Title: Impact Assessment for the proposed cost recovery scheme for the Office for Nuclear Regulation (ONR) / Radioactive Materials Transport (RMT)

IA No: HSE0076

Lead department or agency: Office for Nuclear Regulation

Other departments or agencies: Health and Safety Executive

Impact Assessment (IA)

Date: 22 January 2014

Stage: Final

Source of intervention: Domestic

Type of measure: Non regulatory

Contact for enquiries: RMT.CostRecovery@hse.gsi.gov.uk

Summary: Intervention and Options

<table>
<thead>
<tr>
<th>Cost of Preferred (or more likely) Option</th>
<th>RPC Opinion: N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Net Present Value</td>
<td>£0.004m</td>
</tr>
<tr>
<td>Business Net Present Value</td>
<td>£11.73m</td>
</tr>
<tr>
<td>Net cost to business per year (EANCB on 2009 prices)</td>
<td>£1.12m</td>
</tr>
<tr>
<td>In scope of One-In, One-Out?</td>
<td>No</td>
</tr>
<tr>
<td>Measure qualifies as</td>
<td>N/a</td>
</tr>
</tbody>
</table>

What is the problem under consideration? Why is Government intervention necessary?
The proposed cost recovery scheme will enable the Office for Nuclear Regulation (ONR) to meet a commitment in the Department for Transport spending review settlement 2010 (SR10), and help implement an agreement at the time the Radioactive Materials Transport (RMT) team joined ONR from the Department for Transport in 2011, that the existing small element of public funding for work done by the ONR RMT team, in connection with the carriage of Class 7 dangerous goods, would gradually reduce and be replaced by cost recovery when appropriate mechanisms for this were available. The proposal also helps meet the Government’s declared intent that such cost recovery should continue when ONR is established as public body under the Energy Act 2013.

What are the policy objectives and the intended effects?
ONR will activate RMT’s existing charging powers and commence charging relevant fees under Regulation 27 of the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 (as amended 2011) (CDG Regs. 2009) from 1st April 2014. ONR’s objective for this cost recovery scheme is to charge at full cost, for carrying out the relevant work, in accordance with Government (Treasury) guidelines on the setting of fees (Managing Public Money, Chapter 6.1.2).

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
The options considered in this document are:
do nothing; or activate the powers to charge.

ONR’s cost recovery proposal itself requires no further legislation or regulation (these already exist see above). The preferred option is to introduce the cost recovery scheme and meet the commitments and objectives described above. This Impact Assessment therefore includes the “do nothing” (status quo) option for comparison purposes only. An earlier notification stage IA invited industry to comment on the preferred option only.

Will the policy be reviewed? It will not be reviewed. If applicable, set review date: N/A

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, ___________________________ 22/1/14
**Policy Option 1**

**Summary: Analysis & Evidence**

**Description:** Do nothing

### FULL ECONOMIC ASSESSMENT

<table>
<thead>
<tr>
<th>Price Base Year</th>
<th>PV Base Year</th>
<th>Time Period Years</th>
<th>Net Benefit (Present Value (PV)) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>2013</td>
<td>10</td>
<td>Low: Nil</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High: Nil</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Best Estimate: Nil</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description and scale of key monetised costs by ‘main affected groups’</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no costs associated with this option, being the baseline case.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other key non-monetised costs by ‘main affected groups’</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no costs associated with this option, being the baseline case.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description and scale of key monetised benefits by ‘main affected groups’</th>
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</thead>
<tbody>
<tr>
<td>There are no benefits associated with this option, being the baseline case.</td>
</tr>
</tbody>
</table>

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<th>Other key non-monetised benefits by ‘main affected groups’</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are no benefits associated with this option, being the baseline case.</td>
</tr>
</tbody>
</table>

### Key assumptions/sensitivities/risks

Discount rate | 3.5

Current funding will not run out or end in 2014/15 but will form part of the Spending Review process and be subject to scrutiny and the risk of further reductions in line with all public spending. Any such reduction in future funding would necessitate a review by ONR RMT team of its regulatory priorities and resource allocation. There is a risk that if this were to be the case, it could result in longer lead times in processing package approval requests, and/or fewer package approvals, to ensure regulatory/enforcement activity is preserved. This baseline option 1, against which option 2 is compared, therefore includes this potential decline in resource in the future.

