

**EXPLANATORY MEMORANDUM TO
THE HORSE PASSPORTS REGULATIONS 2009**

2009 No. 1611

1. This explanatory memorandum has been prepared by Department for the Environment, Food and Rural Affairs [Defra] and is laid before Parliament by Command of Her Majesty.

2. Purpose of the instrument

To implement Commission Regulation [EC] No 504/2008 [regarding methods for identification of equidae]. The Commission Regulation has been introduced to harmonise horse identification across the EU and improve the current horse passport system to ensure horses do not enter the food chain if they have been treated with potentially harmful substances. The Regulation comes into force on 1st July 2009 requires all foals born after this date, and older horses not previously identified, to have a microchip implanted

3. Matters of special interest to the [Joint Committee on Statutory Instruments *or* the Select Committee on Statutory Instruments]

3.1 None

4. Legislative Context

4.1 The provisions of the Commission Regulation are directly applicable in UK law but domestic Regulations are required to define offences, penalties and those exemptions ('derogations') in the Commission Regulation that we propose to apply, plus some additional provisions needed for implementation. The aim of this Regulation is to improve the system ('Horse Passports') for the identification of equidae by updating and replacing Commission Decisions 93/623/EEC and 2000/68/EC, and implementing Commission Decisions (90/426/EEC) and (90/427/EEC). It will also replace the existing Horse Passports (England) Regulations 2004.

4.2 A Transposition note is not required as the Regulation is directly applicable to Member States.

5. Territorial Extent and Application

5.1 This instrument applies to England. The Devolved Administrations will be introducing separate instruments

6. European Convention on Human Rights

As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

7. Policy background

- *What is being done and why*

7.1 The Horse Passports (England) Regulations have been in force since 2004. These regulations implement Commission Decisions 93/623/EEC and 2000/68 which concern the identification of horses. Horse passports are essentially a human health measure to ensure that horses do not enter the food chain if they have been treated with veterinary medicines harmful to human health. The passport identifies a horse by means of a silhouette drawing and also records any veterinary products administered to that horse.

The new Commission Regulation, which comes into force on 1 July 2009 has been introduced to harmonise the approach to horse identification across the EU and strengthen the current horse passport system to protect the human food chain. The Regulation requires all foals born after 1 July 2009 and older horses not previously identified to have a microchip implanted when a passport is applied for. Older horses, born before 1 July 2009, that have been correctly identified under existing requirements will not require a microchip. Wild or semi-wild horses from certain designated areas (e.g. Dartmoor, Exmoor, New Forest) may remain un-chipped whilst they remain in the designated areas. The Regulation also introduces a new requirement for horse keepers to ensure animals within their care are correctly identified.

The Regulation is directly applicable however the statutory instrument is required to cover national implementation including offences, penalties and derogations which are to be applied. Failure to implement may result in the loss of the horse meat export trade and or the withdrawal of key veterinary medicines.

- Number Affected / Costs

Horse population estimates for the UK range from 1-1.35 million. Database records indicate that approximately 980,000 are passported, with up to 370,000 horses yet to be identified. It is thought that 25% of these horses will be identified prior to July 2009 in order to avoid the micro chipping requirement leaving 277,5000 to be identified in accordance with the new Regulation. Each year 50,000 foals are born in the UK, of which 50% already require microchips to comply with either equine breed society or Thoroughbred racing rules. Therefore, an additional 25,000 foals each year will be required as a result of this regulation to be micro-chipped. However, micro chipping, can depending upon the issuing body, remove the requirement for a completed silhouette. It is assumed that the per unit cost of micro chipping is £60, which is comparable to the cost of obtaining a silhouette completed by a vet. Therefore for many owners micro-chipping will not increase costs.

- Public / Media Interest

The horse industry generally welcome the introduction of the new regulation and are supportive of compulsory micro-chipping. The consultation exercise which ended 2 February 2009, generated a total of 71 responses. The level of serious public interest is most likely to be restricted to the equine industry, horse owners and specialist equine publications. The legislation has attracted recent tabloid interest with an article appearing in the 'The Sun' on 22 June entitled 'I hereby declare that I will not eat my horse or pony'. Consolidation

7.2 This instrument does not consolidate existing instruments.

8. Consultation outcome

8.1 The consultation sought the views and comments of 169 stakeholders on proposals to implement this Regulation in England. The list of stakeholders included breed societies and clubs, studbook organisations, horse breeding organisations, veterinary organisations, welfare bodies, horse passport issuing organisations, abattoirs, equine news publications, zoo associations and enforcement bodies. The consultation document raised a number of specific questions on which we sought answers to help us shape the domestic legislation. There was broad agreement to the majority of our proposals. Strong concerns were expressed over the requirement for the passport to accompany the horse when it is transported or made available within 3 hours when out hacking. We are working with enforcement officers to ensure a pragmatic and practical approach is taken to the enforcement of these offences. Respondents disagreed with the proposal to require issuing bodies to pass Sire and Dam information to the National Equine Database (NED) so this is not being imposed. Concern was also expressed that a 72 hour turnaround time for the issue of temporary documents when the passport is surrendered to the issuing body for updating was too short so this has been lengthened to 5 working days. Although there was support for the proposal to register all horses imported from the EU on NED- we intend to explore the practicalities of this suggestion further with Disease Control and Import/Export colleagues within Defra and consider implementing this requirement at a later date. The Regulation allows member states to approve alternative method of identification to be used in the place of a micro-chip. None of the proposals received offered the same scientific guarantees as micro-chipping and were therefore rejected.

