
DEFRA survey on REACH business impacts

A. Background

1. The Defra REACH Business Impacts Survey was designed to provide Defra with information about the impact of the EU REACH Regulation on UK businesses after the first registration deadline of 30 November 2010, and the second deadline of 31 May 2013. The survey is intended to provide Defra with a better understanding of how the implementation of the Regulation might be improved.

2. The survey concluded in December and the findings are being analysed.

B. Structure of the survey

3. The survey was divided into four broad sections, recognising that different players in the supply chain interact with the REACH process in different ways. These were:

I: Questions about the organisations completing the survey

II: Questions for the various players in the supply chain, i.e.:

- **Registrants** (chemicals manufacturers or importers)
 - November 2010 registration, only
 - November 2010 and May 2013 registration
- **Distributors**
 - November 2010 or May 2013 registration
 - November 2010 and May 2013 registration
- **Downstream users** (including businesses that purchase chemicals for intermediate processing)
 - November 2010 or May 2013 registration
 - November 2010 and May 2013 registration

III: Questions about the quality of support provided by the helpdesks operated by the REACH competent authority (e.g. HSE), the ECHA, and trade associations

IV: Space to provide short advice about other REACH-related issues which have affected the business, not covered elsewhere.

Participants were also invited to participate in proposed follow-up interviews.

C. Level of participation

4. 205 businesses or trade associations opened the survey and considered initial questions. Rather smaller numbers responded to questions set out in part II, partly reflecting the split into different parts of the supply chain. As a result we need to consider from a statistical point of view how much weight can be given to the responses to some questions. 114 responded to questions about the quality of advice, with 38 taking the opportunity to make substantive points about other REACH-related issues (part IV).

D. The participants

5. The survey attracted a good mix of businesses, reflecting the varied range of the users of chemicals as well as manufacturers. The user sectors included aerospace, metal finishing, paint manufacture and plastic moulding.

6. Responses by businesses to the question on number of employees, showed that there was a reasonable spread by size of businesses. However, not unexpectedly, the lowest number of responses was recorded from small businesses. The breakdown was as follows:

- Small 23 (0 - 9 employees):
 - Medium 46 (10 – 49 employees):
 - Large 53 (50 – 249 employees):
 - Major 57 (250 or more employees):
- Total: 179

7. In terms of their position in the supply chain, just over one third of the respondents described themselves as registrants, with just under one half recorded as downstream users. The remaining businesses were spread fairly evenly between the importers, distributors, and “Others”. Some trade associations responded.

E. Involvement in the two registration phases (all participants)

8. 158 businesses responded to this question. This information can be summarised as follows:

Nature of business	Registrant	Importer	Distributor	Downstream user	Total
Registration deadline					
30 Nov 2010 only	13 (19.4%)	3 (60.0%)	3 (18.8%)	26 (37.1%)	45
31 May 2013 only	13 (19.4%)	0 (0%)	2 (12.5%)	9 (12.9%)	24
Both of the above	41 (61.2%)	2 (40%)	11 (68.8%)	35 (50.0%)	89
Total	67	5	16	70	158

Clearly, the bulk of the respondents were either registrants or downstream users, with indications that many in the supply chain have been obliged to become involved in both REACH registration phases.

F. Information from registrants (manufacturers or importers of chemicals)

Substance Information Exchange Fora (SIEFs)

9. Defra was interested to find out about registrants' experiences of Substance Information Exchange Fora (SIEFs). While only modest numbers of businesses had joined SIEFs and most were involved in between 1 – 20 of these, some were involved in significant numbers, e.g. in the hundreds, one business being involved in 1,000 and another 1,650. This no doubt reflects the diversity of chemical products handled by certain firms. The number of SIEFs joined by individual businesses appeared to increase slightly in 2013.