**BUSINESS ASSESSMENT (following OITO methodology) (Option 1)**

<table>
<thead>
<tr>
<th>Direct impact on business (Equivalent Annual) £m:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs: Nil</td>
</tr>
<tr>
<td>Benefits: Nil</td>
</tr>
<tr>
<td>Net: Nil</td>
</tr>
</tbody>
</table>

In scope of | Measure qualifies |
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No</td>
<td>N/a</td>
</tr>
</tbody>
</table>
Summary: Analysis & Evidence

Description: Introduce Cost Recovery

FULL ECONOMIC ASSESSMENT

<table>
<thead>
<tr>
<th>Price Base Year (2013)</th>
<th>PV Base Year (2013)</th>
<th>Time Period (Years)</th>
<th>Net Benefit (Present Value (PV)) (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Low: -0.003</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>High: -0.004</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Best Estimate: -0.004</td>
</tr>
</tbody>
</table>

COSTS (£m)

<table>
<thead>
<tr>
<th></th>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant)</th>
<th>Total Cost (Present Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>0.003</td>
<td>1.23</td>
<td>10.6</td>
</tr>
<tr>
<td>High</td>
<td>0.004</td>
<td>1.50</td>
<td>12.9</td>
</tr>
<tr>
<td>Best Estimate</td>
<td>0.004</td>
<td>1.36</td>
<td>11.7</td>
</tr>
</tbody>
</table>

**Description and scale of key monetised costs by ‘main affected groups’**

The costs include the annual cost to business of the cost recovery scheme, which is estimated at 60% of the current Office for Nuclear Regulation- RMT £2.27m budget, or £1.36m per annum. Over a 10 year period this equates to a present value of about £11.7m. There will also be some small familiarisation costs for business which are estimated to cost around £3.7k in total.

**Other key non-monetised costs by ‘main affected groups’**

There are no other key non-monetised costs.

BENEFITS (£m)

<table>
<thead>
<tr>
<th></th>
<th>Total Transition (Constant Price)</th>
<th>Average Annual (excl. Transition) (Constant)</th>
<th>Total Benefit (Present Value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>0</td>
<td>1.23</td>
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</tr>
<tr>
<td>Best Estimate</td>
<td>0</td>
<td>1.36</td>
<td>11.7</td>
</tr>
</tbody>
</table>

**Description and scale of key monetised benefits by ‘main affected groups’**

There will be a cost saving accruing to the Government due to the recovery of costs that were not previously recovered. The total cost saving to Government over ten years is estimated to be around £11.7million or £1.36m per annum.

**Other key non-monetised benefits by ‘main affected groups’**

Design authorities benefit commercially from the package approvals issued by ONR RMT team which allow the recipient to market high value products for the transport of radioactive materials to the wider industry. The cost recovery scheme will ensure that future ONR RMT team assessments are not subject to the risk associated with renegotiation of the Spending Review settlement in 2015 and so insulate industry from the commercial risks associated with doing nothing (see paragraph 14. below).

**Key assumptions/sensitivities/risks**

Discount rate: 3.5%

The analysis on costs recovered assumes there will be no bad debts arising. This is based on previous analysis of cost recovery in ONR and the fact that most bills are paid on time. The extent of the costs recovered depends on whether or not debt collection is successful. There are no indications however that it would not be, see paragraph 32. There is also the risk associated with Option 2 that cost recovery might shift approvals activity to other countries, (see paragraph 30 for more information).

