs to businesses quantified in table 18 are made up of the lost turnover to the legitimate waste management industry, as a direct result of waste being diverted to illegal operators and the costs of clearing fly-tipped waste on private land - the Country Land and Business Association (CLA) estimated that clearing fly-tipped waste costs its members up to £150m per year⁵⁶. There are also other costs to businesses that have not been quantified in this study – the impact on unfair competition, lost turnover to secondary material processors and reduced confidence in the sector.

Table 18 – Costs of waste crime estimations by the ESA (2017)⁵⁷ and more recent research on misdescription of waste carried out by HMRC⁵⁸ (uplifted to 2020 prices)

	Private sector	Public sector	Wider society	Total
Illegal waste sites	£82,763,327	£12,392,991	£13,469,312	£108,625,631
Illegal burning	£2,457,494	£18,743,074		£21,200,568
Fly-tipping	£183,362,242	£33,681,070	£14,191,390	£231,234,701
Misclassification and fraud		£231,092,437		£231,092,437
Illegal exports of waste	£12,839,939	£2,903,779	£17,633,163	£33,376,881
Serious breach of permits and exemptions	£78,367,329	£18,023,869		£96,391,198
Local Authorities and EA Enforcement Activities		£35,030,974		£35,030,974
Total	£359,790,330	£351,868,193	£45,293,864	£756,952,388

The increased information provided through registering for a waste transporter / controller and the additional powers available to the EA to reject and revoke permits will offer a number of key benefits that will lead to reduced waste crime. The impact of the proposed permitting regime reforms on waste crime is summarised in box 3.

Box 3 – impact of the proposed permitting regime reforms on waste crime

- The EA will be in a position to reject operators that they deem do not meet the standards for carrying out CBD activities (evidence of a proven record of non-compliance with regulation). Therefore, reducing the likelihood of illegal operators entering sector in the first instance.
- More information will enable the EA to target their compliance monitoring. They will be able to identify operators that are more high-risk and focus their efforts on these operators.
- CBDs operating without an appropriate permit/registered exemption, or not meeting the requirements of their permit/exemption would face sufficient compliance monitoring and enforcement measures to bring them into compliance. If operators continue to not comply, the EA will have increased power to drive illegal operators out of the sector - the explicit conditions in permits would give the regulator more power to enforce requirements, both increasing effective prosecutions for waste crime and having more

⁵⁵ http://www.esauk.org/application/files/7515/3589/6448/20170502_Rethinking_Waste_Crime.pdf

⁵⁶ The Environment Agency focuses on the polluter pays principle and seeks waste clearance from the offender. However, if the offender cannot be found, the responsibility for clearance rests with the landowner. Only in very limited circumstances where the threat to the environment is imminent and significant will the EA step in to use their funds to clear waste.

⁵⁷ ESA (2017) Rethinking Waste Crime (http://www.esauk.org/application/files/7515/3589/6448/20170502_Rethinking_Waste_Crime.pdf)

⁵⁸ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907122/Measuring_tax_gaps_2020_edition.pdf

flexibility to suspend permits. The power to suspend permits would be a new power for the regulator enabled by moving into the environmental permitting regulations.

- Where an operator falls short of meeting the EA’s expectations for carrying out CBD activities, the EA will be able to revoke their permit. This is likely to deter operators from not complying with the regulations as well as enabling the removal of operators that are found to be non-compliant.
- Exempt operators would undergo a comparable level of compliance monitoring to what is currently applied for lower tier carriers. However, the EA would have more information to go on if they do detect illegality/operators not working within the parameters of the exemption.

When illegal operators are deterred/removed from the waste industry, the waste that the illegal CBD operators would have handled will instead be handled by compliant operators. Alternatively, operators might choose to become compliant – in which case, the waste will still be diverted from being handled illegally to legally, albeit by the same operator. Both impacts will have a monetary benefit in the form of increased profit to compliant businesses.

Through engaging with the EA, we have derived some high-level assumptions on the expected reduction in waste crime as a direct result of the proposed reforms to the CBD regime. In particular, we assume that the new CBD regime will lead to 1% reduction in specific types of waste crime that impact businesses - outlined in table 19.

The figures in tables 19 and 20 have been uplifted from 2015 prices (as used in the ESA’s report⁵⁹) to 2020 prices using GDP deflator factors. Our estimates show that the annual benefit to businesses from these expected reductions in waste crime will total £3.6m.

Table 19 – Expected reduction in waste crime as a result of the CBD regime reform (Option 2), 2020 prices

	Expected reduction in waste crime	Annual benefit to businesses
Illegal waste sites	1%	£827,633
Illegal burning	1%	£24,575
Fly-tipping	1%	£1,833,622
Illegal exports of waste	1%	£128,399
Serious breach of permits and exemptions	1%	£783,673
Total		£ 3,597,903

To allow for varying levels of registrations during the transition period, we assume that the £3.6m annual benefit for businesses will be obtained in full three years after implementing the new permitting regime in October 2023 - gradually increasing to this point over the transition period. Given the uncertainty around this benefit, we have included low (0.5% reduction) and high (1.5% reduction) estimates within the appraisal.

