

# Final stage impact assessment

Title: Product Regulation and Metrology Bill Impact Assessment

Type of measure: Primary Legislation

Department or agency: Department for Business and Trade

IA number: DBT-019-24-CMRR

RPC reference number: DBT(OPSS)-24002-IA(1)

Contact for enquiries: [Opssanalysis@businessandtrade.gov.uk](mailto:Opssanalysis@businessandtrade.gov.uk);  
[Krishan.Mooneapillay@businessandtrade.gov.uk](mailto:Krishan.Mooneapillay@businessandtrade.gov.uk)

Date: 4 September 2024

## 1. Summary of proposal

The product regulatory framework in the UK covers the majority of consumer products, as well as a significant number of industrial products. From cosmetics and toys, through pyrotechnics to heavy machinery and pressure equipment, over 2,500 pages of secondary legislation ensure UK consumers and workers are protected.

This Bill will preserve the UK's status as a global leader in product regulation, supporting businesses and protecting consumers. It will ensure the UK is better placed to address modern day safety issues, harness opportunities that deliver economic growth and ensure a level playing field between the high street and online marketplaces.

The majority of the UK's product safety and metrology framework is derived from EU law developed over the past four decades. As technology and regulation continue to develop, the UK needs powers to address current or future threats and hazards, and ensure a continuous supply of safe goods on the UK market. This Bill will enable the UK to maintain high product standards, supporting businesses and economic growth, by allowing the UK Parliament the power to update relevant, including assimilated, law.

**This primary legislation would introduce powers to:**

- **Respond to new product risks and opportunities** to enable the UK to keep pace with technological advances, such as artificial intelligence (AI), and address challenges, such as the fire risk associated with e-bikes and lithium-ion batteries. It

will also allow information about the products, for example instructions for use for customers and importer details to aid supply chain traceability, to be supplied digitally, for example via QR code linking to a website. It also would enable legislation to respond to future changes in global supply chains and the way that UK consumers purchase products.

- **Identify new and emerging business models** in the supply chain, ensuring the responsibilities of those involved in the supply of products, such as online marketplaces, are clear, enabling Government to better protect customers, so they can have confidence in the products they buy and whom they buy them from.
- **Ensure that the law can be updated** to enable recognition of new or updated EU product requirements, including Conformité Européenne (CE) marking, where appropriate to prevent additional costs for businesses and provide regulatory stability. This legislation will also enable the UK to end recognition of EU product requirements, where it is in the best interests of UK businesses and consumers.
- **Enable improvements to compliance and enforcement** reflecting the challenges of modern, digital borders. This Bill will enable the Government and its regulators to tackle non-compliance and target interventions by allowing greater sharing of data between regulators and market surveillance authorities. It ensures enforcement bodies have the right powers to take appropriate and proportionate action and that strategic national leadership on product safety and metrology issues can be implemented across the UK.
- **Update the legal metrology framework:** which governs the accuracy of weights and measures for purchased goods. This plays a role in product legislation, giving consumers and businesses confidence in what they are buying. This would allow for technological progress, including in support of net zero aims and infrastructure, for example enabling innovation whilst ensuring energy smart meters are accurate in their readings.

## 2. Strategic case for proposed regulation

The exchange and trade of products between businesses and consumers, between businesses themselves and consumer to consumer, is the cornerstone of any functioning market economy. Consumption of products can only take place if consumers have confidence in what they are buying, and products do not cause harm to individuals and their property. In a world without any government intervention, market failures can arise from information asymmetries between producers and consumers. A market failure can also arise from the presence of externalities, where the harm caused by a product impacts third parties, such as neighbours, employers, and health services. These market failures have underpinned the rationale for government intervention in product safety and metrology over the last half century.

The product safety framework has responded to new risks as they materialise. However, given the advancements in modern supply chains, digital technology, and eCommerce, the current framework has become limited in what it can achieve in a 21st Century global marketplace. This regulatory inflexibility, if left in its current state, will create greater challenges in the future and hinder the UK's ability to grow the economy.

The current regulatory regime was not designed with today's complex and globalised supply chains in mind, so there is potentially a lack of clarity about the responsibilities of online businesses in the supply chain, including the online marketplace business model. The rapid growth in these business models has brought significant challenges to the product safety

legal framework. Despite the requirement that all consumer products must comply with safety requirements before they can be placed on the market, in practice it has become too easy for businesses or individuals based outside of the UK to sell non-compliant products to UK consumers.

The product safety regulatory framework in the UK covers the majority of consumer products and a significant number of industrial products. The overwhelming majority of this legislation is assimilated law, transposed into UK law during membership of the EU and then retained during the EU exit process. The legislation used to be regularly updated using secondary legislation under the European Communities Act 1972. However, since those powers were revoked, there are very limited powers to make changes to the legislative framework that now applies in Great Britain (GB), whether that is to keep pace with EU law or developments, or to address the issues outlined below. This means the UK could start falling behind the EU and internationally in areas such as the use of AI, technology in machinery, and the regulation of online marketplaces.

Legislation passed in May 2024 allows GB to continue to recognise a range of existing EU product requirements. This 'CE recognition' covered 21 regulations for a range of products sold in GB and is estimated to lead to net savings for businesses of £640.5m.<sup>1</sup> However, as the EU legislate to update their regulations, the UK lacks powers to end recognition or to recognise new and updated EU regulations in GB. The future scope of policy to continue 'CE recognition' would depend on ministerial decisions on the use of the Bill powers to recognise or end recognition of EU requirements.

The impact of not intervening to fix the regulatory inflexibility would include:

**Business costs, complexity, uncertainty and confusion:** When EU regulations change, businesses would either have to start using the UKCA marking to sell products in GB, or sell CE marked products in GB that comply with out-of-date EU regulations. This would increase regulatory complexity, as GB would be recognising outdated EU rules for CE marked products. Undertaking testing requirements for both UKCA and CE may cost businesses thousands of pounds for each of their product ranges in scope. Evidence from businesses indicates that full conformity assessment costs can vary from £1,500 to £200,000 per product range (with many cost estimates falling in the range of £7,500 to £20,000 per product range). These additional costs may be passed on to consumers.

Using another example, in many cases online marketplaces are acting as distributors within the General Product Safety Regulations 2005 (GPSR) definition and are therefore subject to corresponding obligations. However, it may be the case that not all online marketplace business models are captured by the GPSR definition of a distributor, and many stakeholders have highlighted their uncertainty as to under what circumstances traders using online marketplaces can be considered distributors. Therefore without modernising the legislation, some businesses would continue to be unsure of how the existing regulations may apply to them. This uncertainty could also stifle further innovation or deter newcomers from entering the market.

---

<sup>1</sup> Impact Assessment for the Product Safety and Metrology etc. (Amendment) Regulations 2024, accessible at <https://www.legislation.gov.uk/ukdsi/2024/9780348260311/impacts>. The regulations in scope of this legislation includes: ATEX, Electromagnetic compatibility, Lifts, Electrical equipment, Pressure Equipment, Pyrotechnics, Recreational crafts, Radio equipment, Simple pressure vessels, Toys, Aerosol dispensers, Gas appliances, Machinery, Noise emissions, Personal protective equipment, Measuring instruments, Non-automatic weighing instruments, Measuring container bottles, RoHS, Explosives, Ecodesign.

**Consumer safety risks:** Laws applying to Great Britain (GB) cannot be updated to reflect emerging threats to consumer safety. This includes being unable to stop recognition of outdated EU regulations. For instance, if the EU Toys regulation is updated as currently planned to address safety issues, GB law would continue to be based on the outdated EU legislation. This could compromise safety and cause reputational risk for GB authorities should a product cause harm or injury due to only meeting an outdated EU regulation.

There may also be a further reputational risk that GB law cannot keep pace with the latest technology or advancements by recognising an outdated regulation, such as addressing cross-cutting product safety hazards, such as the fire risk associated with e-bikes and lithium-ion batteries.

Consumers would lose out if the framework of enforcement powers is not fit to tackle all challenges. Limited powers could indirectly create an uneven playing field for businesses as well as limit enforcement authorities' ability to protect consumers.

All consumer products must comply with safety requirements before they can be placed on the market. Despite this, the sale of unsafe products via online marketplaces is highlighted by consumer groups and trade associations as a problem. Unsafe products sold on online platforms include those that could cause significant harm or fatalities. Without modernising the product safety framework to clarify responsibilities for online marketplaces, the sale of non-compliant products via these platforms may continue. Recent examples of concern include:

- The sale of inherently dangerous baby self-feeding products, that the Office for Product Safety & Standards (OPSS) investigations indicated were being sold exclusively on online platforms. They required Urgent Safety Alerts<sup>2</sup> and had varying levels of success at the speed that listings were removed. One online marketplace did not respond to requests.
- Serious e-bike fires; OPSS<sup>3</sup> is aware of three fatalities in 2022 and 11 in 2023 involving batteries related to light electric vehicles such as e-bikes and e-scooters. In 2023 alone, the London Fire Brigade attended over 160 fires caused by e-bikes and e-scooters, resulting in over 50 injuries and 3 deaths<sup>4</sup>.
- More than 1,000 carbon monoxide alarms that were listed on eBay, Amazon, AliExpress and Wish failed to detect the gas in Which? product testing<sup>5</sup>.
- The British Toy and Hobby Association (BTHA) tested over 500 toys purchased from Amazon, eBay, AliExpress, and Wish from 2018 to 2022, and identified 86% to be non-compliant<sup>6</sup> and 48% to have serious safety issues.
- Illegal angle grinder chainsaw disc attachments<sup>7</sup>, with a risk of serious injury, that investigations revealed were being sold exclusively online.

---

<sup>2</sup> <https://www.gov.uk/government/news/urgent-safety-alert-issued-for-baby-self-feeding-products>

<sup>3</sup> See, for instance, recent OPSS enforcement activity regarding an e-bike battery:

<https://www.gov.uk/government/news/opss-takes-enforcement-action-over-dangerous-e-bike-battery>

<sup>4</sup> <https://www.london-fire.gov.uk/safety/lithium-batteries/the-dangers-of-electric-scooter-and-electric-bicycle-batteries/>

<sup>5</sup> <https://www.which.co.uk/news/article/killer-carbon-monoxide-alarms-still-on-sale-through-online-marketplaces-awai88X3LNnt>

<sup>6</sup> <https://www.btha.co.uk/wp-content/uploads/2022/11/BTHA-Online-Marketplace-Report-2022-FINAL.pdf>

<sup>7</sup> <https://www.gov.uk/product-safety-alerts-reports-recalls/product-safety-alert-angle-grinder-chainsaw-disc-attachment-psa2>

**Businesses may choose not to supply the GB market:** not having flexibility to legislate to respond to EU regulatory changes will cause uncertainty for businesses and could discourage manufacturers from supplying products to GB. There are many products covered by the EU's upcoming regulatory changes (such as machinery) that have long lead in times (often 18 – 36 months) and manufacturers need to incorporate regulatory compliance during the design stage of a product. Manufacturers need regulatory certainty and stability to invest, and machinery manufacturers have been asking for clarity for the past 12 months.

**UK Internal Market divergence:** To ensure dual access to both the UK Internal Market and the EU Single Market, Northern Ireland continues to apply certain EU product safety and metrology rules under the Windsor Framework. The powers conferred by this Bill will ensure we can continue to respond to any new EU legal developments that may have internal market impacts and facilitate the continued smooth flow of goods between GB and Northern Ireland.

### 3. SMART objectives for intervention

The high-level objectives are to:

- **Ensure that the law can be updated:** The intended outcome is to ensure the legislation is up to date with the evolution of supply chains over time and able to respond to new technologies and address new challenges. It will enable recognition of new or updated EU product requirements, including CE marking, or to end recognition of EU product requirements in GB where it is in the interests of UK consumers and businesses. This measure would support growth, provide regulatory stability for industry, and protect consumer safety.
- **Identify actors and place duties upon those in the supply chain:** The intended outcome is to modernise product safety legislation to clarify duties for online marketplaces and to allow the Government to identify new actors in the supply chain and place obligations on them to protect the safety of consumers.
- **Improve enforcement and compliance mechanisms to respond to new challenges:** The intended outcome is to enable appropriate powers that reflect the challenges of modern, digital borders and improve data sharing between regulators and market surveillance authorities to both protect consumers and support economic growth.
- **Update the legal metrology framework:** The intended outcome is to ensure appropriate powers are in place to update and future-proof the metrology framework.

### 4. Description of proposed intervention options and explanation of the logical change process whereby this achieves SMART objectives

Option 1 (Preferred): Primary legislation will be required to deliver the preferred option. It is only by changing the law that we can deliver reform to the product framework and ensure the framework is agile in its response to emerging threats, new technology and changes in EU law.

As the Bill will only contain enabling powers, subsequent secondary legislation will be required to set out in more detail how measures will operate. These will be subject to their own consultation (where appropriate), scrutiny, and further assessment of impacts.