BUSINESS ASSESSMENT (following OITO methodology) (Option 2)

<table>
<thead>
<tr>
<th>Direct impact on business (Equivalent Annual) (£m):</th>
<th>In scope of</th>
<th>Measure qualifies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Costs: 1.12</td>
<td>No</td>
<td>N/A</td>
</tr>
<tr>
<td>Benefits: 0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net: 1.12</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Evidence Base

Problem under consideration

1. The Department for Transport’s (DfT) 2010 Spending Review (SR10) settlement committed the Radioactive Materials Transport team (RMT) to the gradual introduction of charging for its functions. Consequently, when RMT joined the Office for Nuclear Regulation (ONR) from DfT in October 2011, it was agreed that its existing small element of public funding for work done in connection with the carriage of Class 7 dangerous goods, would gradually reduce and be replaced by cost recovery when appropriate mechanisms for this were available. The proposed cost recovery scheme will help ONR RMT team implement this agreement and meet the earlier SR10 commitment. The proposal is also consistent with the Government’s declared intent that such cost recovery should continue when ONR is established as an independent body under the Energy Act.1

2. The transport of radioactive materials is widespread in developed and developing countries, and has many applications in addition to the nuclear fuel cycle, including construction uses and the transport of radiopharmaceuticals for use in hospitals. Along with the transport of other classes of dangerous goods, transport of radioactive materials (known as “Class 7” dangerous goods) is regulated through international agreements developed by the International Atomic Energy Authority (IAEA) and brought into law through various instruments. In Great Britain the key features of the regulatory regime are that:-

i) Organisations transporting radioactive materials by road, rail and inland waterway must be in compliance with CDG Regs 20092 & 3

ii) The DECC Secretary of State (SoS) is the “GB competent authority”, under regulation 25 of CDG Regs 2009 (as amended), for the transport of radioactive materials by road, rail and inland waterway (except where the Secretary of State for Defence is the GB Competent Authority);

iii) The DECC SoS is also the “enforcing authority”, under regulation 32 of CDG Regs 2009 (as amended) for the transport of radioactive materials by road and inland waterway (except where the Secretary of State for Defence is the enforcing authority);

iv) HSE is the “enforcing authority”, under regulation 32 of CDG Regs 2009 (as amended), for the transport of all classes of dangerous goods – including radioactive materials (Class 7) – by road and rail;

3. Regulation 27 of CDG Regs 2009 enables the “GB competent authority” to charge a fee for the performance of a relevant function4 by or on behalf of the GB competent authority (in this case the DECC SoS functions at paragraph 2.iii, above). Such fees:

   a) May be charged where a ‘person’ has asked the competent authority to perform a relevant function;
   b) Must be reasonable for the work performed or to be performed.

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1 The Energy Bill (introduced in Parliament on 29 November 2012), amongst other things, sought to establish ONR as an independent public body, as part of the Government’s commitment to deliver an appropriately resourced and responsive regulator to meet the future challenges of the nuclear sector. The Energy Bill received Royal Assent on the 18 December 2013.

2 The European Agreement concerning the International Carriage of Dangerous Goods by Road, commonly known as ADR (from the French abbreviation Accord européen relatif au transport international des marchandises Dangereuses par Route), governs transnational transport of hazardous materials.

3 Regulations concerning the International Carriage of Dangerous Goods by Rail (RID)

4 List of relevant functions within scope of Reg 27 agreed with legal advisers.
4. In practice that means that ONR:
   i) May, in most cases, charge a fee for package approvals requested by a “package design authority” for the land transport of radioactive materials
   ii) May charge for such services “at cost”.

5. Detail and examples of the service provided can be found in the table at Fig.1. on pages 7. & 8. The basis of the calculation of the fee payable, previously set out in paragraphs 17 – 21 of the notification stage IA, is now set out in the standalone cost recovery guidance document issued at the same time as this IA5.

Rationale for intervention

6. This measure enables ONR both to meet a commitment in the SR10 settlement, and help implement an agreement at the time the RMT team joined ONR from the Department for Transport in 2011, that the existing small element of public funding for work done by the RMT team, in connection with the carriage of Class 7 dangerous goods, would gradually reduce and be replaced by cost recovery when appropriate mechanisms for this were available.