Table 20 – Benefits to businesses from reduced waste crime (Option 2), £m

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Central	0.22	1.12	2.02	2.92	3.60	3.60	3.60	3.60	3.60	3.60	27.88
Low estimate	0.11	0.56	1.01	1.46	1.80	1.80	1.80	1.80	1.80	1.80	13.9
High estimate	0.34	1.69	3.04	4.38	5.40	5.40	5.40	5.40	5.40	5.40	41.8

⁵⁹ ESA (2017) Rethinking Waste Crime

These savings to businesses are deemed to be ‘indirect’ and therefore they have not been included in the EANDCB calculation. They are deemed to be indirect on the basis that the additional profit to legitimate businesses is dependent on illegal businesses leaving the industry (freeing up the waste to be handled by a legitimate operator) or moving their business into compliance. To transition to operating legitimately or to accept waste that was previously handled illegally may require some changes to business activities and/or infrastructure. On this basis the benefit may not be immediate and therefore we consider the benefit to be indirect.

8.2.4 Benefits to the Environment Agency and central government (Option 2)

The EA will receive an income in the form of application fees and subsistence charges. However, the fees will be set at a level that covers the costs of administering Waste transporter / controller applications and compliance monitoring costs⁶⁰. Therefore, we have not accounted for any change in the income for regulators under the new reform.

Reduced waste crime

The public sector (central government and the Environment Agency) are expected to benefit from reduced waste crime as a result of the new CBD regime. The potential benefits to central government arise from increased taxation (Landfill Tax, Corporation Tax and VAT) and reduced burden on the fire services. The potential benefits to the Environment Agency arise from efficiency savings in compliance monitoring and enforcement and savings in clearing illegally dumped waste. Local government will also benefit from savings associated with reduced fly-tipping (reduced clearing costs).

The annual cost to the public sector as a result of waste crime was estimated to be £238m according to the ESA’s 2017 study⁶¹ (2015 prices).

Table 21 – Costs of waste crime estimations by the ESA (2017) and more recent research on misdescription of waste carried out by HMRC⁶² (uplifted to 2020 prices)

	Private sector	Public sector	Wider society	Total
Illegal waste sites	£82,763,327	£12,392,991	£13,469,312	£108,625,631
Illegal burning	£2,457,494	£18,743,074		£21,200,568
Fly-tipping	£183,362,242	£33,681,070	£14,191,390	£231,234,701
Misclassification and fraud		£231,092,437		£231,092,437
Illegal exports of waste	£12,839,939	£2,903,779	£17,633,163	£33,376,881
Serious breach of permits and exemptions	£78,367,329	£18,023,869		£96,391,198
Local Authorities and EA Enforcement Activities		£35,030,974		£35,030,974
Total	£359,790,330	£351,868,193	£45,293,864	£756,952,388

The benefits to the public sector from reduced waste crime occur due to the reasons outlined in box 3 above.

As with the benefits to businesses from reduced waste crime, we have used estimated reductions in waste crime (using EA expertise to derive these assumptions), and we have applied these % reductions to the current annual costs to the public sector according to the ESA’s waste crime study, to calculate the expected annual benefits to the public sector.

⁶⁰ Compliance monitoring costs have not been costed at this stage.

⁶¹ http://www.esauk.org/application/files/7515/3589/6448/20170502_Rethinking_Waste_Crime.pdf

⁶² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907122/Measuring_tax_gaps_2020_edition.pdf

The figures in tables 22 and 23 have been uplifted from 2015 prices (as used in the ESA’s report) to 2020 prices using GDP deflator factors.

According to our estimates, the public sector will benefit by £1.69m annually from reductions in waste crime associated with the new waste transport / controller permits. As above, we assume that these benefits will gradually build up over the transition period and remain steady thereafter. In table 23 we have added low and high estimates, a reduction in each of the crimes (other than misclassification of waste) by 0.5% and 1.5% respectively. For the reduction in misclassification of waste/fraud, we have calculated a low estimate by assuming the cost of misclassification/fraud will reduce by 0.1% and a high estimate by assuming that the cost of crime will reduce by 0.3%.

Table 22 – Expected reduction in waste crime as a result of the CBD regime reform

	Expected reduction in waste crime	Annual benefit to the EA and central government
Illegal waste sites	1%	£ 123,930
Illegal burning	1%	£ 187,431
Fly-tipping	1%	£ 336,811
Misclassification and fraud	0.2%	£ 483,963
Illegal exports of waste	1%	£ 29,038
Serious breach of permits and exemptions	1%	£ 180,239
Local Authorities and EA Enforcement Activities	1%	£ 350,310
Total		£ 1,691,721

Table 23 – Benefits to the public sector from reduced waste crime (Option 2), £m

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Central	0.10	0.52	0.94	1.36	1.67	1.67	1.67	1.67	1.67	1.67	12.94
Low	0.1	0.3	0.5	0.7	0.8	0.8	0.8	0.8	0.8	0.8	6.5
High	0.2	0.8	1.4	2.0	2.5	2.5	2.5	2.5	2.5	2.5	19.4

8.2.5 Benefits to society and the environment (Option 2)

The ESA’s study estimated that the costs to wider society (including environmental costs) amounted to £41m/year (2015 prices). This estimation includes monetised carbon impacts only, but there are many non-monetised impacts of waste crime that are also causing significant social impacts.

- Illegal waste sites, fires and fly-tips can release foul odours, pollute land and water, and create disamenity impacts, noise, dust and smoke.
- Waste that is fly tipped is more likely to be sent to landfill or other residual waste treatment facilities once it is cleared rather than being recycled.
- The disguising of hazardous waste as non-hazardous waste results in environmental damage (including soil erosion and emissions).
- The suboptimal disposal of waste as a result of illegal activity increases societies reliance on raw material extraction due to material being lost to inadequate disposal.