This option will ensure that the Government can fully implement a framework for recognising existing EU requirements for a range of products across the UK (for example the continued recognition of the CE marking, which was passed in May 2024 with cross-party agreement). Without this legislation, the Government cannot respond to forthcoming EU regulatory changes and will be unable to recognise updated EU regulations, stop recognition of EU rules, or make other changes to our own domestic regulations.

As outlined in the summary text, the majority of product safety legislation is assimilated EU law, which previously used to be regularly updated using powers from the European Communities Act 1972. However, since those powers were revoked, we have very limited powers to make changes to the legislative framework that now applies in GB. The preferred option will ensure appropriate powers are in place to enable the Government to:

- adapt to new business models,
- make the most of opportunities,
- manage emerging threats,
- continue to protect people from product-related harm,
- and manage divergence pragmatically.

These powers will affect a range of businesses and changes will not be specific to a particular size of business, for example, we have not identified any impacts specific to small and micro businesses (SMBs) or medium sized businesses at this stage. Before the use of these primary powers to introduce specific requirements or measures (i.e., via secondary legislation), any impacts will be fully considered in detail through its associated impact assessment, as required by the Better Regulation Framework<sup>8</sup>.

### Logic Map

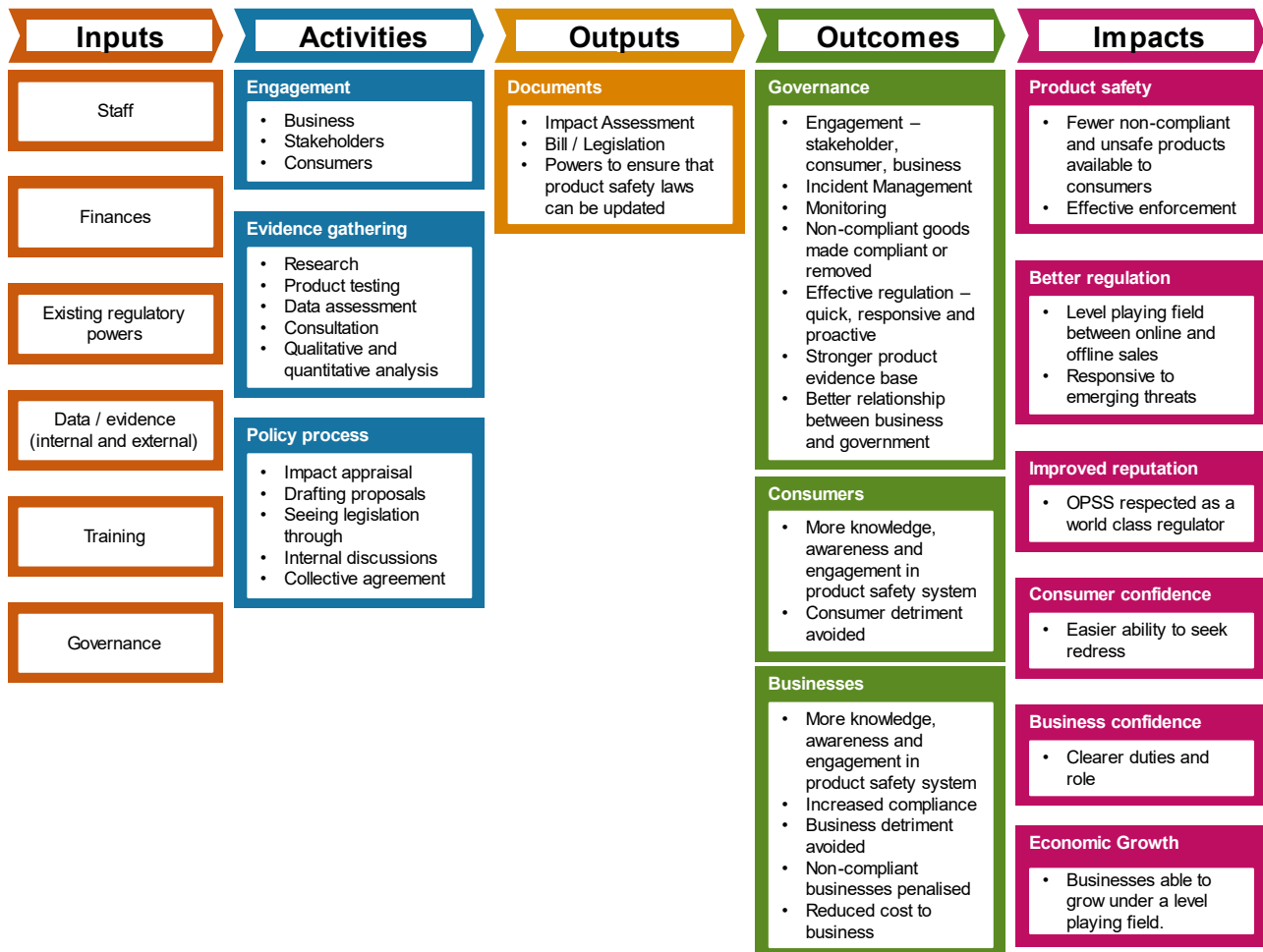
Figure 1 is a high-level logic map that outlines the intended programme outputs, longer-term outcomes, and impacts, underpinned by the available inputs (resources) and activities to achieve these. As detailed later, in Section 8, Monitoring and Evaluation (M&E) is expected to look at several individual policies, that form part of this area, at the secondary legislation stage. This is reflected in the logic map as the 'Outputs' section focuses on primary legislation which will enable secondary legislation to be put in place to achieve the stated 'Outcomes'.

Detailed logic maps, that clearly present a visualised Theory of Change, will be developed for several individual policies that are part of the product safety regulation framework area at the secondary legislation stage.

---

<sup>8</sup> <https://www.gov.uk/government/publications/better-regulation-framework>

**Figure 1: The Logic Map**



## 5. Summary of long-list and alternatives

While softer interventions were considered for enforcement, such as new statutory guidance, it quickly became clear that, due to decades of layering of legislation and a limited ability to tackle emerging business models, legislative change was required. Primary legislation is required to provide the package of powers, in order to future-proof the legislation in order to react to future risks, shocks, and opportunities.

### Keeping Existing Legislation

Existing legislation is unable to deliver effective change. Whilst some powers exist to alter existing legislation, such as those in the Consumer Protection Act 1987 (CPA), the Retained EU Law Act 2023 (REUL Act), and the Weights and Measures Act 1985 (WMA), they each present issues for use in this context. These issues are:

- **Evolving definitions:** As products develop, so do the risks. For example, the meaning of “goods” in the CPA does not capture all of the products in scope of the current framework; the meaning of “safe” in the CPA does not correspond to the meaning of “risk” (and when it arises), and the enforcement regime in the CPA does not allow all of the corrective measures required, particularly with regard to civil enforcement and measures with a focus on compliance.

- Expiry of Powers: Powers in the Retained EU Law (Reform and Revocation) Act 2023 were not designed to specifically deal with product regulation. They are limited, in that they can only operate within the framework of assimilated law and have other in-built restrictions, including that all the powers expire by 2026. This means they are not suitable to ensure our product regulation is flexible and can adapt to new products, and ways of buying and using those products, both now and in the future.
- The need for more flexible and targeted powers: Gaps have been identified in existing powers. For example, the WMA powers are not sufficient to place conditions on products before placing them on the market, or imposing obligations on economic operators within the supply chain.

## **Alternative interventions**

An alternative option considered was to tackle the high-risk issues that demanded immediate resolutions, e.g., CE marking extension, deliver some policy changes to areas of opportunity, such as digital labelling utilising existing powers, and explore intervention options that did not require legislation.

As an example, the issues of complexity and overlaps that could undermine enforcement authorities were examined to see if these could be addressed through issue of statutory guidance. However, it became clear that there were structural problems resulting from the proliferated legislation that could not be solved with guidance alone.

Non-legislative interventions were also considered, for example, continuing to strengthen guidance and provide training materials. Overall, these would not legally address high-risk challenges the regulatory framework is experiencing and would therefore not deliver on the overall policy position of seeking to address the current and future challenges to the framework as identified in both the 2021 Call for Evidence and 2023 Product Safety Review (PSR) Consultation.

## **Guidance**

In terms of enforcement, an alternative considered was the issuing of new statutory guidance for the current framework, clarifying points of confusion. However, the legislation as it stands includes overlapping powers and gaps in enforcement capability that are entrenched. It is the underlying legislation, not the enforcement authorities' interpretation of it, that is creating obstacles to efficient enforcement. Similarly, issuing guidance and educating business did not represent an equitable solution when the full extent of the role of new business models such as online marketplaces are not clear within the existing definitions in product legislation.

## **Implement incremental changes using existing powers**

Another alternative was the use of existing powers in the Consumer Protection Act (CPA) 1987 to introduce clear requirements on online marketplaces, via secondary legislation. Section 11(1) of the CPA gives the Secretary of State powers to make regulations for the purpose of securing that a) goods are safe, b) goods that are unsafe to a group of people are not made available to those people, and c) that information is provided, and inappropriate information is not provided, in relation to consumer goods.

This option would only implement incremental changes, such as introducing information requirements that would contribute to making sure goods are safe. Therefore, this option



would not be able to fully achieve the aim of clarifying duties for supply chain actors, such as online marketplaces. This option would also require further consideration of which changes could be possible and whether the CPA enforcement framework would be fit for purpose to enforce any new requirements on online marketplaces. For these reasons, this option was not considered any further.

## **6. Description of shortlisted policy options carried forward**

From the longlist, two options have been taken forward for the shortlist:

### **Option 0: Do Minimum**

Government retains the current system in GB, which provides only limited powers to make any amendments to product legislation (as incorporated into UK law following the UK's exit from the EU), beyond those which are necessary to support scientific and technological change. However, it is important to note that the EU is updating its own framework, which in turn will indirectly create two different systems between the EU and the UK if a do-nothing option is chosen. We will be unable to undertake the reforms needed across regulation, enforcement, data, and will passively diverge from the EU's system, including for EU regulations we currently recognise.

Under this option, there would be insufficient powers to update the law or enable recognition of new or updated EU product regulations. The UK would not be able to respond to new risks and opportunities.

Government would also be unable to cease the continued recognition of certain EU requirements, including the CE marking. If the EU updated these requirements, and without changes to UK law, the UK would still recognise the outdated EU requirements. Some businesses may continue to be uncertain about their role in the supply chain and enforcement would not be equipped to respond to emerging threats. The metrology framework, too, would be static and lacking powers to appropriately update and amend them.

Many countries, particularly EU Member States, will make changes to their product safety frameworks and this option could leave GB lagging behind across areas including regulation, enforcement, and labelling options.

The growth in online marketplace business models has brought significant challenges to the existing product safety legal framework, which was not designed with such complex and globalised supply chains in mind.

There is no definition of an online marketplace under existing GB product safety law. Instead, product safety legislation places obligations on manufacturers, importers, and distributors to ensure products are safe before they are placed on the UK market. In many cases online marketplaces are acting as distributors within the General Product Safety Regulations 2005 (GPSR) definition and are therefore subject to corresponding obligations. However, it may be the case that not all online marketplace business models are captured by the GPSR definition of a distributor, and many stakeholders have highlighted their uncertainty as to under what circumstances online marketplaces can be considered distributors.

New entrants will be more likely to invest in joining the market in a compliant way if they perceive a robust, coherent regulatory environment. Therefore, updated regulation is important for fair market competition amongst marketplaces and those who sell through them, protecting consumers, and preventing non-compliant actors from damaging the credibility of the online marketplace market.

Furthermore, we expect the diversity and market share of online marketplaces to continue to grow, with the way that UK consumers purchase products continually evolving in ways that the Government and regulators may not be able to predict.

This is not the recommended option due to the risks associated with passive divergence, the need for improved clarity of responsibilities for supply chain actors, such as online marketplaces, and the inability of the product regulatory framework being able to respond to future changes. Not updating our product framework in line with technological and economic change would lead to consumer risks as well as business costs, complexity, and confusion.

### **Option 1: Powers Primary Legislation**

Enact the powers as detailed in the summary of the proposal. In summary these are:

- Ensure that the law can be updated
- Respond to new product risks and opportunities
- Identify actors and place duties upon those in the supply chain
- Enable improvements to compliance and enforcement
- Update the legal metrology framework

### **Small and Micro Business Assessment (SaMBA)**

Option 1 is not expected to have significant direct impacts on small and micro businesses (SMBs). Before the introduction of any policy proposals under this primary legislation, any impacts and potential exemptions for SMBs will be fully considered in a detailed SaMBA.

Small and micro businesses are not exempt from the scope of this primary legislation. This is because regulations that cover product safety and standards must apply to all firms, in order to be effective and to minimise risks to social welfare and public safety.

