

 <b>Regulatory Policy Committee</b>	<b>OPINION</b>	
<b>Impact Assessment (IA)</b>	Free Trade Agreement between the European Union and signatory countries of the Andean community (Columbia and Peru)	
<b>Lead Department/Agency</b>	Department for Business, Innovation and Skills	
<b>Stage</b>	Consultation	
<b>Origin</b>	European	
<b>IA Number</b>		
<b>Date submitted to RPC</b>	21/12/2012	
<b>RPC Opinion date and reference</b>	26/2/2013	RPC12-BIS-1687
<b>Overall Assessment</b>	<b>AMBER</b>	
<p>The IA is fit for purpose. The costs and benefits have been adequately assessed for a consultation stage IA. However, the IA should explain in more detail the basis of the underlying assumptions for the baselines presented in Box 5 so that consultees are effectively informed. In addition, the summary pages of the IA should be completed so that the overall impact of the proposal, as well as its One-in, One-out status, can be quickly understood.</p>		
<p><b>Identification of costs and benefits, and the impacts on small firms, public and third sector organisations, individuals and community groups and reflection of these in the choice of options</b></p> <p><i>Baseline.</i> The IA explains that Baseline B, to which the results in the IA mostly refer, assumes tariff rates would revert to MFN (most favoured nation) rates, “...rates higher than the GSP [Generalised Scheme of Preferences] rates currently enjoyed by both Columbia and Peru” (Box 5). The IA should explain more clearly why this is considered the most likely outcome, rather than tariff rates remaining at the prevailing lower GSP level.</p> <p><i>Presentation.</i> The summary pages should be updated, and the cost of the preferred option boxes should be completed. The IA should also include a section which provides a One-in, One-out assessment of the proposal.</p> <p><i>Costs and Benefits.</i> While the IA provides indicative estimates of the ongoing costs and benefits to the EU (but not the UK separately) associated with reduced tariff revenue due to lower tariffs agreed on Columbian and Peruvian imports, any adjustment or one-off costs have not been monetised. In addition, whilst the benefits of the proposal have been disaggregated on a pro-rata basis per country based on share of EU GDP (paragraph 53), the IA says that “...it was not possible to disaggregate the model results into costs and benefits by beneficiary groups, i.e. consumers, businesses and the UK government” (paragraph 1). Analysis of the impact on UK businesses, supported by details of the underlying assumptions and their sources, will need to be presented in the final stage IA so that an EANCB figure can be validated.</p>		

**Have the necessary burden reductions required by One-in, One-out been identified and are they robust?**

As this proposal is of European origin and there is no evidence of regulation going beyond the minimum requirements, or of a failure to take available derogations which would reduce the costs to business and civil society organisations, it is out of scope of One-in, One-out in accordance with the current One-in, One-out Methodology (paragraph 16 ii).

The IA currently makes no reference to a One-in, One-out assessment. This, including evidence to support an estimate of the equivalent annual net cost to UK business, will have to be provided in the final stage IA submitted for validation by the RPC for Statement of New Regulation purposes (in accordance with Q&A 100 of *Changes to impact assessment and RPC scrutiny – interim guidance for Better Regulation Units including Q+A – August 2012*).

**Signed**

A handwritten signature in black ink, appearing to read 'Michael Gibbons', with a long horizontal line extending to the right below the signature.

**Michael Gibbons, Chairman**