Requiring CBDs to submit more information on their activities and enabling the EA more power to refuse, suspend and remove businesses from operating as CBDs that carry out illegal activities will improve practice in the sector and reduce waste crime, and the environmental damage that it can cause.

Table 24 – Costs of waste crime estimations by the ESA (2017) and more recent research on misdescription of waste carried out by HMRC⁶³ (uplifted to 2020 prices)

	Private sector	Public sector	Wider society	Total
Illegal waste sites	£82,763,327	£12,392,991	£13,469,312	£108,625,631
Illegal burning	£2,457,494	£18,743,074		£21,200,568
Fly-tipping	£183,362,242	£33,681,070	£14,191,390	£231,234,701
Misclassification and fraud		£231,092,437		£231,092,437
Illegal exports of waste	£12,839,939	£2,903,779	£17,633,163	£33,376,881
Serious breach of permits and exemptions	£78,367,329	£18,023,869		£96,391,198
Local Authorities and EA Enforcement Activities		£35,030,974		£35,030,974
Total	£359,790,330	£351,868,193	£45,293,864	£756,952,388

The waste transporter / controller permitting regime will reduce waste crime and result in benefits to society due to the reasons outlined in box 3 above. As with the benefits to businesses and the public sector, we used estimated reductions in waste crime (based on EA expertise), and we have applied these % reductions to the current annual costs to society according to the ESA's waste crime study, to calculate the expected annual benefits to society.

The figures in tables 25 and 26 have been uplifted from 2015 prices (as used in the ESA's report) to 2020 prices using GDP deflator factors.

The impact of the CBD regime reform on waste crime will result in an annual monetised societal benefit of £450,000. We estimate that the full scale of this benefit will be fully realised by October 2026, with the benefits gradually increasing to £450,000 over the transition period. In table 26, we have estimated a low benefit (a reduction of 0.5%) and a high benefit from reduced waste crime (1.5%) to account for some of the uncertainty of this benefit.

Table 25 – Expected reduction in waste crime as a result of the CBD regime reform

	Expected reduction in waste crime	Annual benefit to the environment and society
Illegal waste sites	1%	£134,693
Fly-tipping	1%	£141,914
Illegal exports of waste	1%	£176,332
Total		£452,939

Table 26 – Benefits to society and the environment from reduced waste crime (Option 2), £m

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Central	0.03	0.14	0.25	0.37	0.45	0.45	0.45	0.45	0.45	0.45	3.51
Low	0.0	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.8
High	0.0	0.2	0.4	0.6	0.7	0.7	0.7	0.7	0.7	0.7	5.3

⁶³https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907122/Measuring_tax_gaps_2020_edition.pdf

8.3 Option 3 (Preferred): A new permitting regime for waste carriers, brokers and dealers and a requirement to prove technical competence

The same impacts are expected to occur in Option 3 as in Option 2 due to the new waste controller / transporter permitting regime being in place under both scenarios.

In addition to the impacts incurred under Option 2 (as described in section 8.2), there will be further impacts associated with a mandatory technical competence qualification for permitted Transporters/Controllers registered in the CBD regime. Operators permitted under the CBD regime will be required to provide proof of their technical competence, through a qualified and assessed employee, either full-time or contracted. This additional requirement to provide proof of technical competence is expected to have a greater impact on reduced waste crime, compared to the expected impact under Option 2.

8.3.1 Costs to businesses (Option 3)

Under Option 3, businesses will face the same costs as described in section 8.2.1 – summarised in table 27.

Table 27 – costs to businesses (Option 2 and Option 3)

	Total costs (2022-2032) (not discounted)
Additional costs associated with new application fees (Includes cost of currently registered upper tier businesses applying for a permit (£16.2m) and the saving to new businesses joining the market and paying the estimated Waste transporter / controller application fee (£130), rather than the CBD upper tier registration fee (£154)), (£0.9m)	£15m
Transition and familiarisation time costs	£44m
Ongoing administration time costs to businesses of complying with the new system (renewing exemptions and new businesses registering for applying for permits).	£13m

Technical competence qualifications

In addition to the costs described in table 27, there will be costs to permitted businesses for completing a technical competence qualification.

The framework and syllabus for the technical competence qualification requirements is still being developed and form a central part of the consultation. These requirements will be finalised once the consultation responses have been received and further engagement has been carried out with industry. The underpinning assumptions of the technical competency framework that are to be decided include:

- Who will require a technical competency qualification
- What level of technical competence individual businesses will require (this will be key in determining the cost of each qualification).

In addition, there are further uncertainties related to which pre-existing competency qualifications will be deemed to be sufficient under the new regime - businesses with qualifications that are deemed to be sufficient will not require additional qualifications. In some cases, it might be the case that an operator in a business has a technical competency qualification that covers most of the skills/knowledge that are required under the new framework and that a top-up module could be carried out to plug the necessary gaps. These points of the framework are still under review.

We expect that the cost to businesses of obtaining competency qualifications will increase as the range of activities the operator is required to undertake increases. For example, we expect those who only transport waste under the direction of others will incur a relatively low cost of training related to the safe transportation of waste. In contrast, those who transport and are in control of the fate of waste, or those that handle hazardous waste or waste exports, will require a higher level of competency and therefore greater associated costs.