Policy objective

7. ONR will activate RMT’s existing charging powers and commence charging relevant fees under Regulation 27 of the Carriage of Dangerous Goods and Use of Transportable Pressure Equipment Regulations 2009 (as amended 2011) (CDG Regs. 2009) from 1st April 2014. ONR’s objective for this cost recovery scheme is to charge at full cost, for carrying out the relevant work, in accordance with Government (Treasury) guidelines on the setting of fees (Managing Public Money6, Chapter 6.1.2). Managing Public Money also informs ONR’s programme working approach which will ensure the appropriate and efficient resourcing of this work and is discussed in the “Benefits” section (paragraph 27).

Description of options considered (including do nothing)

Option 1 – Do nothing

8. At present the work ONR’s RMT team undertake in response to a request for Competent Authority approvals from a design authority does not attract a fee. This is not consistent with Government policy. To continue to do nothing would not address the commitments and objectives described in paragraphs 6. and 7. above. This do nothing option is the baseline against which the preferred option (to introduce cost recovery) is compared.

Option 2 – Introduce cost recovery

9. ONR’s objective for this cost recovery scheme is to help deliver on the commitment described in paragraph 6. above and meet the policy objectives described at paragraph 7. In addition to helping ONR to meet the DfT’s SR10 commitment, the proposed scheme will also help implement an agreement, at the time the RMT team joined ONR from the Department for Transport in 2011 (see para 6. above).

Assumptions & data

10. This impact assessment considers the costs and benefits that extend into the future. Consequently, it is important for any monetised impacts to be expressed in present values to

5 http://www.hse.gov.uk/nuclear/transport/index.htm
enable comparison between policies. The discount rate used to generate these present values is defined in the Green Book as 3.5% for any appraisal period of less than 30 years.  

11. Guidance issued by the Department for Business, Innovation and Skills states that where a policy has costs and benefits that extend into the future and the policy has no identifiable end point, the impacts of the policy should be appraised over ten years. As this is the case for this policy, an appraisal period of ten years is used when considering the impact of costs and benefits in the future.

12. Where an individual or company is required to spend time doing something identified in this impact assessment, the value of their time (commonly referred to as the opportunity cost of time) is approximated using wage data from the Annual Survey of Hours and Earnings (ASHE). The wage data extracted from ASHE is then uprated by 30% to reflect non-wage costs such as employer pension or National Insurance contributions, in line with guidance from the Green Book. The exception is where time spent by ONR is valued, in which case an internal source of data, the Global Ready Reckoner, is used.

13. Following informal interactions with those directly affected by the proposal from winter 2012, ONR formally notified stakeholders about the forthcoming proposals by writing to them on the 9 July 2013 seeking their views on the notification stage IA by 08 October 2013. Engagement with industry saw broad acceptance of the principle of cost recovery, with the subsequent small number of responses to the notification exercise focussing on the practical working of the scheme. Those responses have informed the revision of existing guidance to produce a new standalone cost recovery guidance document that ONR has issued in parallel with this IA.

**Costs and benefits of each option (including administrative burden)**

**Option 1 – Do nothing**

14. The do nothing option is the baseline against which the preferred option is compared. It assumes that there are no costs or benefits associated with the do nothing option. Current ONR RMT team funding will not run out or end in 2014/15 but will form part of the Spending Review process and be subject to scrutiny and the risk of further reductions in line with all public spending. In the absence of cost recovery, any reduction in future funding would necessitate a review by ONR RMT team of its regulatory priorities and resource allocation. This could result in longer lead times in processing such approval requests, or fewer approvals being completed, to ensure regulatory/enforcement activity is preserved. The potential benefit of avoiding such a situation by implementing this cost recovery measure is shown as a non-monetised benefit of Option 2. It is not included as a cost of option 1 and a benefit of option 2 because that would lead to double counting.

**Option 2 – Introduce cost recovery**

**Costs**

To Industry

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15. Businesses will bear a cost in terms of those costs recovered from them. The extent of this cost to individual businesses will vary depending on the level of ONR RMT team assessment that is required, but the aggregate to those affected is expected to total £1.36 million per annum (see below).

Service provided on request

16. ONR’s RMT team currently undertakes some 90 assessment processes per year and the nature of the assessment varies considerably depending on the type of package for which approval is sought (there are eight generic package types, for radioactive materials). Such assessments have many common elements and require a high degree of input from ONR’s RMT team in each case.