Negative impacts on SMBs can be mitigated through policy design at secondary legislation stage. Policies will be developed with due consideration to SMBs, including engagement with businesses of all sizes through OPSS's Business Reference Panel.<sup>9</sup> Clear regulations and guidance are likely to benefit smaller firms that have less resource to dedicate to interpretation and compliance.

---

<sup>9</sup> <https://www.gov.uk/government/publications/business-reference-panel>

## 7. Regulatory scorecard for preferred option

### Part A: Overall and stakeholder impacts

<b>(1) Overall impacts on total welfare</b>		<b>Directional rating</b>
		<b>Note: Below are examples only</b>
<b>Description of overall expected impact</b>	<p>The primary legislation proposed is not expected to have direct impacts on social welfare, businesses or households as the powers are enabling, meaning policies will not be delivered exclusively in this Bill.</p> <p>Impacts are expected when policies are enacted via secondary legislation, which will be assessed separately.</p>	<b>Neutral</b> <b>Based on all impacts (incl. non-monetised)</b>
<b>Monetised impacts</b>	<p>The powers granted by this primary legislation are enabling powers, so direct impacts are not expected.</p> <p>Impacts have therefore not been monetised and are discussed qualitatively.</p>	<b>Uncertain</b> <b>Based on likely £NPSV</b>
<b>Non-monetised impacts</b>	<p>Non-monetised costs include familiarisation costs to business. Non-monetised benefits include a more consistent framework. Other non-monetised impacts would be identified at secondary legislation.</p>	<b>Uncertain</b>
<b>Any significant or adverse distributional impacts?</b>	<p>No significant or adverse distributional impacts are expected from this primary legislation. Impacts from secondary legislation will be assessed before their introduction.</p>	<b>Neutral</b>

<b>(2) Expected impacts on businesses</b>		
<b>Description of overall business impact</b>	<p>Direct impacts are not expected on businesses due to the enabling nature of the powers in this primary legislation.</p>	<b>Uncertain</b>
<b>Monetised impacts</b>	<p>The powers granted by this primary legislation are enabling powers, so direct impacts are not expected.</p> <p>Impacts have therefore not been monetised and are discussed qualitatively.</p>	<b>Uncertain</b> <b>Based on likely business £NPV</b>

<b>Non-monetised impacts</b>	<p>Non-monetised costs include familiarisation costs to business. Non-monetised benefits include a clearer and more consistent framework, making it easier for businesses to understand and comply with relevant regulations.</p> <p>Other non-monetised impacts would be identified at secondary legislation.</p>	<b>Uncertain</b>
<b>Any significant or adverse distributional impacts?</b>	No significant or adverse distributional impacts are expected from this primary legislation. Impacts from secondary legislation will be assessed before their introduction.	<b>Neutral</b>

### (3) Expected impacts on households

<b>Description of overall household impact</b>	<p>Direct impacts on households are not expected as a result of this primary legislation. Specific impacts of policies introduced via secondary legislation can be assessed at a later stage.</p> <p>The powers in this Bill are primarily aimed at ensuring that product safety and standards can be effectively regulated. Improving the safety and accuracy of products found in homes and workplaces reduces future detriment to households.</p>	<b>Positive</b>
<b>Monetised impacts</b>	Specific impacts on households have not been monetised as they are not expected as a direct result of this primary legislation.	<b>Uncertain</b> <b>Based on likely household £NPV</b>
<b>Non-monetised impacts</b>	A major benefit of this policy is expected to be the avoidance of future detriment to households because of improved product safety and standards. Examples of this detriment include physical harm to consumers, damage to property, cost of product replacements, and overpayment for products with incorrectly specified quantities.	<b>Positive</b>
<b>Any significant or adverse distributional impacts?</b>	Adverse impacts on specific groups are not expected as a result of this primary legislation.	<b>Neutral</b>

## Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
<p><b>Business environment:</b></p> <p><b>Does the measure impact on the ease of doing business in the UK?</b></p>	<p>Significant impacts on the ease of doing business in the UK are not expected as a direct result of this primary legislation. The Bill seeks to introduce powers which are intended to prevent consumer harm, reduce product-safety related injuries, help business, and boost confidence in the markets.</p> <p>Regulation of product safety and standards can be seen as a barrier to entry, but the intention of the powers includes simplification and clarity that should ease the business impacts of compliance with essential regulations.</p> <p>Increased clarity around new product risks and opportunities is likely to ease the introduction of safe and innovative products to the market.</p>	<p><b>Supports</b></p>
<p><b>International Considerations:</b></p> <p><b>Does the measure support international trade and investment?</b></p>	<p>This primary legislation is not expected to cause direct impacts on international trade and investment.</p> <p>The powers would enable product regulations to be updated in line with international partners' regulations and with modern best practice, which is likely to support international trade and investment.</p> <p>High product standards are likely to encourage exports of UK products due to a stronger reputation for quality goods. Increased regulation of unsafe goods from other countries would impact on imports of these goods.</p>	<p><b>Supports</b></p>
<p><b>Natural capital and Decarbonisation:</b></p> <p><b>Does the measure support commitments to improve the environment and decarbonise?</b></p>	<p>This primary legislation is not expected to have significant direct impacts on the UK's natural capital and decarbonisation of the economy.</p> <p>Impacts of secondary legislation on the environment can be assessed when specific policies are introduced.</p> <p>The powers in this Bill would enable regulations to be updated and enforced that help to protect the environment from product related harms.</p>	<p><b>Uncertain</b></p>

## 8. Monitoring and evaluation of preferred option

This Bill seeks to secure new powers, through which the product regulatory framework can be updated. Detailed Monitoring and Evaluation (M&E) is expected to focus on individual policies, implemented by means of these powers, at the secondary legislation stage. Developing proportionate M&E for several individual policies will provide aggregate evidence that can be used to inform whether the objectives of the product safety regulatory framework are being met.

The Department for Business and Trade (DBT) will continue to engage with key stakeholders on the benefits, challenges, and costs arising from the introduction of these policies. Additionally, subsequent waves of the OPSS Industry Attitudes Tracker<sup>10</sup>, which tracks business opinions including views of regulatory burden, could be used to capture relevant insights from businesses (for example, whether changes result in reduced burden and greater clarity for business). Similarly, subsequent waves of the OPSS Public Attitudes Tracker<sup>11</sup> could be used to engage with households. DBT will also commission further bespoke research as needed and utilise external surveys where appropriate.

DBT will also remain alert to key external factors that could have an impact on the success of this Bill, including the development of new business models and future technologies that will affect our ability to regulate, as well as the development and refinement of standards by the British Standards Institution.

Use of powers is subject to parliamentary due process. This includes scrutiny of uses via the secondary legislation which monitors the appropriate use. Policies to improve safety would be designed to support sustainable economic growth. Evaluation would consider the impact on businesses and the likelihood of reduced accidents and emergencies. While National Health Service (NHS) data can show accidents and emergencies, it is not possible to link changes in admissions to specific policies.

### **Post Implementation Review**

There is no legal requirement to conduct a Post Implementation Review (PIR) at this stage, in accordance with the Better Regulation Framework<sup>12</sup>. However, other forms of post-legislative parliamentary scrutiny will apply and the need and timings of PIRs for each policy, at the secondary legislation stage, will be determined in accordance with that policy's requirements and logistics. DBT will take a proportionate approach to monitoring and evaluation of the policy to meet ministerial priorities.

## **9. Minimising administrative and compliance costs for preferred option**

The direct impacts of the enabling powers, in isolation, on the UK economy and UK businesses would be minimal. Subsequent secondary legislation will be required to deliver ministerial decisions and would be accompanied by an Impact Assessment that has been scrutinised by the Regulatory Policy Committee (where appropriate).

## **Declaration**

Department:

Department for Business and Trade

---

<sup>10</sup> OPSS (2023) <https://www.gov.uk/government/publications/product-safety-and-industry-wave-2> [accessed: 15 July 2024]

<sup>11</sup> OPSS (2023) <https://www.gov.uk/government/publications/opss-product-safety-and-consumers-wave-5> [accessed: 15 July 2024]

<sup>12</sup> <https://www.gov.uk/government/publications/better-regulation-framework>

Contact details for enquiries:

[Opssanalysis@businessandtrade.gov.uk](mailto:Opssanalysis@businessandtrade.gov.uk) and  
[Krishan.Mooneapillay@businessandtrade.gov.uk](mailto:Krishan.Mooneapillay@businessandtrade.gov.uk)

Minister responsible:

Minister Madders

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:



Date:

03/09/2024

## Summary: Analysis and evidence

This Impact Assessment provides analysis for the measures sought the Bill would provide. As a piece of primary legislation granting enabling powers, the costs and benefits to business from the government having these powers is minimal. The use of the enabling powers would be subject to secondary legislation and impact assessments quantifying the impacts. The approach of the analysis here, is therefore to provide details of the market failures enacting the powers would help reduce, provide examples of how the powers might be used, and the scale of the intervention. This leads to a qualitative assessment:

<b>Analysis</b>	Qualitative Analysis for Primary Powers (Quantitative analysis would be included in secondary legislation impact assessments)
<b>Price Base Year</b>	Not Applicable
<b>Present Value Year</b>	Not Applicable

As included in the evidence base below, the Impact Assessment covers a do minimum option (Option 0) and the proposed powers of the Bill (Option 1) – the preferred way forward.

	<b>Business as Usual / Do minimum Option</b>	<b>Preferred Way Forward: Option 1</b>
<b>NPV/ BCR/ Public Sector Financial Costs</b>	Not Assessed	Not Assessed
<b>Significant Unquantified benefits and Costs</b>	<ul style="list-style-type: none"> <li>• Costs of divergence to businesses,</li> <li>• Not taking further identified action to reduce the risk to consumers.</li> </ul>	<ul style="list-style-type: none"> <li>• Benefits to a level playing field,</li> <li>• A more adaptive set of regulations,</li> <li>• Consumer benefits to improved product safety.</li> </ul>
<b>Key Risks</b>	Not acting on identified issues.	As primary legislation, the costs and benefits are uncertain until introduced with secondary legislation.
<b>Sensitivity Analysis</b>	Not Applicable	Not Applicable



# Evidence base

## A. Problem under consideration, with business as usual, and rationale for intervention

The purchase and exchange of products and goods are fundamental to the success of a functioning market economy. Consumer products, including those within the scope of the Bill, cover a vast array of the commodities households and workplaces buy and are vital for modern living. Additionally, products traded between businesses, including those within the scope of the Bill, enable industry to deliver efficiently and with confidence. It is therefore crucial that consumers and businesses have confidence in what they buy. Without effective product regulations, markets would not function efficiently due to a number of market failures. The two main market failures in product markets are set out below.

### **Market failure 1: Information asymmetry**

Consumers cannot perfectly observe the characteristics of products that make them safe and often assume the product is safe at the point of sale; for example, a cursory examination may not allow consumers to observe the fire retardation of products. A market for product testing has been created to reduce this asymmetry in information. Consumer awareness and confidence in product safety and standards increases with the provision of safety and testing information at the point of sale. However, there are gaps that currently exist in the market for product safety testing. If consumers cannot discern product safety, producers are not incentivised to focus on safe goods.

### **Market failure 2: Externalities and enforcement**

A negative externality is a cost incurred by a party because of another party's actions. In this context, producers of unsafe products impose a cost on consumers and wider society. For example, if a dangerous product causes fire or injury, this creates a cost to the consumer through damage and or bodily harm, and to society through lost output, public incurred medical costs and lost consumer confidence. Where enforcement of regulation is insufficient to deter unsafe goods being produced and sold, minimal costs are incurred by the producers of these goods. Where enforcement is effective, there is a disincentive to providing unsafe goods as the cost of recalls, modifying goods to make them safe, and further liability creates a cost to the producer. Without intervention, this negative externality runs the risk of significantly harming consumers and affecting wider society with little repercussion to the producer of these unsafe products. Intervention is necessary as without it, there would be little incentive for producers to produce safe and compliant products. Firms may make product safety decisions based on the cost of compliance and the chance of being caught and punished.

### **Regulatory inflexibility**

Both of the above failures provide a rationale for government intervention in product markets. While the UK was a member of the European Union, government intervention took the form of regulating products through their product safety framework. Where additional regulations or changes are needed, the market alone cannot accomplish this – only governments can. Regulations create an environment that allows for fairer competition but by their nature can also be inflexible and difficult to change rapidly in response to emerging issues. In economic

terms, this would represent a government failure, as existing regulations can hinder socially optimal outcomes. For example, in an emergency, demand for certain goods can increase quickly whereas supply may respond slower as certain government regulations must be applied. This can result in companies potentially failing to supply a good, undersupplying, or being slow to supply goods, because of the necessary steps to comply with the relevant regulations.