9. Guidance

9.1 In collaboration with stakeholders Defra has produced comprehensive guidance notes for use by all sectors of the equine industry affected by the new rules and for various enforcement bodies.

In May 2009 a communications workshop was held with stakeholders to agree key messages and a strategy for reaching the target audience. Following the workshop a detailed communications plan was drawn up, with the aim of informing and educating horse owners/ keepers and key stakeholders about the changes in the regulations, how it will affect them and the new responsibilities placed upon them. Additionally, Defra is running an innovative campaign to raise awareness and understanding among Gypsy and Traveller communities of the new EU regulations. Activity is designed to make these communities aware of the change in regulations and the actions that they need to undertake in order to comply. Gypsy and Traveller communities are unlikely to be reached through mainstream communication channels. We have therefore developed a 'tailored' communication strategy which engages the community direct through trusted channels. We are also developing a specific Horse Passports section on Directgov, with full details of what the regulations are, how they are changing and how people can ID their horses.

10. Impact

10.1 This proposal will have no disproportionate effect on small and medium businesses as all the businesses that will be impacted by the changes made are, by definition, small to medium business enterprises. The consultation has indicated that such businesses can cope with the costs and changes introduced by these measures of as part of their normal business arrangements and the process/procedures have been designed to take account of the needs of small businesses.

10.2 The impact on the public sector is the costs of monitoring and enforcement- we will be increasing the number of enforcement bodies to include Animal Health who will perform on farm checks at a cost of 30k per annum.

10.3 An Impact Assessment is attached to this memorandum

11. Regulating small business

11.1 The legislation applies to small business.

11.2 To minimise the impact of the requirements on firms employing up to 20 people, the process/procedures have been designed to take account of the needs of small businesses.

11.3 The basis for the final decision on what action to take to assist small business was based on the consultation which indicated that such businesses can cope with the costs and changes introduced by these measures of as part of their normal business arrangements and the process/procedures have been designed to take account of the needs of small businesses.

12. Monitoring & review

12.1 For the evaluation due in 5 years, we shall seek to obtain from industry and stakeholders, information and data on the actual costs of the measures to them and indications of the achievement of the regulations' aims. In the interim, Defra is planning a review with industry three / four months after implementation to consider if procedures and guidance need to improved in certain areas.

13. Contact

Sean Hogan at Defra Tel: 020 7 238 5968 or email: sean.w.hogan@defra.gsi.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options

Department/Agency:
Department for
Environment, Food and
Rural Affairs

Title:
Impact Assessment of new equine ID regulations

Stage: Final

Version: 2.5

Date: 2 JUNE 2009

Related Publications: EC Regulation 504/2008

Available to view or download at:

http://www.ec.europa.eu/food/animal/identification/equine/index_en.htm

Contact for enquiries: Colin Parker

Telephone: 0207 238 6875

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

The consumption of meat from horses that have been treated with veterinary medicines not suitable for the food chain represents a human health risk. Commission Regulation 504/2008 will be implemented on 1st July 2009 in order to improve current methods of equine identification and to ensure a harmonised approach across the EU. The Regulation is directly applicable although domestic

What are the policy objectives and the intended effects?

All horses are currently required to have a passport. The main change under the proposed legislation is the requirement for the passport to be linked to the animal by implantation of an electronic microchip. This will reduce the risk to human health by providing a link between the horse and its passport, thus preventing horses treated with substances not intended for food producing animals from entering the food chain. The UK must implement the Regulation in order to avoid costly infraction proceedings, to protect the horsemeat export trade and to retain the use of key

What policy options have been considered? Please justify any preferred option.

Following a period of consultation on the possible options, minimum implementation with use of selected derogations only, is the option that is to be taken forward. This option reduces implementation costs whilst maintaining appropriate safeguards to the human food chain (See evidence base for details). Other options considered were: (i) Minimum implementation of EU regulation without use of derogations and (ii) Minimum implementation with use of all possible derogations..

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

Five years of implementation of the regulation (2014).

Ministerial Sign-off For Full Impact Assessments:

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) the benefits justify the cost. Signed by the responsible Minister:

Jim Fitzpatrick Date: 30th June 2009

Policy Option: 3.