17. On request from the design authority, ONR’s RMT team will carry out a range of engineering, criticality, safety, quality assurance and security assessments on the proposed design, together with inspections, to assess the adequacy of the authority’s quality assurance programme. Should the assessment process indicate that the package design is not fit for purpose ONR’s RMT team will specify the requirements still to be met. Such factors will, in turn, impact on the prospective fees payable by the design authorities under ONR’s proposed cost recovery scheme. Charges will not accrue where work is not required by ONR RMT staff i.e. when actions to develop and resubmit some or all of the package design is being progressed by the applicant. Examples of different types of assessment as costs are set out in Fig. 1. below for illustrative purposes only.

**Fig 1.**

<table>
<thead>
<tr>
<th>Type of Assessment</th>
<th>Brief Description of Work</th>
<th>Estimated Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>FISSILE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Renewal of a Type B package</td>
<td>Renewal of a package design intended to meet Type B(U) requirements for fissile contents</td>
<td>£ 69,502</td>
</tr>
<tr>
<td>Modification to an approved design</td>
<td>Assessment of a proposed change to a previously approved design for a package containing fissile material</td>
<td>£ 10,089</td>
</tr>
<tr>
<td>Validation of a design of overseas origin</td>
<td>Verification that packages approved by Competent Authorities of states that are not signatories to CDG/ ADR/ RID meet the CDG/ ADR/ RID requirements for a package containing fissile material.</td>
<td>£ 47,082</td>
</tr>
<tr>
<td>New Type B package design</td>
<td>Complete technical assessment of a package design intended to meet to meet Type B (U) requirements for fissile contents, typically including witnessing testing, manufacture in addition to assessment of safety case.</td>
<td>£ 214,111</td>
</tr>
</tbody>
</table>

10 Costs reflected include administration and other overheads as set out in Treasury guidance (paragraph 2.17 http://www.hm-treasury.gov.uk/d/classification_receipts.pdf)

11 Costs shown are intended as examples only, and the final cost will vary dependant upon many factors including the complexity of the design, speed of response to technical queries, and history of the package.
Calculation of Charge

18. ONR proposes a simple hourly charge-out rate calculated using the total cost (£2.27m\textsuperscript{12}) of its RMT team divided by the total frontline operational hours (15,000 hours) resulting in an hourly charge out rate of £151/hour. 60\%, or £1.36m, of the total cost is cost recoverable. Further detail on the calculation of charge is now available in the standalone cost recovery guidance document.

19. The Energy Bill received Royal Assent 18 December 2013. ONR will become a public corporation from 1 April 2014. At this time ONR will no longer be able to reclaim VAT on the purchase of goods and services required in order to deliver its statutory functions. This cost will be included in the total cost to be recovered from industry. Further detail on what this will mean for ONR charging in practice is set out in the standalone cost recovery guidance document.

Familiarisation costs

20. There are around 20 companies who regularly submit packages to ONR to be assessed by its RMT team. The IA assumes that these 20 are the ones that will actually spend time familiarising themselves with the change (we assume that any other company will familiarise themselves with the whole package approvals process - of which the charging element will be but one small portion – should they be required to submit an application on an occasional basis).

21. This IA further assumes that, in each company, a total of 5 people will spend one hour familiarising themselves with the changes at a full economic cost of £37 per hour\textsuperscript{13}, giving a cost per company of £185 and a total cost to the industry of £3,700. This will be a one-off cost to industry. There will not be any familiarisation costs for new entrants as the marginal cost for new entrants to the industry of understanding that costs are recovered compared to all the other legislation they would have to interpret would be small.