10. Businesses had a mixed experience of SIEFs:

- No companies had all the data they needed in their possession, recording that they had no data or only some of that required. The position seemed to be worse in 2013 than 2010. However, SIEFs did seem to be effective in assembling the required data, i.e. in general, businesses found that data-sharing within SIEFs resulted in them achieving most or all of their registration requirements and in agreeing substance sameness
- The chief problems with SIEFs were identified as costs, time commitment, challenge, and workload

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- Some SIEFS worked better than others, with some participants experiencing difficulty in finding active members amongst the number of pre-registrants, i.e. those willing to enter into dialogue or respond to SIEF involvement surveys and substance sameness discussions
 - Participation was found to be much easier in 2013 than for 2010. Two respondents claimed that this was because of the absence of consultants who pre-registered large numbers of substances in an attempt to gain benefit from the process

Consortia

11. Around 30 businesses reported involvement in consortia, with about 50% having a positive experience, i.e. considering these groupings making registration easier and being effective in achieving data sharing and fair cost sharing. There was an even spread of views about the effectiveness of communication and, less positively, ten respondents had definite concerns about the risk of loss of confidential information. Six respondents reported that there was always or generally opportunity for abuse.

12. Specific comments suggested that business' experience with the consortia varied considerably, depending upon issues such as how many substances the consortium was working on, and whether participants were active or mostly "sleeping" members. Three respondents considered that membership was helpful, e.g. from economic point of view, for organising work, especially where there were large number of participants (3,500 in one case), dealing with queries and helping with communications. However, others found problems with communications, Letters of Access (generally, high costs), and the transparency of the payment system. Concerns about costs increased prior to the 2013 registration round, with 11 out of 18 considering that there was always or generally additional cost involved in participation in consortia, compared to registering alone.

13. When commenting in detail, typically, businesses felt that consortia generally provided a useful platform for companies to work together to deliver robust registration dossiers. However, some businesses considered their consortia to be well-managed and very supportive, but involving much bureaucracy and high administrative costs. One respondent made the point that consortia involvement is somewhat time-consuming for smaller companies who do not possess a dedicated resource for REACH issues.

14. 52 businesses gave precise details of direct costs incurred to them through REACH registration procedures. While there was no pattern of change between

2010 and 2013, the highest number of businesses (13) recorded costs of between £50,000 and £100,000. One business claimed that costs were in excess of £5 million, with 10 citing costs of between £1 million and £5 million.

15. In the period to 30 November 2010 there was a trend for ECHA registration fees and consortium fees to be quoted as the biggest contributors to costs, with consultants' fees as among the lowest contributors to costs. Conversely, after this time (i.e. up to the 2013 deadline) there was more mixed picture, with ECHA fees, consortium fees, costs for acquiring study data, charges for letters of access, testing costs and staff costs featuring as major costs, with consultants fees and "other" among the lowest contributors to costs. In both periods most businesses underestimated the true cost of REACH or were unable to estimate.

Market effects

16. Of the 14 businesses who responded about supply chain communications – important in the context of REACH because of the need to exchange information on use of substances – eight felt that organisations were always or generally effective in providing information needed to register, and six that they were only occasionally effective. However, there was less satisfaction with the quality of the information, with only three businesses considering it to be of generally good quality, and eight stating that it was only occasionally of that standard.

17. Twelve businesses made specific comments, the most commonly raised concern being the poor level of response from customers, their lack of interest and knowledge about REACH or the processes involved, and general misunderstanding of their responsibilities as downstream users. Other respondents raised issues such as a lack of appreciation of need from non-EU suppliers. There was also a comment that some companies were proactive in providing information on their uses, industry, etc., but others had provided no relevant information either through apparent lack of effort or not wishing to reveal details of their process or finished product.

18. In terms of market effects, twenty five businesses withdrew a substance from the market solely for REACH-related reasons. In 17 cases this was not because of pressure from the supply chain, but more because the cost of registration was too expensive.

19. Lack of understanding about registered uses, use descriptors, and exposure scenarios has led to difficulties in trying to cover customers' requirements, but where understanding has increased, this has improved the level of communication in the supply chain. However, the concept of communication in the supply chain is said to be generally not well understood. Confidentiality of

end use causes difficulty, with customers stated to be generally very reluctant to give information about their specific uses.

20. 37 businesses registered or attempted to register substances imported from outside the EU, with nine experiencing difficulty with obtaining information from non-EU suppliers. The main reason given for this was a lack of understanding of the REACH process, and the absence of test information, particularly in the case of China and the Far East.

21. With regard to the next REACH registration deadline of 1 June 2018 there was no clear trend on whether businesses would adopt a different approach to that used in 2010 and/or 2013. However, of the businesses that would do so, proposed changes included more planning and spreading of costs, starting the process earlier with a more realistic budget and adopting a phased approach.