Description: Minimum implementation with selected derogations

ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups'
One-off	Yrs	
£ 3.45 m	1	
Average Annual Cost (excluding one-off)		
£ 0.79 m	5	(PV) £6.9 m
Other key non-monetised costs by 'main affected groups'		

(A) Industry: (i) Cost of obtaining passports for older zebras and other wild horses (one-off £16k); (ii) Cost to livery yards of performing initial checks on horses in their care (one-off £351k); (iii) Transitional arrangements (one-off £3.1m); (iv) Costs of passports and microchips for zoo and safari park foals (ongoing 1k); (v) Cost to livery yards of checks on horses in their care (Ongoing 137k); (vi) Cost of adding new sections in passports (Ongoing 33k); (vii) Cost of micro chipping (Ongoing £278k) (viii) Movement with simplified documents (Ongoing £196k); (ix) Cost of replacing Phenylbutazone with Finadyne (Ongoing £33k); (x) Alternative methods of identification (Ongoing £33k), Costs of not applying derogation Article 16 (Ongoing £81k)

ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups'
One-off	Yrs	
£ 0	5	
Average Annual Benefit		
£ 1.90 – 2.3 m	5	5 (PV) £ 8.56 – 9.19 m
Other key non-monetised benefits by 'main affected groups'		

Industry: (i) Maintaining export of horsemeat (£1.26-2.52 m with a mid-point estimate of £1.89m), OR (ii) Allowing continued use of key veterinary medicines (£0.66-3.39 m with a mid-point estimate of £2.3 m) (iii) Cost saving for obtaining passports of imported

Key Assumptions/Sensitivities/Risks

A population figure of 1.35 million equines is used throughout this assessment.

Price Base	Time Period	Net Benefit Range (NPV) £ 1.66 – 2.29 m	NET BENEFIT (NPV Best estimate)
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What is the geographic coverage of the policy/option?	UK
On what date will the policy be implemented?	1 July 2009
Which organisation(s) will enforce the policy?	Trading Standards, MHS,
What is the total annual cost of enforcement for these	£ No change
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	No
What is the value of the proposed offsetting measure per year?	£
What is the value of changes in greenhouse gas emissions?	£
Will the proposal have a significant impact on competition?	No

Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)			(Increase -
Increase	£0.79 m	Decrease	£
			Net
			£0.79 m
		Key:	Annual costs and benefits:
			Constant Prices
			(Net) Present Value

Evidence Base

The contents of this evidence base are as follows:

Section One: Background to Horse Passports and general requirements of the existing legislation.

Section Two: Background to the new Regulation and summary of key of requirements.

Section Three: Chosen Policy Option

Section Four: Costs of chosen policy option

Section Five: Benefits of chosen policy option

Section Six: Supplementary Information

1. Background to Horse Passports and general requirements of the existing legislation

The Horse Passports (England) Regulations 2004

1.1 The Horse Passports (England) Regulations have been in force since 2004. These domestic Regulations implement Commission Decisions 93/623/EEC and 2000/68/EEC which concern the identification of equidae. Horse Passports are essentially a human health measure to ensure that horses do not enter the human food chain, if they have been treated with certain veterinary medicines harmful to human health

1.2 The main provisions of the current legislation are:

- All owners must obtain a passport for each equine they own. This includes ponies, donkeys, and other equidae (but not zebra and other exotic equidae). Equines must not be sold, exported, slaughtered for human consumption or used for the purposes of competition or breeding without a passport;
- Passports are issued by PIOs who are approved under European legislation (Commission decision 92/353/EEC);
- Owners must declare whether or not animals are ultimately intended for human consumption, by signing the relevant Declaration in the horse passport if:
 - i. banned drugs are administered to the animal;
 - ii. when the animal is exported, or
 - iii. when the animal is consigned to slaughter.

A declaration stating that the animal is not intended for human consumption cannot be reversed.

- Equidae are identified in the passport by means of a completed silhouette (diagram showing the distinguishing marks of an animal) which is completed by a veterinary surgeon or a person deemed competent by the PIO. Some breed societies require members to have their horses microchipped in addition to completing a silhouette;
- An exemption from the passport requirement is provided for semi-feral equidae residing in designated areas;
- The current legislation is enforced by the Meat Hygiene Service at slaughterhouses and by Local Authority Trading Standards Departments in other areas.

1. The new EU Regulation – Commission Regulation (EC) No 504/2008

Aim

- 1.1 Commission Regulation (EC) No 504/2008 of 6 June 2008 implements Commission Decisions 90/426/EEC and 90/427/EEC and updates and replaces Commission Decisions 93/623/EEC and 2000/68/EEC establishing an identification system for equidae. The new Regulation builds on the existing system of a single identification document (passport), issued for life when the animal is born or imported. The main change is the requirement for the passport to be linked to the animal by an electronic microchip containing a 'unique life number' with passport and microchip details recorded on a database.

Main provisions

- 1.2 Key features of the new Regulation, which enters into force on 1 July 2009, are:-
 - Extends the passport rules to zebra and other exotic equidae not previously covered;
 - Places responsibility on keepers to ensure equidae have been identified in accordance with the Regulation;
 - For passports issued after 30 June 2009, foals (and adult equidae not previously issued with passports) must be implanted with microchips containing a unique code number;
 - Provides exemptions from passport and microchip requirements for animals kept under wild or semi-wild conditions;
 - Requires equidae to be accompanied by their passport at all times with some exceptions notably, when stabled or at pasture or moved on foot where the passport can be retrieved within 3 hours;
 - Allows Member States to authorise the use of 'smart cards' instead of paper passports to accompany equidae moving within national boundaries;
 - Provides clarification on use of passports, for restricting movements, during the outbreak of an exotic equine disease;
 - Tightens the requirements for passports to be available and updated at the time of any administration of veterinary products; and
 - Introduces a revised passport format which includes a new Certificate of Origin to record pedigree details and a new section to be used in the event of a disease outbreak.