Total costs to industry over 10 years

\begin{table}[h]
\centering
\begin{tabular}{|l|l|l|}
\hline
\textbf{NON-FISSILE} & & \\
\hline
Renewal of a Type B package & Renewal of a package design intended to meet to meet Type B(U) requirements & £ 40,356 \\
\hline
Modification to an approved design & Assessment of a proposed change to a previously approved design for a package & £ 10,089 \\
\hline
Validation of a design of overseas origin/ Assessment of a design of Special Form Radioactive Material (SFRAM) & Verification that packages approved by Competent Authorities of states that are not signatories to CDG/ ADR/ RID meet the CDG/ ADR/ RID requirements for a package containing fissile material. Or: Approval of a design to meet the requirements for Special Form radioactive material. & £ 17,936 \\
\hline
New Type B package design & Complete technical assessment of a package design intended to meet to meet Type B (U) requirements, typically including witnessing testing, manufacture in addition to assessment of safety case. & £ 162,545 \\
\hline
\end{tabular}
\end{table}

\textsuperscript{12} The Office for Nuclear Regulation- RMT budget June 2013.
\textsuperscript{13} Source: Annual Survey of Hours and Earnings 2012; mean wage for a manager in mining and energy (code 1123) uprated by 30\% to reflect non-wage costs.
22. The total cost to industry over a 10 year period of the proposal for ONR’s RMT team to recover its costs is estimated to have a present value of between £10.6m and £12.9m with a best estimate of around £11.7m.

To ONR

23. ONR has mature cost recovery and dispute resolution management systems (see paragraphs 25. & 32.) and new costs to ONR are therefore anticipated to be negligible.

Benefits

To Government

24. The financial benefit to ONR is that the majority of its RMT team’s costs (approx 60% of £2.27m – some £1.36m) will be recovered through the new cost recovery scheme using existing legal powers. The 40% balance would, subject to their agreement, be funded by DWP. It is estimated the costs recovered from industry over a ten year period will have a present value of approximately £11.7m. This is a transfer between Government and industry (being a cost to industry but a cost saving to Government) and so there is no net impact on society.

25. In line with Government policy, ONR already recovers the vast majority (95%) of its costs. This option brings the ONR’s RMT team’s package approvals into line with existing ONR practice. It also addresses the commitments and objectives described in paragraphs 6. & 7. above thereby ensuring that ONR, HSE, and its Ministers, are free from potential challenge from other parts of Government for not deploying cost recovery powers available to it.

26. In line with government guidance on Managing Public Money, and with a view to maximising the efficiency of its resources, the ONR RMT team has aligned its processes, which will include this cost recovery measure, with the programme working of the wider ONR. Programme working ensures that the work the ONR RMT team conducts is appropriately apportioned between the various functions it performs and monitored through the ONR-wide process of work recording.

27. Those functions against which the ONR RMT team may cost recover will have their own unique work recording identifiers which will enable ONR to measure the resources expended in the delivery of these functions. This management information will allow ONR RMT team to assess the ongoing efficiency of the work of its staff in this area, and continue to make informed judgements about the allocation of resources. Work recording will also mean that charges can only accrue from work undertaken by ONR.

To industry

28. Design authorities benefit commercially from the package approvals issued by ONR’s RMT team which allow the recipient to market high value products for the transport of radioactive materials to the wider industry. The cost recovery scheme will ensure that future ONR RMT team assessments are not subject to the risk associated with renegotiation of the Spending Review settlement in 2015 and so insulate industry from the commercial risks associated with doing nothing (see paragraph 14. above).
Key Risks

To industry

29. To mitigate the risk of unsuccessful adoption of cost recovery ONR engaged informally with those directly affected by the proposals from late 2012 and then wrote to industry 09 July 2013 to formally notify them of the scheme and explain how the scheme will operate.

Shift in Regulatory Activity

30. A theoretical risk that the introduction of cost recovery may shift approvals activity to other countries was considered. However, packages designed outside of the UK, even where they are approved by other EU Member States, must be notified to the ONR RMT team ahead of their first use in the UK. It was concluded that there is no risk that there will be a package used in the UK that has not been already brought to the attention of the RMT team.

Passing on Costs

31. The risk that companies who get their packages approved by the ONR RMT team will pass on the costs associated with this once cost recovery is in operation was also considered. ONR concluded that this would not have any bearing on the overall costs to society, but may have distributional effects which, despite seeking industry views on the matter, were not quantifiable in this IA.