### **Actions Taken to Date**

In November 2021 DBT published a response to the Call for Evidence<sup>13</sup> on the product safety review (PSR), which set out the findings from stakeholders, including the priorities for reform. This evidence was used to further develop policy proposals and in August 2023, a 12-week public consultation<sup>14</sup> was published with proposals to:

- Ensure business obligations are proportionate to the hazard presented by their products, exploring how to reduce compliance costs for lower-risk products and make the conformity process easier where possible.
- Shift the balance between regulations and industry-led standards to enable a more agile and responsive regulatory framework, allowing business greater scope to innovate when producing safe products.
- Use digital solutions, such as voluntary e-labelling, to reduce business costs and explore how digital options can be utilised to reduce business burdens.
- Address concerns regarding the ease with which unsafe products can be sold online, creating a fairer playing field so that shopping online is as safe as on the high street.
- Enhance the leadership and coordination role of OPSS alongside addressing identified enforcement gaps.

Overall, 126 responses were received from a wide range of stakeholders, including Trade Associations, Businesses, Consumer Bodies and Market Surveillance Authorities.

DBT also ran 36 roundtables to engage with industry across the UK on the indefinite extension of the CE marking during this time and delivered a statutory instrument<sup>15</sup> in May 2024 to indefinitely recognise the CE marking for a range of products in GB. The Statutory Instrument set the foundation for delivering stability and clarity in manufactured goods regulation and received broad support from industry. However, due to lack of powers available to government, new primary legislation is now required to implement this regulatory framework, as well as implementing policy proposals from the PSR consultation and tackling future developments from EU law.

## **B. Policy objectives**

The current system in GB provides limited powers to make any amendments to product legislation following the UK's exit from the EU. Government intervention is required to bring forward primary legislation and introduce powers to:

- Enable recognition of new or updated EU product requirements, including CE marking, or to end recognition of EU product requirements where it is in the interests of UK businesses and consumers to do so. This measure would support growth, provide

---

<sup>13</sup> [UK product safety review: call for evidence - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/uk-product-safety-review-call-for-evidence)

<sup>14</sup> [Smarter regulation: UK product safety review - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/consultations/smarter-regulation-uk-product-safety-review)

<sup>15</sup> The Product Safety and Metrology etc. (Amendment) Regulations 2024, accessible at <https://www.legislation.gov.uk/ukSI/2024/696/impacts>

regulatory stability for industry, and protect consumers. Without such a measure, we are only able to continue recognising outdated EU laws. As well as putting consumers at risk, this could see the UK fall behind other nations on key protections.

- Enable legislation to respond to new product risks and opportunities (such as, new technology and Artificial Intelligence). This would allow government to address challenges, such as the risk posed to infants from ingesting button batteries and the fire risk presented by e-bikes. Legislation would also afford opportunities to modernise the framework - for example, by allowing product labelling to be applied in more cost-effective ways or through digital means.
- Enable government to identify new actors in the supply chain and place obligations on them, such as online marketplaces.
- Enable government to make improvements to compliance and enforcement and to reflect the challenges of modern digital borders. This would also allow government to introduce new enforcement mechanisms across product legislation, including against actors in the supply chain, such as online marketplaces. We also want to allow provision for greater sharing of data between regulators and market surveillance authorities to ensure interventions are targeted, protecting consumers and supporting economic growth. The Bill will ensure that enforcement bodies have the right powers to take appropriate and proportionate action, and that strategic national leadership action can be implemented across the UK.
- Enable government to make updates to the metrology framework. Powers are required for key metrology legislation to protect consumers and enable us to update and future-proof the metrology framework to allow for innovation and technological progress.

Through achieving these objectives there will be an opportunity to provide a modern, clear, global-facing framework. The framework must work for business and consumers alike, being agile in its response to new threats and flexible enough for new business models and opportunities from emerging markets. It should enable future trade opportunities and continue to protect people from product-related harm.

## **C. Description of options considered**

### **Option 0: Do minimum (Business as usual)**

Under Option 0, the current system remains in place with changes applying to product safety in Northern Ireland (NI), as they may occur, under the Windsor Framework arrangements. The current system in Great Britain (GB) provides only limited powers to make any amendments to product safety legislation (as incorporated into UK law following the UK's exit from the EU), beyond those which are necessary to support scientific and technological change.

However, the EU continues to update its own framework regardless of the actions the UK Government makes. This will indirectly create two different systems between the EU and the UK if no action is taken. GB will be unable to undertake the reforms needed across regulation, enforcement, and data, and will passively diverge from the EU's system.

Passive divergence will also have impacts on the functioning of the UK Internal Market, particularly for goods traded by businesses between Great Britain and Northern Ireland. Given most UK businesses selling and buying goods between GB and NI are small and medium based enterprises (SMEs), any additional expenditure needed to modify products

could impact trade. Given the size of the NI market (1.9 million people<sup>16</sup>) there is a risk that GB businesses may exit the NI market, which could in turn affect product availability and prices in NI. EU regulations and CE marking for product testing and conformity continue to apply in NI under the Windsor Framework. Without the ability to end or update CE recognition, Great Britain would be accepting CE marked products onto its market that are compliant with outdated EU rules and could not be placed on the EU or the NI market.

The Government would be unable to:

- Ensure the law could be updated to enable recognition of new or updated EU product regulations.
- Respond to new risks and opportunities.
- Cease the recognition of the CE marking (therefore outdated CE regulations would be continued to be recognised).

In addition:

- Current issues with definitions of actors within the supply chain would remain.
- Enforcement authorities would not be equipped to respond to emerging threats.
- The metrology framework would be static and lacking powers to appropriately update and amend them.

This is not the recommended option because it would not achieve any of the objectives set out above.

## **D. Summary of preferred option with a description of implementation plan**

### **Option 1: Introduce powers to reform the UK product safety framework through primary legislation (Preferred Option)**

This option will ensure that the Government can fully implement a framework for recognising existing and new EU regulations for a range of products across the whole of the UK (for example the indefinite recognition of the CE marking from a range of regulations). The powers allow for changes to regulations impacting health and safety, accuracy, performance, and the environment. The change to the legislation may be to the product, process, circular economy, economic operator, or method and means, as well as responsibilities of enforcement.

Through the preferred option, the Government will have the powers necessary to make changes to the GB product framework. Option 1 would provide powers to create the flexibility to make changes in future to keep pace with any developments in the economic landscape and emerging technologies.

This option would enable the simplification and streamlining of the framework, eliminate duplicative processes, plug gaps, and align definitions and obligations across the framework. This would make the framework more consistent and make it easier to understand for

---

<sup>16</sup>

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/annualmidyearpopulationestimates/mid2022>

businesses and consumers and will help ensure that the law can be updated to avoid passive divergence, where it is in the interest of the UK to do so.

Powers would enable the introduction of secondary legislation that could be developed to respond to evolving technologies, clarify the roles and responsibilities of economic actors and enforcement authorities, introduce a new enforcement framework, and future-proof the legal metrology framework. Powers provided through this option can ensure that DBT achieves the wider objectives of more efficient enforcement, healthy and fair market competition, and safe and protected consumers.

These powers would enable the product safety framework to respond in a more flexible, agile, and systematic way to innovation and technological advances. For example, as products become more connected and driven by software and Artificial Intelligence, new risks may need to be addressed, and clarity added about what a product is and where liability lies if something goes wrong. Similar issues are starting to arise when third parties update software, and when products are repaired or modified as consumers and businesses seek to be more sustainable in the drive towards Net Zero. In addition, novel technologies, such as 3D printing mean that more people can be involved in making and modifying products and government needs the right tools to ensure that is done safely.

## **E. NPSV: monetised and non-monetised costs and benefits of each shortlist option (including administrative burden)**

This section of the Impact Assessment sets out:

- The size and scale of the markets this Bill would cover.
- A qualitative assessment of the costs and impacts relevant to each section of the Bill.

### **i. Size of the Market**

The preferred option creates powers that operate across multiple product markets. To estimate the scale of the markets involved, rather than look at thousands of sub-markets, we estimate one holistic “Product Safety Market”. This contains all products that OPSS have policy or enforcement responsibilities for. In 2023, it is estimated that there were 316,205 businesses in scope of OPSS policy and regulation, which represents 12% of total UK business populations.<sup>17</sup> These consist of 287,135 (79%) retail businesses and 75,145 (21%) manufacturing businesses<sup>18</sup>. It should be noted that the scope of this Bill (specifically businesses or products that use CE marking) may extend beyond the sectors that OPSS have responsibility for regulating. These business population estimates are therefore likely to

---

<sup>17</sup> This is an updated estimate (based on 2023 data) of the value on page 38 of the King’s Speech 2024 background briefing notes, accessible at <https://www.gov.uk/government/publications/kings-speech-2024-background-briefing-notes>.

<sup>18</sup> Estimated by using ONS business activity size and location (2023) data. It applies ONS official regulatory requirements including disclosure control methods such as rounding. Groupings for OPSS business populations have been derived using Standard Industrial Classification (SIC) codes as provided by DBT, where the number of businesses by SIC have been aggregated into the product sectors overseen by OPSS, which are referred to as regulations. See table 3 for further details <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

be underestimates of the number of businesses that may be affected by the powers in this Bill.

The turnover of companies within the scope of OPSS policy and regulatory activity is estimated to be £490bn for 2023 (with a range of £288bn-£693bn).<sup>19</sup> This estimate uses Office for National Statistics (ONS) data on business activity and approximations of manufacturing and retail businesses that OPSS regulate<sup>20</sup>. These estimates also do not include all companies that use CE marking that would fall within the scope of this primary legislation. Estimates are not available for products in scope of CE marking.

DBT analysis<sup>21</sup> found that the total average annual UK import value of UKCA-applicable products is estimated at £109bn between 2019 and 2021. These figures are further detailed in the “Trade Implications” section below.

## ii. Approach to estimating costs and benefits

This analysis takes a qualitative look at the costs and benefits of the preferred option. There are two reasons for a qualitative approach:

- The preferred option provides powers to take future action. This allows for secondary legislation to enact changes. As such the powers themselves do not have major costs or benefits to business or households. They are a required step to the secondary legislation where the costs and benefits would be analysed further. Supposing Government chose not to use the powers in Option 1, costs and benefits to the UK economy would be zero.
- The benefits of a product safety regime often manifest as detrimental activity (accidents, injuries and fatalities) that did not happen. Estimating with precision the causal quantitative relationship between primary legislation on product safety and metrology and a reduction in injuries is very difficult. This Impact Assessment does not attempt to make this calculation. The rarity of the most serious incidents makes it difficult to accurately predict the volume of future incidents.

Both of these challenges are compounded by an additional challenge in identifying an appropriate counterfactual for estimating impacts. Under the Do-minimum option, passive divergence would continue from EU law – so it is not as simple as saying the status quo will continue under Option 0. The analysis will outline the expected qualitative costs and benefits, while showcasing case studies of possible uses of the powers. While these case studies will not indicate a certain route (the powers are needed to be flexible to future uncertainties), they will showcase potential scale of impacts.

---

<sup>19</sup> Turnover is higher than previously estimated in the King’s Speech 2024 background briefing notes, due to use of an updated methodology that provides greater accuracy.

<sup>20</sup> Estimated by using ONS business activity size and location (2023) turnover data. As the turnover is provided in ranges (bands) the midpoint of each band was used as the estimated turnover for the relevant businesses. To estimate the low and high ranges, the bottom end (and high end respectively) was assumed as the average turnover for each relevant business within that band. See table 9 for further details <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation>

<sup>21</sup> Analysis uses HMRC Overseas trade statistics, 2019 – 2021.

In addition, Green Book<sup>22</sup> guidance advises that government appraisals should focus on impacts falling only on UK business and households. The nature of global supply chains, coupled with some industries within the scope of this Bill operating overseas, indicates some impacts may fall on non-UK businesses. These are traditionally excluded from the overall assessment of costs and benefits.

### **iii. Whole Policy Costs: Familiarisation**

Where changes to regulation occur, there is a cost to businesses in reading and understanding the regulation. These are known as familiarisation costs and would occur to firms wanting to know how the powers given to the Government would affect their future business and business decisions. Familiarisation costs are calculated by multiplying the number of businesses in scope by:

- The average time taken to read and understand legislation
- The average hourly wage for the likely reader of the legislation
- Non-wage labour cost uplifts (such as an employers' social contributions).

These have not been estimated in this analysis as the powers are enabling and do not directly change business requirements. It is uncertain the number of businesses that would familiarise themselves with the policy. The number of businesses in scope of OPSS regulations (316,205) has been estimated but, at this stage, it is unknown how many of these businesses would familiarise with the powers granted in this primary legislation.

In the PSR consultation, 69 respondents discussed the types of cost that they anticipate from a new product safety and standards framework. They mentioned:

- Costs relating to familiarisation or understanding the new framework (57% of respondents).
- Training or education costs (49%).
- Process or systems changes (33%).
- Documentation or administrative costs (29%).

A fifth of the respondents mentioned that the costs incurred would depend on the scope of the new framework (implemented through secondary legislation), in particular the extent of the change and divergence with existing international rules.