2. Policy Option taken forward

2.1 Minimum implementation with the use of selected derogations only.

This option involves the following key changes:

Article 2: Definitions

2.2 The definition of equidae in the new Regulation has been widened to encompass all wild equines in addition to domesticated horses. This expands the scope of the identification requirement to zebras and other wild horses kept in a zoo or safari park

Article 3: General obligations to identify equidae

2.3 A new requirement that equidae shall not be kept if not identified by a passport. Persons who provide full 'primary' care of equidae e.g. full livery yards will need to check that horses being delivered onto their premises have a passport. Animal Health will be performing checks at farms and yards in order to enforce this requirement.

Article 5: Identification of equidae born in the Community

2.4 Article 5 introduces two new sections for passports issued after 1 July 2009. A mandatory 'certificate of origin' will be required for registered horses and a new Section VIII which suspends the validity of a passport in the instance of a disease outbreak.

2.5 Allows an alternative provision that a passport has to be applied for within six months rather than the current arrangements that a passport must be applied for with six months or by 31 December of the year of birth, whichever is latest. This provision has no impact on costs and we will retain the current requirements which mirror those for other species and are easier to enforce than a rigid 6 months requirement.

Article 6: Completion of Section I of the passport

2.6 This removes the need for the passport to contain a completed silhouette and written description, contained on Section I, provided that the horse has been microchipped. There is also a provision that the owner can choose to voluntarily use a photograph or similar print showing sufficient details to identify the animal in addition to a microchip.

Article 7: Derogations concerning the identification of equidae living under wild or semi wild conditions

2.7 This provides a derogation from the need for certain wild or semi-wild equine populations to be identified in accordance with the new Regulation. Animals need only be identified and micro-chipped when they are moved out of the defined areas. This article provides the legal base for the current derogations allowed for the New Forest and Dartmoor. We will exercise this derogation and expand the designated areas to Dartmoor, Exmoor and the New Forest

Article 8: Identification of imported equidae

2.8 This requires owners of horses imported into the EU to obtain a passport within 30 days. This represents no change from the existing legislation. If the horse is imported with a fully compliant passport it must be registered with an approved issuing body. The number of third country passports which are compliant with EU requirements is very low. However, the new regulation allows existing papers to be made up into a passport, which would represent a cost saving for importers.

Articles 9 & 10: Verification of single ID document issued for equidae and measures to detect previous microchips

- 2.9 Passport Issuing Organisations (PIOs) will be required to verify, by checks on existing records, that a previous document has not been issued for a horse when dealing with an application. This will take the form of checking microchip numbers on the National Equine Database (NED). Vets are also required to check for the presence of previous micro-chips. PIO's and vets should already perform these checks so no significant changes are envisaged.

Article 11 Microchips

- 2.10 A major provision of the new Regulation is that all foals born after 1 July 2009 must be implanted with a microchip. However, as noted in Article 6 above, the Regulation removes the obligation for the passport to contain a completed silhouette provided the horse has been microchipped.
- 2.11 This article allows Member States to lay down the minimum qualification required for a person to insert a microchip. The consensus view of Defra and the Royal College of Veterinary Surgeons is that this is an act of veterinary surgery and should be carried out by a vet.

Article 12: Alternative Methods of Identification

- 2.12 The only alternative method to the micro-chip which will be permitted is a tamper proof temporary rump sticker to cover the movement of semi feral ponies from the New Forest Dartmoor and Exmoor directly to slaughter and from specified sales within these designated areas to the holding destination. It is proposed that horses move through the sales on the basis of a passport application and a temporary tamper proof rump sticker and are micro-chipped at the holding of destination within 30 days.
- 2.13 Under this derogation foals may move directly to slaughter from the holding of birth to the slaughterhouse provided they are marked with a rump sticker in line with the derogation provided in Article 20.
- 2.14 Older horses may move directly to slaughter on the basis of a passport application and rump sticker.

Article 13

- 2.15 This outlines the requirement for horses to be accompanied by their passports at all times and a list of derogations for when this it is not necessary. This represents no significant change from current requirements with the exception of the allowance of movement in emergency situations without the need of a passport which is a relaxation of the current requirements and beneficial from a horse welfare perspective.
- 2.16 If a horse is stabled or at pasture there is a requirement for owners/ those with primary responsibility to produce the passport without delay. This may involve the provision of the passport to Animal Health inspectors.

Article 14: Movement with Simplified Documents

- 2.17 This provides a derogation to Article 13 to allow horses, if authorised by the competent authority, to move within the Member State accompanied by a 'smart' card as opposed to a passport. We intend to provide for this option for future use but it is not possible to estimate the cost of this derogation as the technology for equine smart cards is not currently available. The benefit of this derogation is that fewer passports may be lost in transit.
- 2.18 This Article also requires PIOs to issue temporary documents to the owner when the passport is returned for updating. The temporary document is valid

for 45 days and must include as a minimum the UELN and microchip number of the horse.