In order to indicate the magnitude of costs that businesses could face in a **very high-cost** scenario, we have assumed that all businesses in-scope of the permitting regime will be required to complete a **whole new qualification** and that these businesses would not reap any savings from no longer paying for staff to complete qualifications that they currently use.

We have used current WAMITAB Level 4 competency qualification costs for low-risk, medium-risk and high-risk operators⁶⁴ to provide this estimate.

Table 28 – very high-estimate of technical competency qualification

	Qualification cost	No. of businesses in-scope	Total cost
High risk (T/C 3)	£2,987	43,578	£130,168,221
Medium risk (T/C 2)	£1,793	77,673	£139,268,059
Low risk (T and T/C 1)	£1,395	3,796	£5,294,789
Total		125,047	£274,731,069

These costs have not been included in the NPV calculations at this stage as we believe that they do not present a realistic total cost to businesses as a result of the new qualification framework. We will continue to engage with industry to finalise the qualification framework and will seek views through the consultation to specifically assist with the development of this element of the policy.

General training costs

The new regime requires operators to maintain a specific level of competence within their practices. To ensure required competence levels are met businesses will have to commit to training/qualification which will incur a time cost on businesses. We have assumed that this training requirement will result in each permitted CBD business spending an additional half-day (4 hours) on training each year⁶⁵. Some businesses may encourage staff to spend more time training than this if they deem this to be beneficial for their business.

Using the ASHE median wage for workers in waste disposal (£20.72⁶⁶) and then inflating this by 1.5% per annum to obtain a projected 2023 wage level and then inflating this by 22% to include non-wage costs, we estimate that total general training costs will amount to £114m⁶⁷ over the first ten years of the new regime. We assume that the full annual cost will start incurring in the first year after the transition period (2026); prior to this, training costs gradually increase over the transition period.

⁶⁴ <https://www.learninglight.com/wamitab-qualifications/>

⁶⁵ Assumption based on the length of a standard training course.

⁶⁶ <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/adhocs/11690annualsurveyofhoursandearningsashesimatesofearningscoveringfourdigitoccupationbypublicandprivatesectors>
median 2020 wage for “Private, Waste disposal and environmental services managers”

⁶⁷ In 2026, the annual cost is calculated by multiplying hourly wage (£22.66) x overheads factor (1.22) x hours spent training (4) x no. businesses (125k).

Table 29 – training costs to businesses (Option 2), £m

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
General training time costs (£m)	0.86	4.32	7.78	13.83	14.03	14.24	14.46	14.67	14.89	15.12	114.21

Increased taxation *(This cost represents a transfer of costs from the public sector to businesses)*

As outlined in section 8.2.2 above, the implementation of a Waste Carriers, Brokers and Dealers regime will reduce the amount of ‘waste crime’ that is committed in the UK by reducing the opportunity for businesses in the waste CBD sector to carry out illegal activity, and get away with it. In turn, this will increase taxation receipts as more waste will be handled in the legitimate market. The additional taxation under Option 3 is greater than the additional taxation proposed under Option 2 due to the assumption that there will be a more significant reduction in waste crime under Option 3 – see section 8.3.4 below.

Table 30 – Increased taxation for businesses as a result of waste being handled legitimately (therefore subject to taxation), rather than illegally (not discounted) (£m)

2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
0.5	2.6	4.7	6.8	8.3	8.3	8.3	8.3	8.3	8.3	64.7

This cost to businesses is deemed to be ‘indirect’ and therefore it has not been included in the EANDCB calculation. The cost is deemed to be indirect on the basis that the additional taxation for businesses is dependent on illegal businesses leaving the industry or moving their business into compliance (waste brought into the legitimate sphere is more likely to raise tax receipts). To transition to operating legitimately or to accept waste that was previously handled illegally may require some changes to business activities and/or infrastructure. On this basis the cost may not be immediate and therefore we have deemed it to be indirect.

8.3.2 Costs to the Environment Agency (Option 3)

The familiarisation, communication and administration costs relevant to Option 2 are also relevant to Option 3. We do not expect these costs to change with the addition of the technical competence requirement for permit holders.

Table 31 – Total costs to the EA (Option 2 and Option 3)

	Total costs (2023-32) (not discounted)
Familiarisation costs	£13,313
Additional communication costs	£100,000
IT costs ⁶⁸	£1,000,000
Registered exemption management	£2,000,000

Enforcement costs

Differing technical competence requirements for different tiers will present an additional need for compliance monitoring and enforcement for the regulator – CBD operators may misclassify their activities to avoid the costs of complying with operator competence requirements. Therefore, there will be increased pressure on the regulator in the form of additional monitoring activity to ensure that operators are complying with the technical competence for which their activities require.

⁶⁸ The same IT system will be required under Option 3 as for Option 2 (described in more detail in section 8.2.2). However, under Option 3, the IT system will also need to record evidence of the technical competence qualification for permit holders.

However, we expect that the additional criteria for the EA to carry out enforcement activities over will be offset by the reduction in non-compliance as a result of the technical competence qualification. The enforcement costs are therefore expected to be the same under Option 3, as under Option 2.

Table 32 – Enforcement costs to the EA (Option 3) (£m)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Enforcement costs	0.03	0.16	0.28	0.50	0.50	0.50	0.50	0.50	0.50	0.50	3.97

8.3.3 Benefits to businesses (Option 3)

We expect the reduction in waste crime to be greater under Option 3 compared to Option 2. This is because requiring proof of technical competence from all permitted waste carriers, brokers and dealers should reduce waste crime that occurs through incompetence, but also crime that occurs deliberately, as a result of the requirement of competence in the permitting application. The ongoing monitoring of compliance with technical competence requirements will also reduce waste crime through early identification of malpractice in CBD activities.