Several respondents also highlighted the opportunity cost involved in redirecting resource away from other activities and towards understanding or implementing a new framework. The anticipated areas of impact varied but included science, innovation, research and development, service delivery, productivity, and missed sales.

### **iv. Whole Policy Benefits: Detriment avoided**

Greater powers for product regulations decrease the prevalence and risks of unsafe or unreliable products on UK markets. When a product is unsafe or gives inaccurate readings, there is a detriment to the consumer (via a wide set of possible negative outcomes and

---

<sup>22</sup> <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

products used in the workplace). Detriment avoided (that is, preventing unsafe and non-compliant goods from reaching the UK market) is a key benefit to the preferred option.

It is not currently possible to monetise this benefit. The benefit would be quantified by presenting a counter-factual of how much detriment would exist under Option 0 and if enforcement authorities did not engage in any enforcement activity. Consumer benefits from detriment avoided would include:

- physical harm to consumers (e.g., injuries and fatalities),
- damage to property, for instance from a fire,
- cost of replacing the product due to physical harm and time lost,
- overpayment for products with incorrectly specified quantities.

There is also business detriment avoided whereby businesses would not incur costs such as:

- displacement of legitimate product sales,
- business costs of absent workers,
- reputational damage due to physical harm to consumers,
- property damage and insurance payouts for damage to property,
- insurance claims for negligence in the workplace,
- costs to businesses of a product recall and reputational damage from product recalls.

Wider costs of detriment (and thus benefits when avoided) include environmental damage and emotional detriment. DBT and OPSS are developing a methodology for quantifying such detriments, but at time of writing this is not available for this Impact Assessment.

## **v. Policy-specific costs and benefits**

### **Ensure that the law can be updated**

This primary legislation will provide powers to enable the Government to recognise changes to certain EU regulatory requirements, including the CE marking. While this primary legislation would have minimal direct impacts on UK businesses and consumers, secondary legislation could lead to material impacts for UK businesses and consumers, such as avoiding duplicative costs for business if the UK recognises updated EU product requirements. The impacts of any future decisions and secondary legislation related to CE recognition policy would depend on the specific case.

For the purposes of this Impact Assessment, two hypothetical scenarios are presented with illustrative impacts that could arise from the Government enacting powers from this legislation. The scenarios considered are:

- Updating CE recognition following the EU changing its regulations that are in scope of CE marking.
- Ending CE recognition and mandating the UKCA for all regulations.

**Case study 1: Updating CE recognition following the EU changing its regulations that are in scope of CE marking.**



Under this scenario, there would be a range of benefits relative to a scenario of recognising outdated regulations (which would be equivalent to ending CE recognition if manufacturers chose not to produce goods to outdated EU regulations) from avoiding duplicative costs.

As an indication of the magnitude of the potential impacts on businesses, the DBT's 2024 Impact Assessment<sup>23</sup> estimated the impacts of the Statutory Instrument to continue CE recognition indefinitely beyond 2024, relative to ending CE and making UKCA mandatory at the end of 2024. This Impact Assessment considered the impacts across 21 product regulation sectors in scope of the corresponding legislation and found total net positive impacts of £641m (in 2023 prices) for UK manufacturers.

There would be differences between the impacts of any future update to CE recognition resulting from this primary legislation and the impacts estimated in the previous DBT Impact Assessment. Firstly, the scope of any future update to CE recognition will likely be different to the previous DBT Impact Assessment (which covered 21 product regulation sectors). In addition, there are likely to be differences in the magnitude of both benefits and costs incurred by UK manufacturers for various reasons, including:

- The extent to which UK businesses are using UKCA or CE at the time of the future legislation (e.g. the higher the UKCA usage, the lower the benefit from updating CE recognition)<sup>24</sup>,
- The conformity assessment and marking and labelling costs at the time of the future legislation will determine potential savings for manufacturers,
- Any changes to the business population,
- Any changes to the underlying requirements of updated CE marked products.

### **Case study 2: Ending CE recognition and mandating UKCA for all regulations.**

Under this scenario, many of the impacts described in Case Study 1 would be reversed, as only the UKCA mark would be accepted to place goods on the GB market.

## **Costs**

### Conformity assessment, and marking and labelling costs

In the scenario of ending CE recognition, UK manufacturers who are not UKCA compliant would incur costs from making permanent marking and labelling changes to products when becoming UKCA compliant. They may also incur conformity assessment costs, particularly if third party testing is a requirement.

UK manufacturers who also export to the EU would face additional costs, as they would be required to monitor two regulatory regimes to serve both the UK and EU (and NI) markets.

---

<sup>23</sup> Impact Assessment for the Product Safety and Metrology etc. (Amendment) Regulations 2024, accessible at <https://www.legislation.gov.uk/uksi/2024/696/impacts>.

<sup>24</sup> The ONS BICS survey found that 56% of all UK businesses subject to UKCA/CE were using UKCA for at least some of their products in April 2024. (ONS BICS Survey, Wave 107, published 2 May 2024, available at: <https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessinsightsandimpactonthetheconomy>).

### Familiarisation costs

In any scenario whereby the Government updates legislation on the UK's CE recognition policy, UK manufacturers, wholesalers, retailers, and relevant stakeholders such as enforcement bodies subject to CE/UKCA policy would incur a one-off familiarisation cost. This cost would be determined by the labour time and resource manufacturers that businesses have to allocate to familiarise themselves with any change in legislation.

### UK households and businesses

In the scenario of ending CE recognition, the costs incurred by manufacturers may be passed on to UK consumers and businesses through higher prices. Manufacturers could also stop supplying goods to the UK market thereby hindering product availability for UK consumers and businesses.

## **Benefits**

### Conformity assessment cost-savings

In the scenario where the UK updates CE recognition following the EU changing its regulations, UK manufacturers would benefit from not having to incur duplicative conformity assessment costs, labour and time costs. Evidence from businesses indicates that full conformity assessment costs can vary from £1,500 to £200,000 per product range, depending on the sector (with many costs falling in the range of £7,500 to £20,000 per product range).<sup>25</sup>

### Marking and labelling cost-savings

In a scenario of updating CE recognition, UK manufacturers who only use the CE marking for certain products would benefit from avoiding costs from making permanent marking and labelling changes to products. Engagement with manufacturers suggests that the costs of adding the UKCA conformity marking varies between businesses and across sectors, ranging from minimal costs to tens of thousands of pounds. In business engagement with manufacturers in 2019 and 2020, two out of forty manufacturers interviewed reported that the cost of adding the UKCA mark would be minimal. However, an industry representative for electronic products estimated that changing to new conformity marking could cost over £20,000 per product range.

### UK households and businesses

In a scenario of updating CE recognition, UK households and businesses may indirectly benefit through lower prices and greater product availability, as UK and non-UK manufacturers could pass their cost savings onto them.

### Improved business certainty

A potential benefit under both scenarios is reducing confusion. Businesses would have clarity on requirements for placing goods on the GB market, in contrast to a scenario where the UK recognises outdated EU regulations.

---

<sup>25</sup> Impact Assessment for the Product Safety and Metrology etc. (Amendment) Regulations 2024, accessible at <https://www.legislation.gov.uk/ukdsi/2024/9780348260311/impacts>.

## Respond to new product risks and opportunities

As the rate of technological change continues to increase and more products are brought to market, product regulations must adapt and respond to emerging risks and opportunities that arise. As the powers would allow for future new products which may not be known now, it is difficult to assess the size or scale of future intervention.

An example of a recent emerging risk is electric vehicles. The e-vehicles in scope for OPSS regulatory activity are e-bikes, e-scooters and other miscellaneous e-vehicles but not heavier electric vehicles such as cars. E-bikes have been available for a number of years, but sales have almost tripled over the past five years<sup>26</sup>. Data is less available for other e-vehicles but have likely followed similar patterns. E-vehicles can contain a fire risk to consumers where they are incorrectly charged, or the battery is not in good condition. The quality of the battery sold affects the risk of malfunction. The case-study below provides a look at the scale of the market and the risks identified.

### E-bike and E-scooter Fires

In 2022, the value of e-bike sales was estimated to be £310m, with 155,000 e-bikes being sold.<sup>27</sup> OPSS research found that in 2022 around 7% of people owned or had access to an e-bike.<sup>28</sup>

There is no complete collection of data for fires that have occurred from e-bikes/ e-scooters, however some incidents are reported to OPSS:

	2022 Number	2022 Percentage
Batteries, generators	85	91.4%
Charger	1	1.1%
Vehicle electrical fault	1	1.1%
Wiring, cabling, plugs	1	1.1%
Unknown	5	5.4%
<b>Total</b>	<b>93</b>	<b>100%</b>

*Source: Fires in e-bikes and e-scooters, 2022 and 2023 OPSS Dataset. Note: 2022 is presented above to compare with 2022 sales data.*

As these figures are only those reported to OPSS it is likely to be an underestimate. Data is also available for 2023 with 199 total reports, however year on year comparisons are not possible as voluntary reporting is increasing so the rise in incidents cannot be inferred as increasing risk or more products on the market.

<sup>26</sup> Mintel (2023) <https://www.mintel.com/press-centre/mintel-cost-of-living-puts-brakes-on-e-bike-growth-as-sales-slow-for-the-first-time-in-five-years/> (accessed 2nd July 2024).

<sup>27</sup> Mintel, February 2023, accessible at <https://www.mintel.com/press-centre/mintel-cost-of-living-puts-brakes-on-e-bike-growth-as-sales-slow-for-the-first-time-in-five-years/>.

<sup>28</sup> OPSS Product safety and consumers, Wave 5, accessible at <https://www.gov.uk/government/publications/opss-product-safety-and-consumers-wave-5>.

## **The cost of Fire**

Based on 2022/23 research from the Home Office on the economic and social cost of fires in England, the total estimated costs associated with addressing and preparing for fires in year ending March 2020 was £12bn, in which £3.2bn is associated with the direct cost of dealing with fires. A large majority of the £3.2bn spent in dealing with fires, was attributed to accidental fires (£2.2bn).<sup>29</sup> It is reasonable to assume that some of these accidental fires are caused due to poor quality and unsafe products entering the market. Further analysis carried out by the Home Office on the causes of fires suggest that of 24,000 accidental dwelling fires, 23% of these incidents were due to faulty appliances, leads and fuel supplies.

*See Appendix A for more information.*

## **Costs**

### Costs of compliance

While an overall aim is to improve the framework by providing clearer instructions to businesses, companies with new technology may face new regulation at a cost to comply with.

## **Benefits**

### Improved consumer safety

Reducing risks from new technologies and products can reduce the risk to consumers, for example from fire accidents and injuries or deaths that can be caused by them.

### Cost savings to business

The powers will allow for more flexibility in responding to new technology. For example, by allowing future legislation such as digital labelling, businesses may see reduced costs of manufacturing and complying with legislation.

## **Identify actors and place duties upon those in the supply chain**

The broad powers in the Bill would enable responsibilities to be added to new business models, such as online marketplaces, in a flexible and future-proofed way. Placing clear responsibilities on online marketplaces will ensure consumers are protected whilst minimising burdens on business. This is through due consideration of practicality, risk, and continuing to ensure that responsibilities reflect actors' roles in the supply chain. The powers aim to cultivate a robust and coherent regulatory environment, that protects consumers and creates fair market competition amongst online marketplaces and the businesses that sell through them.

---

<sup>29</sup> Home Office, Research and analysis, Economic and social cost of fire, accessible at <https://www.gov.uk/government/publications/economic-and-social-cost-of-fire/economic-and-social-cost-of-fire>.

## Online retailing and online marketplaces

Online sales made up over a quarter (26.6%) of total retail sales in 2023, and are estimated to reach £153bn in 2029, a 24.4% increase on 2023 levels.<sup>30</sup>

Both online marketplaces and retail markets have seen accelerated growth in the sales of products due to the pandemic and are expected to continue growing in the next five years.<sup>31</sup> Covid-19 led to a large spike in online demand for UK consumers, which resulted in a 48% growth in online retail sales in 2020, the fastest growth since ONS began releasing this data. Year on year online sales in most product categories experienced a decline in 2022 as markets rebalanced after the Covid-19 pandemic but are experiencing growth returns in early 2023.

Online marketplaces and peer-to-peer sales are a growing proportion of retail sales, reaching £26bn in 2020 and with estimated growth of 65% between 2018 and 2023.<sup>32</sup> This was driven by a range of factors including lower base prices, ease of product comparison and purchasing. Macro-economic factors such as rising inflation and interest rates are pressuring consumer finances, driving reliance on online marketplaces.

Third party sellers on online marketplaces became very popular in 2020 and are increasing as a proportion of online sales. This includes operating on sites such as Amazon, which list third-party sellers as well as their own marketplace. Amazon has quoted that on a volume basis, marketplace sellers globally account for 60% of the gross value of sales via the platform<sup>33</sup>, showing the importance of third-party sellers.