Article 15

2.19 This derogation as referred to in Article 12 allows the movement of foals directly to slaughter without the requirement of a passport.

Article 16

2.20 This requires all duplicate passports to be signed out of the food chain which represents no change to the current system. However it also offers a derogation to this requirement if within 30 days of the loss the owner can demonstrate to the competent authority that the horse's status as intended for the food chain has not been compromised by any medicinal treatment. The competent authority can then suspend the animal from the food chain for a period of 6 months. We will not be exercising this derogation as it could be open to abuse and it is very difficult to envisage that evidence could be provided to the level necessary to guarantee the animal's status had not been compromised prior to the loss of the passport.

Article 17

2.21 This requires replacement passports to be signed out of the food chain - this represents no change to the current system.

Article 18

2.22 This article requires official veterinary surgeons to sign the new section VIII (movement restrictions) of the passport if the equine holding is subject to a disease control order or during an outbreak of African Horse Sickness.

Article 19

2.23 This requires the removal of the microchip from horses intended for the food chain. If the microchip cannot be found then the carcass must be declared as unfit for human consumption.

2.24 The keeper is also required to return the passport and the PIO to subsequently identify the horse as dead on NED and cancel the micro-chip number. This represents no significant change.

Article 20

2.25 This requires veterinary surgeons to ensure that any veterinary medicines they administer are recorded on the passport and/ or the horse is signed out of the food chain if a banned substance is given. If a veterinary surgeon is required to treat a horse where its food chain status is unknown or the passport is not present then the vet must treat the horse as if it is intended for the food chain. This means using alternatives to those substances which should never be given to a food producing animal.

Article 21, 22 and 23

2.26 These articles are concerned with the keeping of records by PIOs on a central database and passing these to a central Member State database if one exists. This represents no change to the current system where PIOs submit records on a monthly basis to NED.

Article 26: Transitional arrangements

2.27 This requires horses which have not previously been identified under the current horse passports regime to be identified in accordance with the new rules which will require them to be micro-chipped and marked out of the food chain.

3. Cost of policy option taken forward

- 3.1 Minimum implementation with the use of selected derogations only
- 3.2 The cost of the key changes as detailed in section 3 are described below and summarized in Table 1.

Article 2: Definitions

- 3.3 All older zebras and wild horses are expected to be issued with a passport prior to 1st July 2009. There are about 300 of these animals in the UK. The cost of the passport application is about £25. In addition, a silhouette of the animal is required for the passport. Although the cost of obtaining a silhouette from a vet is assumed below to be about £60, zoos would typically have a vet on-site so that the cost of obtaining a silhouette for these animals is assumed to be lower at £25.
- 3.4 After 1st July any zoo or safari park foals born will be issued with a passport and implanted with a micro-chip.

Article 3: General obligations to identify equidae

- 3.5 British Equine Trade Association research estimates that about 13% of horses are kept at part or full livery (this excludes DIY livery). Since the total equine population in the UK is assumed to be about 1.35 m, this equates to roughly 175,500 horses which will need to be checked when the Regulation first comes into effect. It is estimated that these initial checks will take 15 minutes each. A wage rate of £8 per hour is used.
- 3.6 For each subsequent year, it is assumed that there would be an approximate 30% 'turnaround' of horses entering or leaving keepership.
- 3.7 In order to enforce this new keeper requirement Animal Health will be performing checks at farms and yards up to a max £30,000 per annum. It is estimated that this budget would equate to checks on about 300-400 horses. It is assumed that it would take a staff member of the livery yard about 30 minutes to comply with each check.

Article 5: Identification of equidae born in the Community

- 3.8 Passport issuing organisations will need to update the format of passports. The cost of this will be passed on to horse owners. PIOs have estimated that this requirement will add £0.5 to the cost per passport for the next five years. Sixty-five thousand passports are issued each year.

Article 7: Derogations concerning the identification of equidae living under wild or semi wild conditions

- 3.9 The cost saving from exercising this derogation is the cost of obtaining passports for and microchipping about 3350 ponies in the New Forest, Dartmoor and Exmoor.

Article 8: Identification of imported equidae

- 3.10 The numbers of third country passports that are compliant with EU requirements is thought to be negligible. The regulation allows existing papers to be made up into a passport which could represent a cost saving of £5 per passport. There are 1900 third country imports each year and it is assumed that 50% of these would benefit from this change in the legislation.

Article 11: Microchips

- 3.11 Each year 50,000 foals are born in the UK, of which 50% already require microchips to comply with Breed Society/ Weatherby rules. Therefore, an additional 25,000 foals each year will be required as a result of this

regulation to be micro-chipped. However, microchipping would remove the requirement for a completed silhouette. It is assumed that the per unit cost of microchipping is £60, which is comparable to the cost of obtaining a silhouette completed by a vet. If the silhouette is completed by an authorised identifier/breeder rather than a vet, the cost is lower at about £23.