22. In terms of satisfaction with the overall registration process businesses involved in both phases recorded as follows:

Registration phase	2010 only	2013 only	Both 2010 and 2013	
			2010	2013
Satisfied	0	1	1	5
Neutral	5	2	15	11
Dissatisfied	2	5	2	2
Very dissatisfied	0	2	0	1

23. 19 businesses took the opportunity to raise specific concerns that should be addressed in order to improve processes in the run-up to the 2018 deadline. Comments were very mixed. However, two themes did emerge, namely a need to allow more time and a requirement for more guidance from ECHA (the HSE Helpdesk was described as “very helpful”).

G. Information from distributors

24. For the purpose of the survey, distributors were divided into those who had registered in 2010 or 2013 and those who had registered for both deadlines.

Distributors who registered in either 2010 or 2013

25. These businesses were asked if any of the substances that they had distributed in the past had been withdrawn from the market as a result of REACH. Of the five distributors that responded to the question, two advised that substances had been withdrawn. In the first case, one substance had been

withdrawn, in the second, five substances. Two said that withdrawal had had a significant impact on their business, ie one had had to turn away business of around 200-300mt per year as the supplier had not registered and the distributor could not afford to do that because of the cost of the Letter of Access. The remainder indicated that the effect had been neither significant nor insignificant.

Distributors who registered in 2010 and 2013

26. The significance of the business impact on withdrawal was rated as significant by one business, insignificant by two and very insignificant by a further one. The remaining five distributors indicated that effects were neither significant nor insignificant. The business that rated the impact as “significant” said that this was because raw material substitutes did not work as well as the original product, now no longer available.

Access to information

27. Generally, there were problems with information flow, with most distributors having problems getting information for customers with enquiries. In no case had 100% of suppliers provided information. When distributors needed to approach customers, three found that less than a quarter provided the necessary information, one found that 50 – 74% did so, and the fifth had a 100% response. Unfortunately, a rather larger number of businesses (17 out of 32) said that they had had problems in persuading suppliers to share advice on their intentions on registration.

Effects of the REACH registration process

28. Following REACH registration processes:

- 4 businesses had been obliged to switch the EU-based suppliers of the substances that they used
- 1 business had had to become a registrant and import substances to replace an EU supplier
- 2 had had to notify their own use of substances direct to ECHA
- 14 had been obliged to switch to a different substance and/or process
- 4 had had to adopt other measures
- Only one company had had enough time to make alternative supply arrangements to avoid disruptions to business
- 12 companies had been obliged to withdraw substances from the market because of REACH.

29. As a consequence of their experience of the 2010 REACH registration process eight out of 28 responding companies will be adopting a different

approach to the next registration deadline. These experiences are reflected in the level of satisfaction with the registration process, ie only one business was “satisfied”.

30. Of the 23 respondents who were able to provide an estimate, one business had experienced costs of more than £5M in complying with REACH while the remainder were fairly evenly distributed; 15 had costs of £50,000 or less.

H. Information from downstream users (including companies which purchase chemicals, e.g. formulators)

31. For the purpose of the survey, as with the distributors, the downstream users were divided into those who had registered in 2010 or 2013 and those who had registered for both deadlines.

Downstream users who registered in 2010 or 2013

32. When asked if they had encountered any problems in getting their suppliers to share their registration intentions before the relevant deadline 17 businesses out of the 32 responding indicated that they had experienced difficulties. 12 respondents gave details, for the most part the difficulties being lack of knowledge, lack of co-operation within the supply chain, and lack of awareness of the REACH Regulation, particularly among smaller suppliers.

33. 12 out of 28 businesses reported that substances which they used had been withdrawn from the market as a result of REACH. Within this group, two businesses reported “very significant impacts” as a result of withdrawal, and five “significant” impacts. Adverse impacts included closures of part of a business and replacement of a significant piece of plant at a cost of about two years’ profit.

34. Users reacted, strongly, to the request to notify Defra of concerns about REACH that need to be addressed to improve procedure in the run-up to the 2018 registration deadline. The common theme among the 15 responses was dismay at a procedure which was perceived to be complex, costly, and unfair on small businesses, impact on the market through many businesses pulling out, and the threat of movement of production to sites outside Europe.