Dispute resolution & Analysis of Bad Debt

32. Presently ONR, as an agency of HSE, employs a longstanding dispute resolution procedure for its existing cost recovery approach, which is also relied upon by a number of other Government departments. ONR intends to rely on this process for the proposed ONR cost recovery scheme too. The mechanics of the ONR approach are set out in the standalone cost recovery guidance document which has been issued in parallel to this IA.

Direct costs and benefits to business calculations (following OITO methodology);

33. Given that the full ONR RMT package approvals costs of £1.36 million shall be recovered each year, the equivalent annual net cost to business is £1.36 million, with a total present value of cost to business of £11.7m over 10 years. The costs recovered in this policy are out of scope for One In Two Out (OITO). The OITO methodology states that fees and charges are out of scope, except where they result from an expansion or reduction in the level of regulatory activity. The level of regulatory activity by the ONR RMT team (which is not cost recoverable) will be unchanged. However, for information purposes, the equivalent annual net cost to business in 2009 prices with a PV base year of 2010 (as required by OITO methodology), is equal to £1.12m

Wider impacts

Competition

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14 The Queries and Disputes Procedure has been in place since 1 April 2000.
15 http://www.hse.gov.uk/charging/comahcharg/disputes.htm - This procedure is designed to answer queries and resolve disputes arising from the Environment Agency, HSE and SEPA recovering costs for work carried out under COMAH, and HSE recovering costs for work in the Gas Transportation, Offshore and Nuclear sectors. This includes HSE’s recovery of costs for relevant statutory provision work in these sectors.
34. The proposed cost recovery regime does not directly limit the range of suppliers. Neither does the regime indirectly limit the range of suppliers because although there are some small companies, they are all predominantly dealing with high value items\(^{16}\) and the charges resulting from the cost recovery regime would be just a small component of the value of the lifecycle of an approved package. The proposals do not limit the ability of companies to compete or reduce suppliers’ incentives to compete vigorously.

**Small firms**

35. There are around 20 companies who regularly submit design packages to ONR to be assessed. The nature of these packages is that they require significant costs throughout their development, manufacture, operation, maintenance and disposal. So while some of these companies are small companies (by virtue of the small staff numbers) they are dealing in high value items, and the additional costs incurred by them in seeking regulatory approval are expected to be small relative to the overall costs of designing or operating a package. Charges will not accrue for periods where the application is dormant or the only activity is that of the applicant. This is explained further in the standalone cost recovery guidance that has been issued in parallel with this IA.

**Other impacts**

36. It is not expected that there will be any other impacts on environmental matters, health and well being, human rights, the justice system or rural proofing.

**Summary and preferred option with description of implementation plan**

37. The ‘do nothing’ option does not address the commitments and objectives described in paragraphs 6. & 7. above and therefore does not meet Government policy on cost recovery.

38. ONR’s preferred option is therefore to introduce the cost recovery scheme with effect from 1 April 2014. ONR was concerned to ensure that industry was not caught unaware by the proposals and had sufficient time to put in place the management systems necessary for transition to the new charging arrangements. Engagement with industry saw broad acceptance of the principle of cost recovery, with the subsequent small number of responses to the notification exercise focussing on the practical working of the scheme. Those responses have informed the production of the guidance document mentioned at paragraph 40. below.

39. The notification stage IA confirmed that applications already ‘in the system’ in July 2013 would not be charged. This is still the case. Applications that entered the approvals process after that point (ie, on or after 1 August 2013) will be charged for any part of the process which remains to be completed after the 1 April 2014 start date (if, of course, all parts of the process are completed before the start date, the application in question will escape charging altogether).

40. ONR committed to sharing a further final stage IA in Autumn 2013 and making guidance available, prior to the launch of the scheme, to assist with its effective implementation. A standalone guidance document has therefore been published in parallel to this final stage IA. The guidance document sets out the basis for the calculation of the charge and the practical arrangements underpinning the scheme. It should be used as the point of reference for businesses preparing for the commencement of the cost recovery scheme.

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\(^{16}\) There are over 150 kinds of Type B packages, and the larger ones costing in the region of £1.1 million (http://world-nuclear.org/info/Nuclear-Fuel-Cycle/Transport/Transport-of-Radioactive-Materials/)