The EA have used their expertise as regulators to help us derive estimated reductions in waste crime as result of the policies proposed under Option 3. We have applied these % reductions to the current annual costs to legitimate businesses according to the ESA’s waste crime study, to calculate the expected annual benefits to legitimate businesses.

The figures in table 33 have been uplifted from 2015 prices (as used in the ESA’s report⁶⁹) to 2020 prices using GDP deflator factors.

Table 33 – Expected reduction in waste crime as a result of the CBD regime reform (Option 3)

	Expected reduction in waste crime	Annual benefit to businesses
Illegal waste sites	5%	£ 4,138,166
Illegal burning	5%	£ 122,875
Fly-tipping	5%	£ 9,168,112
Illegal exports of waste	5%	£641,997
Serious breach of permits and exemptions	5%	£3,918,366
Total		£ 17,989,517

We have projected that these benefits will be fully realised by October 2026 – three years after the implementation of the new reform, to allow for all operators to transition. Given the uncertainty around this benefit, we have included low (2.5% reduction) and high (7.5% reduction) estimates within the appraisal (summarised in table 34).

Table 34 – Expected benefits to business as a result of reduced waste crime (Option 3) (£m)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Central	1.1	5.6	10.1	14.6	18.0	18.0	18.0	18.0	18.0	18.0	139.4
Low	0.6	2.8	5.1	7.3	9.0	9.0	9.0	9.0	9.0	9.0	69.7
High	1.7	8.4	15.2	21.9	27.0	27.0	27.0	27.0	27.0	27.0	209.1

These savings to businesses are deemed to be ‘indirect’ and therefore they have not been included in the EANDCB calculation. They are deemed to be indirect on the basis that the additional profit to legitimate

⁶⁹ ESA (2017) Rethinking Waste Crime

businesses is dependent on illegal businesses leaving the industry (freeing up the waste to be handled by a legitimate operator) or moving their business into compliance. To transition to operating legitimately or to accept waste that was previously handled illegally may require some changes to business activities and/or infrastructure. On this basis the benefit may not be immediate and therefore we consider the benefit to be indirect.

8.3.4 Benefits to government and the Environment Agency (Option 3)

As described in section 8.2.4, reducing waste crime will have significant benefits for the public sector – including increased tax receipts and more effective compliance monitoring and targeted enforcement. The expected reductions in waste crime as a result of Option 3 (outlined in table 35) have been developed using the EA’s policy expertise.

The figures in table 35 have been uplifted from 2015 prices (as used in the ESA’s report⁷⁰) to 2020 prices using GDP deflator factors.

Table 35 – Expected reduction in waste crime as a result of the CBD regime reform (Option 3)

	Expected reduction in waste crime	Annual benefit to the government
Illegal waste sites	5%	£ 619,650
Illegal burning	5%	£ 937,154
Fly-tipping	5%	£ 1,684,054
Misclassification and fraud	1%	£ 2,310,924
Illegal exports of waste	5%	£145,189
Serious breach of permits and exemptions	5%	£ 901,193
Local Authorities and EA Enforcement Activities	5%	£1,751,549
Total		£ 8,349,712

We have projected that these benefits will be fully realised by October 2026 – three years after the implementation of the new reform, to allow for all operators to transition. In table 36 we have added low and high estimates, a reduction in each of the crimes (other than misclassification of waste) by 7.5% and 2.5% respectively. For the reduction in misclassification of waste/fraud, we have calculated a low estimate by assuming the cost of misclassification/fraud will reduce by 0.5% and a high estimate by assuming that the cost of crime will reduce by 1.5%.

Table 36 – Expected benefits to the public sector as a result of reduced waste crime (Option 3), £m

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Central	0.52	2.61	4.70	6.78	8.35	8.35	8.35	8.35	8.35	8.35	64.71
Low	0.26	1.30	2.35	3.39	4.17	4.17	4.17	4.17	4.17	4.17	32.36
High	0.78	3.91	7.05	10.18	12.52	12.52	12.52	12.52	12.52	12.52	97.07

8.3.5 Benefits to society and the environment (Option 3)

Increasing operator competence and making it more difficult for criminals to operate in the waste CBD industry will reduce waste crime, which will in turn help to avoid the negative social and environmental costs that occur through the incorrect transportation of waste and waste crimes such as fly-tipping.

As described in section 8.2.5, reducing waste crime will have significant benefits for society and the environment – including reduced carbon emissions, reduced reliance on virgin materials and reduced

⁷⁰ ESA (2017) Rethinking Waste Crime

environmental damage to our land and water. The expected reductions in waste crime as a result of Option 3 (outlined in table 37) have been developed using the EA’s policy expertise.

The figures in table 37 have been uplifted from 2015 prices (as used in the ESA’s report) to 2020 prices using GDP deflator factors.

Table 37 – Expected reduction in waste crime as a result of the CBD regime reform (Option 3)

	Expected reduction in waste crime	Annual benefit to society and the environment
Illegal waste sites	5%	£ 673,466
Fly-tipping	5%	£ 709,569
Illegal exports of waste	5%	£ 881,658
Total		£ 2,264,693

We have projected that these benefits will be fully realised by October 2026 – three years after the implementation of the new reform, to allow for all operators to transition. In table 38, we have estimated a low benefit (a reduction of 2.5%) and a high benefit from reduced waste crime (7.5%) to account for some of the uncertainty of this benefit.