The Office for National Statistics has official statistics on Internet sales as a percentage of total retail sales and Internet retail sales in £ millions:

---

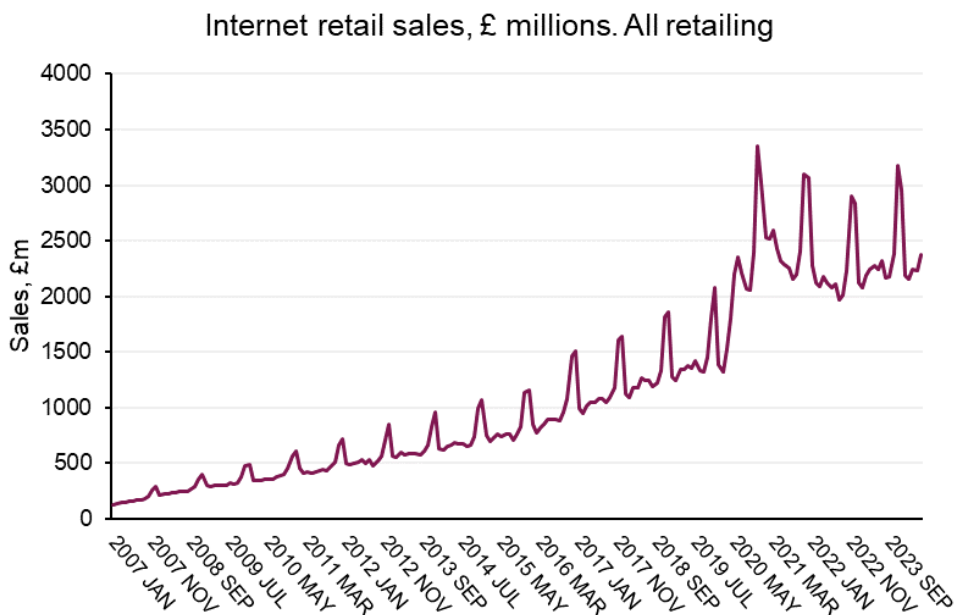
<sup>30</sup> Mintel: State of Retail: Online Retailing, UK, 2024, summary accessible at; <https://clients.mintel.com/download/brochure/state-of-retail-online-retailing-uk-2024>.

<sup>31</sup> Mintel: Online Retailing, UK, August 2023

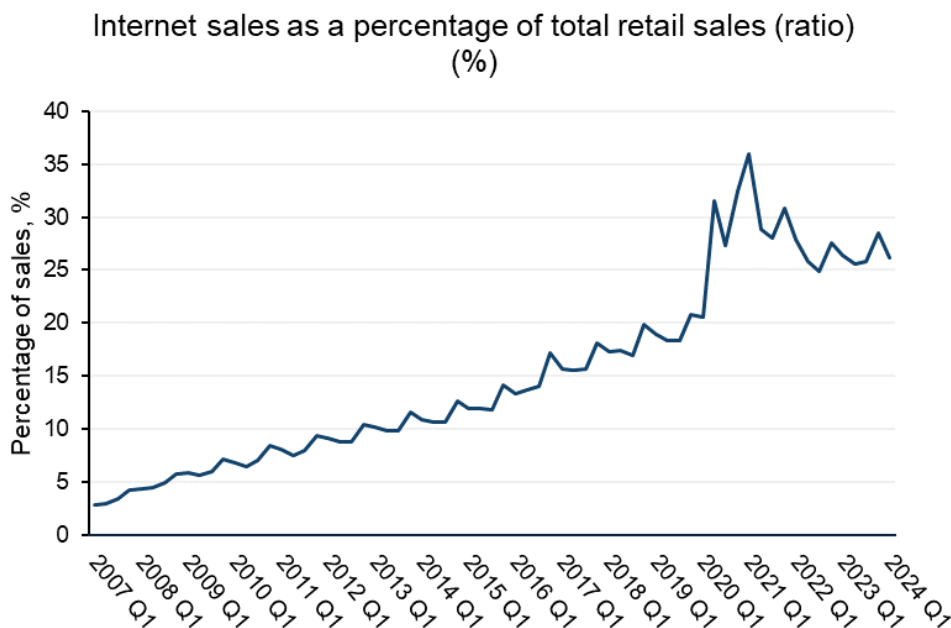
<sup>32</sup> Mintel: Online Retailing: Marketplaces and Peer-to-peer Selling, UK, 2023

<sup>33</sup> <https://www.statista.com/statistics/259782/third-party-seller-share-of-amazon-platform/>

**Figure 2: Internet Retail Sales – Total Sales<sup>34</sup>**



**Figure 3: Internet Sales – Retail as a proportion of total<sup>35</sup>**



Both graphs show an increasing trend towards online shopping, with the sector showing accelerating growth in total sales and relative sales compared to retail. Evidence indicates continued growth across both retail and online marketplaces. This supports the need to enable powers to adapt the product safety framework to deal with the rise in non-compliant products associated with the expansion of online marketplace sales and market share. Given online marketplaces form a significant proportion of online retail sales worth £26bn, any changes to the sector are likely to have a significant impact. The powers will be used to define

<sup>34</sup> <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/je2j>

<sup>35</sup> <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/timeseries/j4mc/drsi>

online marketplaces as major actors in supply chains, necessitating obligations and monitoring to ensure product safety.

## **Costs**

### Set-up costs

Set-up costs would vary with the finalised scale of the policy. These costs would range from negligible for certain changes (for example online platforms, where they are acting as distributors or importers, are already under a legal duty to cooperate with authorities) to more extensive costs if new policies, processes, and systems need to be established (such as for the targeted monitoring of re-listing of unsafe products previously removed). Some operators may currently undertake such activities as part of their existing business processes.

### Non-compliance costs

Where online marketplace operators and third-party sellers are not compliant with new requirements, they may be liable to civil or criminal proceedings from the regulator and these proceedings would result in costs for them, for example through the imposition of a fine by the courts. HM Treasury's Green Book guidance advises that costs of enforcing compliance on business would traditionally be excluded from the assessment of costs and benefits.

### Reduction in choice

The powers will enable the ability to impose obligations on online marketplaces to reduce the number of unsafe and non-compliant products available online in the UK. The impact on purchasing choices for consumers and businesses should primarily relate to goods that are unsafe or should not be available for purchase by UK consumers. However, it is possible that new duties for businesses in the online supply chain could lead to increased prices or reduced availability of some products (particularly those coming from overseas to the UK). The scale of this impact - which could be mitigated through policy design and implementation - is currently unknown and cannot be estimated at this time.

## **Benefits**

### Improved clarity of online marketplace requirements

The growth in e-commerce models has brought significant challenges to the product safety legal framework, which was not designed with complex and globalised supply chains in mind. Through OPSS engagement with online marketplaces and other businesses, some businesses have suggested that when products are sold online there can be a lack of clarity about the responsibilities of businesses in the supply chain to ensure their safety, particularly on online marketplaces. This can make it easier for unsafe and non-compliant products to be sold to UK consumers and place businesses selling compliant products at a disadvantage.

This Bill would create powers that will allow the introduction of clear obligations for e-commerce models. These powers would help to better reflect the nature of e-commerce by setting out a modernised approach, which would protect consumers and ensure fair market competition.

### Level playing field

An aim of this policy is to increase transparency of consumer information and restrict access to non-compliant products, particularly targeting problematic third-party sellers. Where some third-party sellers may be able to undercut the market by non-compliance with product safety (and related costs to labelling, testing and conformity), those who follow the rules may be

losing business to them. As a result of an increased focus on product safety, businesses who comply with product safety legislation may gain market share, leading to higher profits and job creation.

In an OPSS survey<sup>36</sup>, 56% of respondents reported that they saw physical outlets as trustworthy, and 53% for online outlets. Online marketplaces were seen as less trustworthy, with 42% feeling they are trustworthy and 35% saying they are neither trustworthy nor untrustworthy. Raising consumers' confidence levels in online marketplaces is likely to benefit legitimate and safe retailers that operate through these platforms.

#### More effective enforcement

Regulators (including OPSS) would be able to respond more effectively to incidents with clearer product traceability and accountability. These gains could lead to consumer benefits, business reputational improvement, and avoidance of potentially serious harms, such as death, injury, and the destruction of property, alongside the economic costs associated with this damage.

### **Compliance and enforcement**

The powers in this Bill allow the consolidation of existing enforcement powers scattered across legislation, as well as the introduction of new enforcement mechanisms against economic operators, such as online marketplaces. New powers to be introduced via secondary legislation using the powers in this Bill would include improvement notices, undertakings, and civil monetary penalties. These measures will respond to the challenges presented by modern enforcement in an increasingly digital world.

These powers would allow government to remove gaps and ambiguity that currently can create ambiguity for enforcement authorities. This can include difficulty interpreting numerous layers of legislation to draw the right power for a certain product, or in understanding the overly complex wording of powers that often conflate GB and EU enforcement terminology. The powers would enable the provision of clarity on the powers available to enforcement authorities, the scope of their use, and the roles and responsibilities of businesses and enforcement authorities when tackling compliance issues.

#### **Compliance and enforcement: Consultation evidence**

Responses to the Call for Evidence<sup>37</sup> and PSR Consultation<sup>38</sup> indicate that current legislation can be confusing and unnecessarily complicated, and that this can lead to uncertainty over the responsibilities and the enforcement powers available to authorities.

Of sixty respondents to the PSR Consultation question on consolidating and aligning existing enforcement legislation, 78% agreed with the proposal and 3% disagreed. Responses featured requests for simpler legislation, improved consistency and transparency of enforcement, unambiguous definitions and responsibilities for all actors, and better messaging on obligations and accompanying guidance. Legal professionals noted that interpreting the spread of legislation can be challenging. Similarly, it was

<sup>36</sup> OPSS product safety and consumer, Wave 5. Accessible at

<https://www.gov.uk/government/publications/opss-product-safety-and-consumers-wave-5>

<sup>37</sup> <https://www.gov.uk/government/calls-for-evidence/uk-product-safety-review-call-for-evidence>

<sup>38</sup> <https://www.gov.uk/government/consultations/smarter-regulation-uk-product-safety-review>



highlighted that the complexity makes the application of powers inconsistent and challenging for Trading Standards officers.

There were sixty-one respondents to a question on the introduction of improvement notices, civil monetary penalties, and enforcement undertakings. Of these, 62% agreed with the proposal and 7% disagreed. The remaining 37% offered nuanced responses addressing a variety of specific concerns or caveats to implementation. New powers were largely welcomed to tackle two primary issues: indifference to regulation and inadequate accountability. Further reasons for non-compliance were suggested to be a lack of education on business obligations and a general lack of clarity within legislation on supply chain roles and the responsibilities attached to them.

## **Data sharing**

The Bill measures are seeking the ability to support for greater sharing of data between regulators and market surveillance authorities, increasing the effectiveness with which product safety and standards can be monitored and enforced. This may include the creation of new data-sharing gateways to obtain information about the safety of products placed on the market by manufacturers and other actors in the supply chain.

Effective regulation can drive innovation in product safety and allow more key actors to be involved in sharing relevant data. Enhanced data pools could be used to identify emerging product safety risks and help increase transparency between the consumer, business and regulator.

The current general data sharing powers are restrictive, spread across various pieces of legislation, and complex to interpret. These limitations impact upon OPSS's ability to undertake its duties as a regulator, especially its intelligence, risk, enforcement and international cooperation functions.

The ambition is for a data-sharing gateway for all regulators, including border control authorities, local government, and OPSS. This would facilitate all data sharing and data access requirements. The expectation is not for this gateway to be used to share data directly from manufacturers or consumers, except for in the event of a serious product safety incident (e.g., where a product has killed someone), where a manufacturer may be expected to notify OPSS directly.

### **Compliance and enforcement: Data sharing consultation evidence**

One hundred and eight respondents answered the PSR consultation question on the creation of a new legal data gateway. Of these, 44% agreed with the proposal and 3% disagreed. The remainder either answered "don't know" or did not answer this part of the question. Some respondents noted that the current system is fragmented, difficult to navigate, and with significant gaps in reported data (e.g., white good fires).

## **Costs**

### Enforcement costs

Changes to enforcement regimes (such as adjusted roles and responsibilities) may alter the costs associated with enforcement by government departments, agencies, and regulators.

### Data set-up and ongoing costs

The creation of a new data gateway would likely involve set-up costs, and ongoing costs for hosting, maintenance, and monitoring.

## **Benefits**

### Improved compliance

As a result of the changes relating to compliance, enforcement, and data-sharing, there could be an initial uptick in the issuance of notices and penalties as authorities are better able to understand and enact these processes. This is likely to lead to an enhanced culture of compliance for businesses, as enforcement becomes more effective, and consistent. In the longer term, the rate of non-compliance should fall in response to that cultural change to product safety and standards requirements. This will further enable a competitive, healthy marketplace providing safe products to consumers.