- 3.12 It is assumed that, for 70% of the foals that are currently not microchipped, the silhouette is completed by a vet. This means that there is no additional cost for these foals under the new regime. The remaining 30% of silhouettes are completed by an authorised identifier/ breeder at an average cost of £23 per horse, microchipping these foals would cost on average £60 per foal including call out fee - this gives an increased cost of £37 per foal.

Article 12: Alternative methods of identification

- 3.13 Semi-feral ponies from the New Forest, Dartmoor and Exmoor passing through sales will be covered by a derogation which will allow for a tamper-proof temporary rump sticker (cost negligible) to be applied and to obtain a passport at the holding of destination. In the case of these ponies, the silhouette for the passport is currently usually completed by a trained identifier rather than a veterinary surgeon, so that the cost is about £23. Under the new Regulation, the animals would need to be microchipped but would not require a completed silhouette, so that there would be an additional cost of £37 per animal. This additional cost is listed in Table 2.

- 3.14 If this derogation was not applied under the new Regulation, the ponies would have to be identified and microchipped before they are sent to the sales resulting in animal welfare and health and safety risks associated with microchipping the animals in the wild.

- 3.15 Older semi feral ponies moving directly to slaughter from the New Forest, Dartmoor and Exmoor may do so if they are accompanied by a passport application and rump sticker. This will save £60 microchipping fee per pony.

Approximately 90 older Dartmoor ponies, a maximum of 250 New Forest ponies and 20 Exmoor ponies are consigned for slaughter for human consumption each year direct from the designated areas.

Article 14

- 3.16 This article requires that passport issuers provide temporary documents to the owner when the passport is returned for updating. It is assumed that 10% of the total number of passports issued (980,000 as recorded by the NED) are returned for updating per year and that there is a cost of £2 per document which includes 15 minutes PIO time.

Article 15

- 3.17 This derogation allows the movement of foals direct to slaughter without the requirement for a passport. About 500 foals move directly to slaughter every year. If this derogation was not applied, an additional £85 (£25 for the passport application + £60 for microchipping) would be spent per animal per year.

Article 16

- 3.18 This derogation makes it possible to mark a duplicate passport to show an animal temporarily excluded from the food chain for a period of 6 months, instead of being definitively signed out of the food chain – provided the owner can prove that the animal has not been treated with unsuitable veterinary products. This derogation is the only one that we will not be applying.

- 3.19 There would be an additional cost associated with not applying this derogation as, potentially it could increase the number of animals eligible for the food chain. Approximately 0.5% of total passports issued (i.e. 4,800 passports) are duplicated each year. Of these, it can be assumed that 65% are signed out of the food chain. This leaves 1,680 horses.
- 3.20 Of the 50,000 horses that die each year, about 4,200 (8%) are slaughtered for human consumption. Therefore, it is assumed that about 134 of the 1,680 horses with duplicate passports could potentially enter the food chain if this derogation was applied (this depends on owners providing sufficient quality evidence of veterinary treatment). If the derogation is not applied, the owners of these horses could potentially lose £600 per horse (£400 for the cost of the carcass and £200 for an alternative disposal method).

Article 18

- 3.21 Animal Health have indicated that the original signing of section VIII (movement restrictions) could be conducted during an initial disease outbreak visit and would represent no additional cost. In order to re-sign the passport to lift the movement restrictions, it would cost 3 hours at £80/hour to re-visit a holding and re-sign. However, it is not possible to predict numbers of outbreaks or the number of holdings affected

Article 19

- 3.22 MHS will on behalf of Defra enforce the requirement to remove microchips from horses intended for the food chain. It has been agreed that this will not result in an increase to the current Service Level Agreement funding.

Article 20

- 3.23 This article requires veterinary surgeons to treat horses as if intended for the food chain if their food chain status is unknown or the passport is not present. In practice this means using more expensive alternatives, e.g. Phenylbutazone (which is not suitable for use in animals intended for the food chain) costs £2.60 per treatment. Its alternatives Finadyne and Metacam cost £4.24 and £10.98 respectively.
- 3.24 50,000 horses are treated in emergency situations per year. Assuming that in 40% of these cases the passport was not present or the horse's status was not known to the veterinary surgeon, this would result in an additional cost of at least £32,800 per year (assuming that Finadyne could replace Phenylbutazone in all cases), to a maximum of £167,600 per year.
- 3.25 Other drugs that could not be used in cases of unknown status include chloramphenicol for which the alternatives are cheaper and Metronidazole, for which there is no available alternative, but its use is very limited and usually administered to hospitalised horses. The horse would be signed out of the food chain if this substance had to be used.

Article 26: Transitional arrangements

- 3.26 The new Regulation requires all horses that have not previously been identified under the current regime to be identified in accordance with the new Regulation, which would require them to be microchipped. There are currently 1.35 m horses, of which we believe 980,000 are passported, with up to 370,000 horses yet to be identified. It is thought that 25% of these horses will be identified prior to July 2009 in order to avoid the microchipping requirement and being automatically marked out of the food chain, so they will not be affected by the change in the regulation.