Table 38 – Expected benefits to society and the environment as a result of reduced waste crime (Option 3)

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	Total
Central	0.14	0.71	1.27	1.84	2.26	2.26	2.26	2.26	2.26	2.26	17.55
Low	0.07	0.35	0.64	0.92	1.13	1.13	1.13	1.13	1.13	1.13	8.78
High	0.21	1.06	1.91	2.76	3.40	3.40	3.40	3.40	3.40	3.40	26.33

9. Summary of non-monetised impacts

Costs (both Options 2 and 3)

There are several costs to businesses that we have not been able to monetise at this stage – however, these should still be considered as part of the appraisal. Where possible, the non-monetised costs listed below will be determined through further engagement with regulators.

Cost to businesses

Subsistence fee costs

The subsistence fee framework will aim to enable proportionate and risk-based inspection of permit holders. Once an application for a permit has been granted, permit holders will be required to pay annual subsistence fees to fund ongoing compliance monitoring of the CBD regime. The subsistence fee will be set at a level that covers the cost to the EA of carrying out a light touch review of the permit and carrying out compliance monitoring of permit-holders.

Under the proposed permitting regime, the subsistence fee charged to different permit holders will be proportionate to the monitoring costs of their different activities. For example, a waste controller will likely pay a higher subsistence fee than a transporter, as a result of the increased cost of monitoring controllers. In addition, if an operator demonstrates non-compliance, their subsistence fee may increase in line with the Environment Agency’s approach to adjusting subsistence charges in accordance with compliance rating, for some permit types. Subsistence fees will be set at levels that raise the full net cost of compliance monitoring CBD activities. The EA will continue to monitor income versus costs on a yearly basis to ensure the charge achieves full cost recovery and will review charges where we are under/over-recovering.

Enforcement by the regulator is not currently covered by the fees paid by operators. However, policy and legislative changes in the future could allow more scope to recover some enforcement costs over time.

Subsistence fees have not been estimated as there is inherent uncertainty around the compliance monitoring activities that the EA would carry out under the permitted regime (subject to further policy development and consultation) and the associated cost with carrying out such activities. The EA have started investigating compliance monitoring activities that will be covered under the permitted CBD regime and how the associated costs could be captured through subsistence fees. These costs will therefore be included in the final Impact Assessment.

Depreciation of IT systems

The proposed application fees presented in section 8.2.1 have not included costs associated with the depreciation of IT systems. IT depreciation cost may be included in the CBD fee framework - however, this decision has not been made. We will review these costs ahead of the final Impact Assessment.

Other costs

Many carriers, brokers and dealers currently use their registration number as part of their advertising to attract customers. Potentially, the new permitting system will result in a change from registration number to permit ID, this may require operators to refresh advertisements and branding sooner than planned. This is an uncertain cost.

For some operators it may not be cost effective to become compliant and they may alter their activities to meet requirements for an exemption, or change their activities altogether to avoid the permit costs. This impact is uncertain, and the costs are unknown.

Costs to regulator

The Environment Agency may be involved in developing or approving the technical competence qualification framework. There may therefore be a cost to the Environment Agency for time spent on this.

Costs to government

The government also may be involved in developing or approving the technical competence qualification framework. There may therefore be a cost to the government for time spent on this.

Benefits (both Options 2 and 3)

There are ample benefits of the CBD regime that we are not able to monetise at this stage. However, this does not detract from the value of these benefits and they should be considered alongside those that we have been able to monetise.

Some non-monetised benefits will impact on a number of parties – for example, reducing waste crime through reform of the CBD regime will have positive implications for crime more generally, as waste crime has been linked to serious and organised crime more generally. Therefore, through increasing the requirements for waste carriers, brokers and dealers to operate and improving the compliance monitoring and enforcement within this industry, there may be a reduction in serious and organised crime that is not necessarily linked to the waste sector. This benefit would be greater under Option 3 compared to Option 2.

Similarly, by increasing awareness around duty of care and in particular being extra diligent when asked to pay cash only (and no other payment method is offered), there will likely be a number of specific benefits as a direct response.

- *Reduce waste crime, fly tipping and pollution*

It is understood that cash payments for waste services by CBDs enable waste crime and fly tipping by reducing the risk of prosecution due to lack of traceable payments for services.

By raising awareness around duty of care responsibilities, those paying to use a waste operator should be extra vigilant if they are only offered cash as a form of payment with no alternatives. This may ultimately lead to a change in behaviour and reduce the number of cash only operators who operate without any sort of financial trail. This may in turn aid enforcement action when waste crime is committed as there will be a link to a bank account and financial records to consider.

Government tax income

Increasing awareness around cash only payments may change behaviour which could reduce cash payments and will bring more businesses, and their income, into the Government's income tax regime.

Benefits specific to businesses

Removing the need for upper tier registrations to be formally renewed every three years will likely result in time savings for businesses.

Benefits specific to the regulator

The Environment Agency will benefit from improved access to information on operators which will help them to target their compliance monitoring and enforcement activities. We expect that the efficiency savings will result in resource reallocation rather than a cashable saving.

Benefits specific to government

Wider policy implementation and insights for policy development – Improved knowledge of the activities of operators will help government develop and amend regulation in a more targeted way.