### Improved monitoring

The enabling of timely reporting of product safety incidents and a central integrated system is expected to carry benefits to the monitoring and enforcement of product safety and standards. The resulting increase in product safety benefits both consumers and reputable businesses.

### Level playing field

Effective enforcement helps reduce non-compliant businesses, creating a healthier competitive environment for compliant businesses.

## **Metrology**

The regulatory measures sought in this Bill are needed to update and future-proof the metrology framework to allow for innovation and technological progress. An example is in green infrastructure; accuracy in measurement is an important contributor to the roll-out of green technologies. The powers granted in the Bill will allow government to make better regulation which should have a positive impact on business costs and consumer benefits, but it is difficult to quantify these.

The measures sought would be broad enough to cover any gaps in the metrology framework, where the Weights and Measures Act 1985 powers are not extensive enough. It is anticipated that the proposed powers would have a neutral impact, as they simply enable the ability to update regulations for any future changes in technology.

### **Metrology: Additional information**

The 2016 Measuring Instrument Regulations (MIRs) set out the requirements that must be met before measuring instruments can be placed on the GB market. The purpose of the legislation is to protect business and consumers from inaccurate measuring instruments by requiring manufacturers to show how their instruments meet the 'essential requirements'.

Measuring instruments account for approximately £3.6 billion in Gross Value Added (GVA) and £7.6 billion in turnover, with approximately 2,000 companies and 53,000 employees.<sup>39</sup>

The 2016 Non-Automatic Weighing Instruments (NAWIs) Regulations set out the requirements that must be met before regulated non-automatic weighing instruments can be placed on the GB market. The purpose of the legislation is to ensure the accuracy and performance of non-automatic weighing instruments to deliver confidence in measurement and transactions for businesses and consumers by requiring manufacturers to show how their instruments meet the 'essential requirements'.

NAWIs account for €2.5 billion in market output in the EU. 95% of the industry structure is made up of small and medium-sized enterprises (European Commission IA, 2011)<sup>40</sup>.

## **Costs**

### Compliance costs to business

To enact the changes, businesses need to be compliant with new and innovative methods. Some businesses may fall under the scope of the UK metrology framework for the first time, along with new and emerging products

## **Benefits**

### Allowing more roll-out of green infrastructure (reduced emissions)

Legislation currently cannot be updated to take account of developments in meter use which reward consumers for using energy flexibly, such as:

- During off-peak hours (charging electric vehicles overnight).
- At times of high renewable energy production (using greener energy).
- Supplying energy back to the electricity grid through spare consumer battery capacity.

### Improved clarity for business and consumers

The Bill would offer greater clarity and certainty for businesses and consumers, ensuring the continued accuracy in the measurements of goods sold by weight or measure. This includes UK businesses trading metrology products with other countries

## **F. Costs and benefits to business calculations**

An assessment of Net Present Value (NPV) and Benefit Cost Ratio (BCR) would be at secondary legislation stage. The analysis above reports that approximately 12% of all UK businesses are within scope of OPSS policy and regulatory activity. While certain businesses and sector cluster together in geographical areas, there is no data to suggest there would be distributional impacts on specific regions. The amount of different product sectors in the

---

<sup>39</sup> ONS Annual Business Survey, 2013 data, accessible at <https://www.ons.gov.uk/businessindustryandtrade/business/businessservices/adhocs/005147annualbusinesssurvey20135digitdataforengland>

<sup>40</sup> Sourced from evidence base document accompanying 2016 'Alignment Package' Impact Assessments, Accessible at [https://www.legislation.gov.uk/ukxi/2016/1152/pdfs/uksiod\\_20161152\\_en.pdf](https://www.legislation.gov.uk/ukxi/2016/1152/pdfs/uksiod_20161152_en.pdf)

scope of the Bill reduces the likelihood of this. The preferred option aims to create a fairer level playing field, which reduces the risk of negative impacts.

## **G. Impact on small and micro businesses**

Small and micro businesses (SMBs) may experience higher costs (such as familiarisation costs or compliance costs) as a proportion of their size or turnover. This includes familiarisation with the proposed primary legislation. Aside from potential familiarisation, no immediate direct impacts are anticipated from this legislation as specific policies will be delivered through secondary legislation, at which point if there are impacts on SMBs, these will be identified.

In the PSR consultation, some respondents highlighted that smaller businesses are time and resource constrained, giving them less capacity to dedicate to understanding the standards system, engaging with policymakers, and sitting on technical committees.

The current body of legislation governing product safety and standards is complex and can be confusing, particularly for smaller firms. Larger firms may be able to understand legislation, regulation, and guidance in-house, and with dedicated roles or teams with expert knowledge. Conversely, small or micro businesses may need to outsource this to external companies or allocate a high proportion of their personnel to understanding regulations and changes. It can be a challenge for SMBs to keep pace when regulations and obligations are updated often.<sup>41</sup>

The preferred option aims to provide the powers required to implement policy changes and allow roles and responsibilities to be clearly defined for businesses and regulators. Whilst there may be an initial cost to SMBs in understanding these changes, the longer-term reform of legislation and regulation of product safety and standards may serve to reduce the burden of familiarisation on businesses, including SMBs.

Regarding CE recognition, any potential future change from subsequent legislation that either updates or ends CE recognition would likely apply to businesses of all sizes. Like large-sized businesses, all small and micro businesses could benefit from avoiding duplicative conformity assessments and additional marking and labelling costs should subsequent legislation update CE recognition when the EU changes its regulations.

While some aspects of CE recognition policy may disproportionately impact large businesses, other impact channels could disproportionately impact small and micro businesses. For example, businesses that export to the EU may obtain larger benefits from avoiding duplicative conformity assessment costs, should the UK update CE recognition in the future when the EU changes its regulations, and larger businesses are more likely to export<sup>42</sup>. At the same time, conformity assessment costs are typically per product range and can therefore represent a larger share of total costs for small businesses who may therefore particularly benefit from any conformity assessment cost savings.

The powers would enable duties to be placed on online marketplace actors, potentially leading to increased information requirements across the online supply chain to comply with these duties. The costs of providing this information may fall on third-party sellers, which are

---

<sup>41</sup> <https://www.unbiased.co.uk/discover/tax-business/running-a-business/small-business-compliance-uk-what-you-need-to-know>

<sup>42</sup> ONS (2023), Exporters and importers by industry breakdown (Annual Business Survey); ONS (June 2023), Annual Business Survey exporters and importers: 2021.

likely to include a high proportion of small and micro businesses. Evidence suggests an increasing proportion of third-party sellers are trading on online marketplaces, and a high proportion of small businesses are using e-commerce models. According to Statista, 27.19% of small businesses (10-49 employees) in the UK use e-commerce.<sup>43</sup>

In terms of the new powers of enforcement, there will not be a disproportionate impact on small businesses. The new notices will not impact small businesses unless they are non-compliant and enforcement approaches will prioritise collaboration with businesses to solve issues when possible. Undertakings will provide a route for small businesses to better collaborate with enforcement authorities. Civil monetary penalties are cheaper to use and to appeal and will be designed in such a way that protects small businesses from being disproportionately affected by taking into account the size of a business when calculating fines.

For the metrology powers, the majority of manufacturers placing measuring instrument onto the market do so under the Non-Automatic Weighing Instruments (NAWIs) Regulations 2016 and Measuring Instrument Regulations (MIRs) 2016. UK government publishes a list<sup>44</sup> of manufacturers that apply the UKCA mark onto their instruments – as of July 2024, there are approximately 160 businesses on this list – and DBT estimates approximately 90% are small and medium-sized. Most are based in the UK, but some are also based in the EU and further afield. Some UK manufacturers still produce measuring equipment covered by the Weights and Measures Act, but these tend to be small and medium-sized businesses.

Small and micro businesses are not exempt from Metrology legislation, as it must apply to businesses of all sizes that come under remit in order to be effective. All businesses that produce measuring instruments are expected to produce accurate instruments and to comply with the regulations. 95% of the industry structure for NAWIs is made up of small and medium-sized enterprises.<sup>45</sup>

### **Business populations breakdown by employment size**

The majority (70%) of businesses covered by OPSS regulations and policies are in the smallest size band, with between 0-4 employees, according to OPSS business population estimates.<sup>46</sup> These estimates include only OPSS businesses populations, and do not include businesses that may be in-scope of changes to CE marking requirements.

---

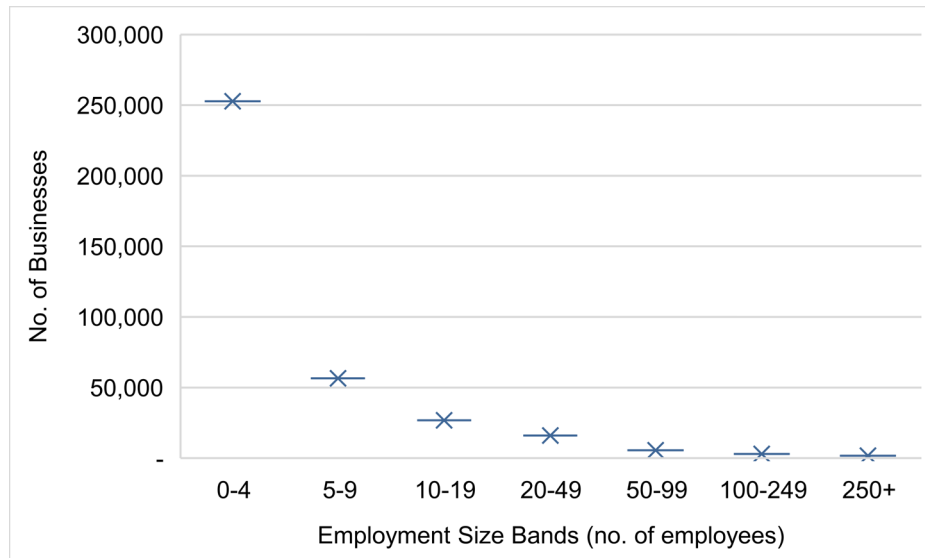
<sup>43</sup> <https://www.statista.com/statistics/1351368/e-commerce-sales-channel-sme-adoption-country/>

<sup>44</sup> Available at <https://www.gov.uk/guidance/approved-manufacturers-conformity-assessment#find-an-approved-manufacturer>

<sup>45</sup> Sourced from evidence base document accompanying 2016 'Alignment Package' Impact Assessments, Accessible at [https://www.legislation.gov.uk/uksi/2016/1152/pdfs/uksiod\\_20161152\\_en.pdf](https://www.legislation.gov.uk/uksi/2016/1152/pdfs/uksiod_20161152_en.pdf)

<sup>46</sup> Estimates calculated using ONS UK Business Population estimates.

**Figure 4: OPSS Business Populations by Employment Size Bands, 2023**



### **H. Costs and benefits to households' calculations**

The preferred option aims to ensure product safety and standards are suitable, able to be updated, and enforced effectively. This contributes to households purchasing products that are safe and fair.

The Bill would provide options for enforcers to require restitution to be made to those affected. This would mean restoring them to the position they would have been in without non-compliant activity. This could result in businesses more proactively providing compensation for damage caused by dangerous or non-compliant goods.

The eventual result of the powers could be that a higher proportion of dangerous and low-quality goods are removed from sale, and that there is increasing compliance with effective product safety regulations. There is likely to be a benefit to households in the form of detriment avoided from the reduction in non-compliant goods, as discussed above. A possible cost of this could be that some cheaper goods are removed from markets, causing a reduction in consumer choice and a rise in the price of the cheapest available good in some product categories.

Regarding CE recognition, if subsequent legislation updates CE recognition, UK manufacturers would likely benefit from cost savings by avoiding duplicative conformity assessments and making marking and labelling changes to products. These cost savings could be passed on to the UK consumers and businesses through lower prices. UK consumers and businesses would also continue to benefit from greater product availability.

Instead, if the legislation is used to end CE recognition, manufacturers would likely incur higher costs from duplicative conformity assessments and making marking and labelling changes to products. They may pass these costs onto UK consumers through higher prices and lower product availability.

### **I. Business environment**

There are no significant direct impacts on investment, innovation, competition, and incentives expected from this Bill. The preferred option introduces powers which are intended to prevent

consumer harm and reduce product-safety related injuries, while boosting confidence in the markets. An OPSS survey<sup>47</sup> suggests that half of the UK public feel that the UK's regulatory system ensures products are safe (52%), which leaves a large portion of consumers who may not be confident in the safety of products on the market. By enabling powers to tackle unsafe products, an increase in general demand would be expected.