- 3.27 Of the remaining 277,500 horses, about 70% (i.e. 194,250 horses) would have been identified by a silhouette completed by a vet. As discussed previously, the cost of this is comparable to the cost of microchipping, so there would be no change in the cost of identifying these horses.
- 3.28 The remaining 30% (i.e. 83,250 horses) would have been identified by a silhouette completed by an authorised identifier or breeder, the cost of which is cheaper at about £23. These horses would be affected by a cost increase of £37, as the cost of microchipping is about £60 per horse.
- 3.29 The cost of key changes are listed below in table 1. Additional costs prevented by applying derogations are listed in table 2 below:

Table 1. Cost of key changes

ONE-OFF COSTS	
Requirement	Costs (£)
Article 2: Cost of obtaining passports for older zebras and other wild horses	
Cost of passport application and silhouette	15,000
Admin burden of completing passport application	1,200
Total one-off cost	16,200
Article 3: Cost to livery yards of performing initial checks on horses in their care	
Admin burden of performing initial checks	351,000
Article 26: Transitional arrangements	
Total one-off cost (over baseline)	3,080,250
Total one-off costs	3,447,450
ANNUAL COSTS	
Article 2: Cost of passports and microchips for zoo and safari park foals	
Cost of passport application and silhouette	1,000
Admin burden of completing passport application	80
Total annual cost	1,080
Article 3: Cost to livery yards of checks on horses in their care	
Admin burden of performing checks	105,300
Cost of monitoring and enforcement	30,000
Admin burden of complying with monitoring	1,400
Total annual cost	136,700
Article 5: Cost of adding new sections in passports ¹	
Total annual cost	32,500
Article 11: Cost of microchipping	
Total annual cost (over baseline)	277,500
Article 14: Movement with simplified documents	
Total annual cost	196,000
Article 20: Cost of using alternative to key vet medicines	
Total annual cost (over baseline)	32,800
Article 12: Alternative methods of identification	
Total annual cost (over baseline)	32,930
Total annual costs of applying minimum derogations	704,760
Article 16: Cost of Derogation not applied (Duplicate Passports)	
Total annual cost	80,640

¹ These additional sections relate to certificates of origin and the suspension of a pass port during a disease outbreak. They are not thought likely to involve additional paperwork

Total annual cost of policy option taken forward	785400
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Table 2. Cost that have been prevented by applying derogations

Requirement	Costs (£)
Article 7: Identification of equidae living under wild or semi wild conditions	
Total annual cost	284750
Article 12: Alternative methods of identification	
Total annual cost	21600
Article 15: Movement documents for foals going direct to slaughter	
Total annual cost	42500
TOTAL ANNUAL COST	348850

4. Benefits of policy options

- 4.1 There are a number of significant qualitative and quantitative benefits of implementing the Regulation as described below.

Human Health

- 4.2 The main driver behind the EU Regulation is protection of the human food chain. Improved equine identification will reduce the risk of human exposure to substances not permitted for the food chain. For example, phenylbutazone, a commonly used veterinary medicine, has been shown to cause aplastic anaemia in humans - a very serious auto immune condition which left undiagnosed may cause death within six months. Passports of equines treated with such products have to show the animal as unfit for the food chain.
- 4.3 However, as UK consumption of horsemeat is minimal, this measure will not benefit the UK directly.

Equine disease control

- 4.4 Improved equine identification- particularly the use of microchips to provide the link between the horse and information contained on its passport will improve the efficiency and effectiveness of disease control.

EU Infraction action

- 4.5 Failure to implement the new Regulation could lead the EU Commission to open infraction proceedings which could result in a large fine and prove costly in terms of the resource required to deal with the process.

Sanctions

- 4.6 If the UK were to fail to implement the Regulation- the EU Commission could impose sanctions such as banning the export of horse meat from the UK or removing authorisations for the veterinary medicines which are not to be administered to horses for human consumption. Both sanctions would have significant financial and welfare implications.

Ban on horsemeat export

- 4.7 Currently 4200 horses are slaughtered in the UK each year for human consumption. The main markets for UK horsemeat in the EU are Finland, France, Greece, the Irish Republic and Latvia. Approximately 1,473 tonnes of horsemeat was exported to the EU in 2007, with a value of about £2.5 m. There does not seem to be any consistent trend in horsemeat exports over the past few years – it was £2.7 m (1,576 tonnes) in 2004 but decreased to £2.2 m (1,298 tonnes) in 2005 and to £1.8 m (1,301 tonnes) in 2006.
- 4.8 If the EU were to impose a ban on the export of horse meat from the UK, then owners would lose approx £600 per horse – based on £400 for the carcass received from the slaughterhouse and a cost of £200 to dispose of the horse by a different means.

$$4200 \times \text{£}600 = \text{£}2.52 \text{ million}$$

- 4.9 However the new microchipping requirement and the treatment of late applications for older horses will tighten up controls which may result in a maximum of 50% reduction of horses being slaughtered for the food chain.

$$2100 \times \text{£}600 = \text{£}1.26 \text{ million}$$

By avoiding a ban on UK horsemeat exports, the new Regulation will therefore lead to a benefit of £1.26 – 2.52 m per annum.