Benefits specific to the environment and society

A safer, cleaner environment – Reduced waste crime as a result of reforming the CBD regime will result in non-monetised benefits to society and the environment from reduced harmful treatments of waste (for example, illegal burning, fly-tipping of waste, and misdescribing waste such that it is disposed of non-optimally).

Resource efficiency – Reducing waste crime will bring more resource into the legitimate economy which will increase the chance of the waste being disposed of in an environmentally optimal way – for example, by recycling rather than landfilling/incinerating the waste. This will keep resources in circulation for longer therefore making them 'more efficient'.

Potential to boost global competitiveness of the UK waste industry – Reducing waste crime will offer significant benefits to legitimate businesses within the UK waste sector by offering them more waste to process. This increased advantage for UK legitimate waste operators may improve the UK waste industry's position globally.

Greater security of supply of critical raw materials – We expect that reduced waste crime will lead to improved handling of waste – specifically increased recycling. Increased access to recycled material we will reduce our reliance on virgin materials.

10. Risks and assumptions

A number of **assumptions** have been made within this analysis that are uncertain. All assumptions are subject to change in the final IA. We have included specific questions in the consultation that will help improve the accuracy of monetised costs/benefits.

- The assumptions underpinning the reduction in criminal activity benefits are very uncertain. The assumptions are based on expertise within the Environment Agency and Defra. We have not got any specific evidence to support these assumptions. Given the uncertainty around the impact on waste crime, we have proposed assumptions that we believe are conservative estimates of the potential reduction in criminal activity.
- The split of operators into the new permit categories within the CBD regime is based on survey responses of waste CBD operator's activities. The survey received only 67 responses and therefore may not reflect an accurate picture of the proportion of CBD operators that will fall into each of the permit categories. These outputs have not fed into the analysis behind the NPV and EANDCB calculations.
- The tiered permitting system may alter the work carried out by operators in the waste transport industry, which would require monitoring by the regulator to ensure that the system is effective. For example, there may be an increase in carriers amending their activities in order to qualify for the registered exemption rather than the permitted status – operators may outsource any activities that require a permit to other waste carriers to avoid incurring the higher compliance costs. This presents an uncertain impact.
- The proposed application fees are initial estimates only and will continue to be reviewed ahead of the policy implementation.

11. Small and Micro Businesses Assessment (SaMBA)

Based on ONS data⁷¹ on businesses sizes by employment, we have estimated that 99% of businesses in the waste industry are deemed to be 'Micro' or 'Small / Medium', with 77.5% of businesses falling into the 'Micro' category. This data does not specifically reflect the makeup of businesses carrying out CBD activities, but we expect that it is an accurate proxy.

These estimates on the size of businesses in the waste industry has been at the forefront of policy development in order to ensure that the additional cost imposed on small/micro businesses is as small as possible, whilst ensuring that the new system can operate effectively.

Table 39 – businesses in the waste industry by employment size

Number of business in scope by size	Percentage
Micro (0-9 employees)	77.5%
Small/medium (10-249 employees)	21.8%
Large (250+ employees)	0.7%

⁷¹<https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation> (table 3, row 43 – “waste collection, treatment and disposal activities and materials recovery”)

The option for a ‘registered exemption’ has been derived for small businesses that do not make decisions on the fate of other’s waste and do not carry out high-risk activities (handle hazardous waste, handle construction or demolition waste and do not export waste). This element of the policy will help to reduce the burden on small low-risk operators (in the same way that the lower-tier registration is currently used to enable compliance with the system whilst minimising the burden on small businesses).

However, some small businesses will carry out these activities and therefore will need to comply with the new CBD regime by registering for a permit (and by obtaining a necessary technical competency qualification if they do not currently hold a sufficient qualification, if Option 3 is implemented). Based on stakeholder engagement, we understand that smaller companies are more likely to not currently hold CBD technical qualifications and therefore costs associated with obtaining qualifications is likely to disproportionately fall on smaller operators. This view is based on policy expertise (not quantified evidence) and therefore we are not in a position to be able to monetise the extent to which small operators will be burdened as a result of this policy.

Following the consultation we will have a structure for the technical competence requirements and will therefore know the specific requirements for different business types. We will include an analysis of the impact of the technical competence requirements on businesses of different sizes within the final Impact Assessment.

Small/Micro businesses that are currently registered as upper tier CBD operators already incur registration and renewal time costs and fees.

- The Waste transporter / controller **application fee** is likely to be in the same ballpark as the current upper tier CBD registration fee – or possibly lower (initial estimates have modelled the application fee to be £130, in contrast to the current upper tier registration fee of £154.
- Small/Micro businesses would benefit from no longer having to pay the annual £105 **renewal fee**.
- However, the **time spent registering** for a Waste transporter / controller permit rather than an upper tier permit is likely to be much longer (1 day 4 hours and 39 minutes⁷², rather than 11 minutes and 18 seconds⁷³).
- In addition, small business that apply for a permit will be required to pay annual **subsistence fees** – currently not monetised.

Given the uncertainty over the new fee framework, we are unable to quantify the impact on Small/Micro businesses at this stage. This will be fully assessed for the final impact assessment.

12. Competition aspects

The key impact on competition will be the reduction of illegal activity caused by the new CBD regime. This will move a significant proportion of waste from being handled illegally to being handled legally.

Based on observations made by the regulator on the workings of the subsector, many large waste operators tend to move quickly to close any gaps in the markets, so it can be assumed that a proportion of existing large site operators will move in to fill waste treatment gaps left by closed illegal sites.