With reduced product safety related injuries and absences, consumers and employees would be safer, and there would be higher levels of productivity. The Health and Safety Executive (HSE) reported that the annual estimated costs associated with work-related ill health reached £20.7bn in 2021/22. In 2022/23, 135 workers were killed in work-related accidents and 561,000 workers sustained a non-fatal injury in the workplace within the same period.<sup>48</sup> The proposed powers eventual aims include the mitigation of these costs and liabilities, which are expected to benefit consumers, the labour force, and businesses.

Product-related regulations can be seen as a barrier to entry for businesses, particularly for smaller firms. However, elements of the Bill aim to simplify complicated and disparate regulations. This should reduce this barrier and contribute positively to the business environment, encouraging competition and innovation through clear guidelines, roles, and responsibilities.

Any potential future change from subsequent legislation that updates or ends CE recognition, would likely create higher certainty for businesses on market surveillance. If the UK continues to recognise old CE regulation (neither extending nor ending recognition), businesses may be confused as to which regulation they should follow.

In a future scenario where CE recognition is updated, some businesses supplying the GB market would likely face lower costs than they otherwise would. This could increase import competition and encourage business innovation. This could also complement the Windsor Framework's efforts to smooth the flow of trade within the UK internal market by simplifying processes for Northern Ireland supply chains that rely on suppliers from Great Britain.

Alternatively, ending CE recognition may reduce import competition and lower business innovation, as barriers to entry may increase due to only permitting UKCA marking to legally place goods on the GB market.

## **J. Trade implications**

This legislation will grant the powers to ensure that regulations can be updated in line with modern best practice. The UK's performance in health and safety standards compare favourably to most large economies in Europe<sup>49</sup>, and maintaining a positive international reputation for product safety and standards is likely to encourage investment in and trade with the UK due to increased confidence in its products and markets.

The powers would grant the ability to update product regulations in line with our international partners, which is likely to be trade-enhancing as it increases global continuity of standards.

---

<sup>47</sup> OPSS product safety and consumers, Wave 5. Accessible at <https://www.gov.uk/government/publications/opss-product-safety-and-consumers-wave-5>

<sup>48</sup> <https://press.hse.gov.uk/2023/11/22/hse-publishes-annual-work-related-ill-health-and-injury-statistics-for-2022-23/>

<sup>49</sup> <https://www.hse.gov.uk/statistics/european/>

This reduces trade frictions, allowing businesses to smoothly operate in multiple locations with as few product lines and labels as possible.

Better regulation of unsafe or poor-quality products sold through online marketplaces (particularly those based outside of the UK and produced under different product standards), may result in lower imports of certain goods. Any resulting impacts on trade would be in the pursuit of safer products, as recommended in the United Nations Trade and Development (UNCTAD) recommendation on preventing cross-border distribution of known unsafe consumer products<sup>50</sup>.

DBT analysis estimates £109bn in UK average annual imports of all UKCA-applicable products between 2019 and 2021<sup>51</sup>. Of these, £65bn (around 60%) may require third-party conformity assessment (3PCA)<sup>52</sup>. Table 1 provides further detail on UKCA imports.

**Table 1: Average annual UK imports of UKCA-applicable products<sup>53</sup>**

	<b>Average 2019-21</b>	<b>Share of total UKCA imports</b>	<b>May require 3PCA</b>	<b>Does not require 3PCA</b>
UKCA EU imports, £bn	48	46%	30	19
UKCA Non-EU imports, £bn	61	54%	36	25
<b>Total UKCA imports, £bn</b>	<b>109</b>		<b>65</b>	<b>44</b>

Updating CE recognition would likely facilitate international trade, in contrast to ending CE recognition and mandating UKCA. This could facilitate GB imports and provide a greater range of products to the GB market. UK manufacturers could continue to use CE, which may reduce the barriers to supplying both the GB and EU markets, potentially facilitating UK exports from some businesses.

If instead, subsequent legislation ends CE recognition and mandates UKCA, this may hinder international trade, as manufacturers not using UKCA may reduce or eliminate supply to GB. Potential future legislation that ends CE recognition may also increase barriers to supplying both the GB and EU (and NI) markets for UK manufacturers, as two regulatory regimes would need to be considered.

## **K. Environment: Natural capital impact and decarbonisation**

This primary legislation is not expected to have immediate direct impacts on the environment, so environmental impacts have not been quantified in this assessment in accordance with the proportionality principles set out in the Environmental Principles Policy Statement.<sup>54</sup> It's

<sup>50</sup> [https://unctad.org/system/files/official-document/ditccplpmisc2021d1\\_en.pdf](https://unctad.org/system/files/official-document/ditccplpmisc2021d1_en.pdf)

<sup>51</sup> <https://www.gov.uk/government/publications/uk-import-values-of-ukca-applicable-products>

<sup>52</sup> "May Require 3PCA" refers to three categories that product codes were assigned to when assessing whether the product requires Conformity Assessment Body (CAB) involvement for the purposes of this analysis: Mandatory, Likely, and Unlikely. The "Does not Require 3PCA" category consists of HS6 codes that have been assigned as having no CAB involvement. The definitions used in this analysis are:

- Mandatory: CAB involvement is always required with products of this type,
- Likely: Some products of this type may not require CAB involvement, but the majority will,
- Unlikely: In some cases, CAB involvement may be required but the majority will not,
- None: Products of this type do not require CAB involvement (at the time of undertaking analysis).

<sup>53</sup> DBT analysis using HMRC Overseas trade statistics. Figures may not sum due to rounding.

<sup>54</sup> Accessible at <https://www.gov.uk/government/publications/environmental-principles-policy-statement>



not currently possible to calculate the specific environmental impacts of future policies enacted using secondary legislation.

This legislation would allow the introduction, updating, and enforcement of product safety and standards to protect the environment from product-related harm. The Government has made a commitment to leave the natural environment in a better state than it was found.<sup>55</sup> To achieve this, fundamental changes will be required to the ways that products are consumed, and the ways that products consume.

The powers allow the Government to alter regulations to change environmental requirements of products being placed on markets, associated supply chains, and in the circular economy (such as second-hand goods). This could include changes to products' permitted material or energy inputs, impacts on the environment and human health (such as waste or noise emissions), and burdens associated with bringing products to market.

The power to create, update, and enforce product safety and standards gives the UK the opportunity to create markets with quality products that consumers need and benefit from and that last for their expected lifetime. A reduction in waste from fewer faulty or low-quality goods would lower the footprint that product consumption has on the environment.

In any potential future change from subsequent legislation that either updates CE recognition or ends CE recognition and makes UKCA mandatory, minimal net environmental impacts are expected.

#### **L. Other wider impacts (consider the impacts of your proposals)**

This primary legislation is enabling by nature, so direct impacts are not expected. Some examples of potential wider impacts that could occur are discussed below.

##### **Public health and public services**

Product safety incidents can cause detriment to public health and create costs to public services, including the National Health Service (NHS) and Fire and Rescue Services. According to an OPSS survey<sup>56</sup>, 11% of respondents who bought a product within the last 6 months reported experiencing a safety issue of some kind. Of these, 15% reported physical harm as a result, and 14% damage to property or household items. The objective of the powers includes promoting product safety and standards, which would reduce the frequency and severity of these product safety incidents. This would reduce burdens on public services and lead to improved public health.

##### **Enforcement**

These powers will not directly impose regulatory and enforcement costs, but it is likely that these could occur as a result of secondary legislation introduced using these powers. These can be assessed more precisely at the point of introduction.

---

<sup>55</sup> <https://www.gov.uk/government/publications/environmental-principles-policy-statement/environmental-principles-policy-statement#introduction-our-new-approach-to-environmental-protection>

<sup>56</sup> OPSS product safety and consumers: Wave 5, accessible at <https://www.gov.uk/government/publications/opss-product-safety-and-consumers-wave-5>

Using these powers to create potential future legislation that either updates or ends CE recognition would resolve the enforcement issues of continued recognition of the outdated CE marking requirements.

### **Equalities**

The powers granted by this primary legislation will not have any immediate, direct impact as they are enabling powers. Policy impacts will be introduced through secondary legislation, where any impacts on equalities can be assessed in greater detail.

Improvements to the product safety framework protect all consumers, but certain groups of consumers may be more likely to be impacted. Differences in purchasing habits among different groups may leave them more exposed to potential harms. For example, one OPSS survey<sup>57</sup> found that offline respondents were significantly more likely to have no safety issues (99%) compared to the online respondents (89%). This is likely to be due to differences in the prevalence of safety issues for goods sold through online marketplaces. These products are often the cheapest option, leaving those on lower incomes and from lower socioeconomic backgrounds more exposed to unsafe products. Younger consumers are also generally more likely to shop online, with those aged 25-34 being most likely<sup>58</sup>.

### **Conformity Assessment Bodies**

If the powers are used to introduce legislation that updates CE recognition, UK Conformity Assessment Bodies (CABs) may see lower demand for their conformity assessment services from manufacturers than they otherwise would have.

If instead, legislation in the future is used to end CE recognition, the demand for conformity assessment services may be higher as some manufacturers may require conformity assessments from UK CABs to be able to continue placing goods on the GB market.

### **Supply Chains**

If the powers are used to introduce legislation that updates CE recognition, risks of any supply chain and market disruption may be limited for the regulations in scope since businesses, including non-UK businesses, can continue to supply the GB market with CE marked goods.

If instead, potential future legislation is used to end CE recognition, this may cause some market disruptions, as the CE marking would no longer be applicable to place goods on the GB market. This could be mitigated to an extent by providing sufficient advance notice to businesses, but some businesses may still choose to stop supplying their products to the GB market.

### **Justice Impact Test Outcome**

This primary legislation will not be implementing any policy relevant to the justice system thus a Justice Impact Test does not need to be completed. The legislation introduces powers that will enable the introduction of secondary legislation that will implement policy change. Justice Impact Tests will be completed for the relevant secondary legislation that will be developed using the Bill powers.

---

<sup>57</sup> OPSS product safety and consumers, Wave 5, Survey of 10,182 online and 250 offline adults. Accessible at <https://www.gov.uk/government/publications/opss-product-safety-and-consumers-wave-5>.

<sup>58</sup> Statista 2024, accessible at <https://www.statista.com/statistics/275972/online-purchasing-penetration-in-great-britain-by-age/>

## M. Risks and assumptions

As a non-quantitative impact assessment, the risks and assumptions are based on qualitative impacts presented. The risks are:

- **Powers use:** This primary legislation covers the powers needed to update product legislation and respond to emerging technologies. There is high uncertainty on the scale and nature of the impacts of future policies, and how the impacts are likely to vary by group. Policies will be enacted through secondary legislation, at which point specific detailed analysis can be conducted.
- **The uncertain degree of divergence:** the degree of and nature of divergence between requirements for CE and UKCA marking in the future, will depend on the application of these powers through secondary legislation. The impacts of such divergence would be considered when the Government is laying secondary legislation in Parliament.
- **Lack of data:** Where examples of the powers are available, there is a lack of data on the costs and benefits. This is due to:
  - a) sensitive business information (for example where business costs might not be given by business due to strong competition and not wanting the information publicly known).
  - b) difficulties quantifying the scale of unsafe goods. There are two types of businesses selling unsafe goods: i) deliberately disregarding safety rules for competitive advantage, ii) accidental unsafe goods not known at time of sale. It can be difficult to have a certain amount of unsafe goods, as they need to be detected, tested and some costs only occur when a product malfunctions. For example, a defective good with a fire risk may not necessarily catch fire.
  - c) lack of reporting by consumers.

The lack of data is being mitigated by stakeholder engagement, consumer awareness programmes by OPSS and a robust testing and enforcement process (further enhanced by powers being sought in this Bill).

## Appendix A: E-bike and E-Scooter Fires

The data on E-bike and E-Scooter Fires are from two sources; Mintel (as previously referenced above case study) and OPSS Research. On the latter, fire and rescue service (FRS) fire investigators across the UK notify OPSS of fires involving consumer products to help earlier identification of potential product safety issues. This is done on a voluntary basis using a product-related fire notification (PFN) form available on GOV.UK when fire investigation teams identify consumer products as the most probable cause of fires and incidents.

In February 2023, OPSS re-launched the procedure, engaging with FRSs and publishing guidance to support fire investigation teams in reporting product-related fires. This has led to a steadily increasing number of FRS reporting PFNs.

The guidance page includes a template which can be used to report information on:

- the product involved in the fire, including model and serial numbers
- the age and place of purchase
- the degree of severity of the fire

Not all the fields are completed consistently and so this analysis focuses on those deemed to be sufficiently accurate and reliable for inclusion.

More information is available at: <https://www.gov.uk/guidance/product-related-fire-incident-notifications>

The procedure is voluntary and so not all FRSs notify OPSS of fires involving consumer products. This means that the volumes cannot be used to estimate incidents at a national level nor be used to compare FRSs. OPSS is working with FRSs to improve their notification of incidents.

The procedure is still being expanded and so data cannot be compared across time periods.

Data from the London Fire Brigade (Home Office cost of Fire data) is currently being reviewed and the figures presented may be revised.