- 4.10 It seems certain that should the Government opt not to implement the Commission Regulation that the EU would impose a ban on UK horsemeat

export, for human health reasons. It should be noted that the above figures do not factor in the costs that infraction proceedings, brought against the UK, for failure to implement the Regulation. While the costs of such proceedings are unknown they would likely be significant.

Removal of key veterinary medicines

- 4.11 If phenylbutazone (“bute”) was removed from the market then vets would be required to administer an alternative eg Finadyne or Metacam. Both of the medicines are more expensive than Bute. If we assume 30% of horses are given bute, at a rate of £2.60 per horse, in a given year the additional cost of administering Finadyne or Metacam are estimated as follows:

Finadyne + $£1.64 \times 405,000 = \mathbf{£664,200}$

Metacam + $8.38 \times 405,000 = \mathbf{£3.39 \text{ million}}$

Metacam is considered by the British Equine Veterinary Association as the nearest equivalent to “Bute”, but in the less common situations where a stronger painkiller is required, then Finadyne would more likely be used. If Finadyne and metacam were used in a 40:60 proportion, the additional weighted annual cost would be £2.3m.

- 4.12 The additional costs could have an effect on horse welfare and increase suffering in the horse.

Derogations

- 4.13 Failure to implement would mean that the useful derogation for semi-feral foals moving directly from the designated areas to the slaughterhouse without the need of a passport could not be applied.

5. Supplementary information

Stakeholder engagement and risk assessment

- 5.1 We have held detailed discussions with stakeholder groups, from various sectors of the industry, throughout the development of this policy. The formal consultation closed on 2 February 2009 and no issues have been raised by stakeholders that will prevent successful implementation.
- 5.2 In terms of an overall risk assessment of the measure, as pointed out above the main risk factors, e.g. with respect to human health and curtailment in some circumstances of some veterinary medicines, would be associated with not implementing rather than proceeding with the regulation.

6. Review and evaluation

- 6.1 For the evaluation due in 5 years, we shall seek to obtain from industry and stakeholders, information and data on the actual costs of the measures to them and indications of the achievement of the regulations’ aims.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	Yes
Small Firms Impact Test	No	Yes
Legal Aid	No	Yes
Sustainable Development	No	Yes
Carbon Assessment	No	Yes
Other Environment	No	Yes
Health Impact Assessment	No	Yes
Race Equality	No	Yes
Disability Equality	No	Yes
Gender Equality	No	Yes
Human Rights	No	Yes
Rural Proofing	No	Yes

Annex I: Outcome of Impact Tests not referred to in the Evidence Base

Competition Assessment

The proposal is unlikely to have a negative impact on competition as all areas of the industry will have to adhere to the same rules. Within the transponder supply market, it is our view that the proposals may even promote additional competition as the increase in the use of transponders may encourage other companies to venture into this market, which is currently only served by four companies.

Small Firms Impact Test

This proposal will have no disproportionate effect on small and medium businesses as all the businesses that will be impacted by the changes made are, by definition, small to medium business enterprises. The consultation has indicated that such businesses can cope with the costs and changes introduced by these measures of as part of their normal business arrangements and the process/procedures have been designed to take account of the needs of small businesses.

Legal Aid

After consultation with the Ministry of Justice, it has been concluded that this proposal has only a negligible impact on legal aid as it appears that the majority of horse owners would not pass the means test to allow them access to legal aid.

Sustainable Development

The proposal is fully compliant with the principles of sustainable development. Where it has been indicated that the implementation of the regulations would be unfeasible we have

Carbon Assessment

The proposal will have no significant effect on carbon emissions. Whilst there may be a small increase in the number of vet visits made to owners' premises (to implant chips that were previously not required), this would not be significantly more than those journeys made for other purposes (vetting, medical treatment etc.). Indeed it is much more likely that the vet will have been in attendance, at initial identification, anyway as many passport-issuing organisations require a vet to complete the silhouette.

Other Environmental Issues

The proposal will have no additional impact on environmental issues.

Health Impact Assessment

The Proposal will not directly impact on health or well-being and will not result in health inequalities.

Race Equality

We consulted with the Gypsy and Traveller Unit, within the Department for Communities and Local Government, to ensure that this proposal does not disproportionately effect on gypsy and traveller community, which has an historical relationship with equines. The conclusion of our testing is that this proposal does not.

There are no limitations on other groups with meeting the requirements of the proposal on the grounds of racial background.

Disability/Gender Equality

There are no limitations on meeting the requirements of the proposal on the grounds of disability or gender. The proposal does not impose any restriction or involve any requirement which a person of a particular disability or gender would find difficult to comply with. Conditions apply equally to all individuals and businesses involved in the activities covered by the Proposal.

Human Rights

The proposal is consistent with the Human Rights Act 1998.

Rural Proofing

As this proposal affects all Equidae, irrespective of their geographical location, it is not felt that rural areas will be disproportionately affected by the measures introduced.