It is to be expected that the measures will have some detrimental effect on competition within the waste subsector since only operators who can afford to comply with the new permitting regime will stay in the market. As such, increased investment and running costs will probably be an economic barrier to entry to some (particularly under Option 3 due to the technical competence requirements).

⁷² Google analytics outputs for the time spent on preparing a waste standard rules permit.

⁷³ Google analytics outputs for the time spent on registering as an upper or lower tier CBD operator.

However, this intervention has been carefully designed to prevent illegal and non-compliant waste operators from entering the waste sector, whilst still enabling compliant businesses to operate by ensuring costs of compliance are set at a reasonable level.

The intervention will help towards establishing a level playing field in this waste subsector by increasing the likelihood that all waste operators will be effectively required to adhere to the same levels of compliance. Therefore, intervention should increase legitimate competition in this waste subsector as non-compliant waste operators will be less able to undercut legitimate and compliant operators.

13. Concluding summary

Option 3 is the preferred option because it provides the best value for money for the taxpayer, while achieving the policy aims and intended effects. Options 1 and 2 are not preferred, because the costs to the natural environment, local communities and legitimate businesses would not be sufficiently addressed.

Whilst we acknowledge that this option offers a negative NPV and there are several non-monetised costs (for example, the costs to businesses of paying subsistence fees), we have taken a very conservative estimate of calculating the benefits from reduced waste crime and there are a number of further non-monetised benefits described in section 9. In the final Impact Assessment, we will carry out a breakeven analysis to determine the required scale of reduced waste crime from this policy in order to deliver a neutral NPV.

14. Monitoring and Evaluation

The impact of the policy will be monitored on an on-going basis. Data from the reformed CBD regime will be monitored and assessed over time for the benefit of policy development and will be used to evaluate the regulatory measures in a post implementation review in 2028. The PIR will also analyse data captured through central IT systems (including the Waste Tracking system if delivered) and data gathered through stakeholder engagement and calls for evidence to assess:

- **The impact of the CBD reforms on waste crime** - The specific data we will look to gather to support the PIR will be the estimated number, and scale, of illegal waste sites and waste operators in operation following the implementation of the reform.
- **The impact of the CBD reform on profits for legitimate businesses** - We are also interested in the impact on legitimate businesses - specifically how much additional tonnage of waste they have been able to handle following the implementation of the reform, and any additional costs that they have incurred as a result of the new fees and time spent applying.
- **Diversion of materials away from landfill/incineration and the improvement in the supply of critical raw materials**
- **Efficiency savings for regulators**

The following set of indicators of waste crime have been identified in the Resources and Waste Strategy⁷⁴ to contribute to minimising waste, which is the eight goal of the 25 Year Environment Plan. We will continue to report against this specific set of indicators and may propose new indicators as the evidence base develops in the future.

⁷⁴https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/907161/resources-and-waste-strategy-evaluation-plan.pdf

- **Illegal waste sites**, reported by number of sites in operation.
- **Fly-tipping**, reported by number of fly-tipping incidents.
- **Litter**, reported using the dashboard set out in the Litter Strategy⁷⁵ including:
 - Proportion of places at or above an acceptable standard of litter
 - Proportion of people perceiving litter as a problem in their area
 - Costs to local authorities of street cleansing

The evaluation will be designed to address the following questions:

- Outcomes: What difference (if any) did the measures make?
- Mechanisms, Contexts and Attribution: Why did observed changes occur?
- How were the activities delivered, and what can we learn?
- Economic evaluation: Did the benefits justify the costs?

The objective of the evaluation plan will be to quantify the impact and cost effectiveness of the reform to reduce waste crime and poor performance, and understand the reasons behind those observed impacts. The evaluation design will need to be multi-faceted including:

- An impact evaluation, including an assessment of attribution/contribution – what happened and how effective was it?
- A process evaluation – how and why did it happen, and what can we learn? Primary research will be an essential component of the process evaluation.
- An economic evaluation – was it value for money, and how can we improve efficiency? This will be undertaken in accordance to the Green Book.

15. Annexes

Devolved administrations

For cross border transport in the UK, operators only need to register once with one regulator for any movement between England, Wales and Scotland. Currently, for transport to and from Northern Ireland, operators need to register with Northern Ireland in addition to the other parts of the UK.

Under the new CBD permitting regime in England, Northern Irish businesses that transport waste between England and Northern Ireland will **not** need to apply for a Waste transporter / controller permit in England. Currently, Northern Irish businesses that carry out CBD activities in both Northern Ireland and England have to register as an ‘upper tier’ or ‘lower tier’ CBD business in addition to registering in Northern Ireland. In total there are 5,590 businesses carrying out CBD activities in Northern Ireland (4,381 upper tier registered businesses and 1,209 lower tier registered businesses)⁷⁶. A very small proportion of these businesses will carry out business in England as well as in Northern Ireland and therefore will hold an upper tier or lower tier registration. As these businesses will not need to apply for a permit or registered exemption under the new CBD regime in England, our estimate that all businesses (275k) that are currently register will transition to the new regime is likely to be an overestimate. However, we don’t have this data to exclude these businesses from the analysis. We will seek to improve our understanding of the impact on Northern Irish businesses ahead of the Final Impact Assessment.

⁷⁵ <https://www.gov.uk/government/publications/litter-strategy-for-england>

⁷⁶ Data provided in 2021 by the Department of Agriculture, Environment and Rural Affairs.