35. 28 businesses considered the question of whether their experience of the 2010 registration process would cause them to adopt a different approach for the next registration deadline. Of these, 8 would adopt a different approach.

Downstream users who registered in 2010 and 2013

36. When asked whether they experienced any problems in getting suppliers to share registrations intentions before the two deadlines, 30 businesses responded. The position seems to have improved somewhat between the two periods, with 18 businesses agreeing that they had had problems in 2010, with a reduction to 15 in 2013. 15 respondents described their problems which, in the main, concerned inability or unwillingness for partners in the supply chain to provide information, and a lack of understanding of the REACH Regulation.

37. The REACH registration process did have effects on downstream users. Reported impacts can be summarised (by number of responding businesses) as follows:

Year:	2010	2013
Required to change suppliers of substances used:	5	5
Became a registrant and imported substances directly to replace an EU supplier:	3	1
Notified own use of substances direct to ECHA:	3	2
Switched to a different substance and/or process:	7	10
Other:	0	2

38. For the two periods, 22 users reported on the withdrawal from the market of substances which they used, with 10 and 8 businesses so affected in 2010 and 2013, respectively. The number of substances per user ranged from one to around twelve. The impact was very significant in one case and significant in a further ten cases. These included use of more costly alternatives, locating those alternatives, reformulation, cessation of supply of certain products and significant expenditure on R&D for alternative substances.

39. Suggested ways to address problems to improve workability for the REACH 2018 registration deadline included making it easier for downstream users and importers to become part of the registration process, a substantial simplification of dossier costs, and a proposal that companies who manufacture chemicals that will be removed from the market should give advice on suitable alternative

chemicals (or, better still, that this advice be supplied to their trade bodies for onward transmission).

40. Following experience of the 2010 registration process 5 out of 15 eligible businesses said that they had adopted a different approach for 2013. Based on experiences in 2013, again, 5 would adopt a different approach. These included allowing more time, attempts to better understand the number of levels in the supply chain, and actions to increase communication through chemical/importer trade associations.

41. Asked about satisfaction with the relevant registration processes, the 21 respondents advised as follows:

Year:	2010	2013	
Very satisfied	0	0	This implies a very slight improvement over the two phases
Satisfied	2	2	
Neither/nor (neutral)	10	11	
Dissatisfied	8	7	
Very dissatisfied	1	1	

42. In terms of costs to businesses from compliance with REACH procedures, there was a spread of responses from the 21 businesses concerned. However, in 2010:

- Two businesses reported costs of between £0.5M and £1M (one in 2013)
- Four reported costs of between £100K and £0.5M (three in 2013)
- One reported costs of between £50K and £100K (two in 2013)
- Two reported costs of between £10K and £50K (five in 2013)
- One reported costs of between £1K and £10K (two in 2013)
- None reported costs of less than £1K (rising to one in 2013)

1. Views about access and quality of advice

43. Defra was keen to know if businesses were receiving adequate advice from the REACH Competent Authority, the European Chemicals Agency (ECHA) or trade associations. In this instance, a maximum of 93 businesses responded, providing a somewhat mixed picture. The responses can be summarised as follows:

Views about advice from the REACH Competent Authority:

(1) Quality of advice from the CA's website:

<i>Excellent</i>	<i>Good</i>	<i>Adequate</i>	<i>Poor</i>	<i>Don't know/no contact</i>
4.5%	19.1%	30.3%	6.7%	39.3%

(2) Quality of advice from the CA's helpdesk:

<i>Excellent</i>	<i>Good</i>	<i>Adequate</i>	<i>Poor</i>	<i>Don't know/no contact</i>
13.2%	19.8%	7.7%	5.5%	53.8%

Views about quality of advice from ECHA:

(1) Quality of advice from the ECHA website:

<i>Excellent</i>	<i>Good</i>	<i>Adequate</i>	<i>Poor</i>	<i>Don't know/no contact</i>
7.1%	31.8%	28.2%	18.8%	14.1%

(2) Quality of advice from the ECHA helpdesk:

<i>Excellent</i>	<i>Good</i>	<i>Adequate</i>	<i>Poor</i>	<i>Don't know/no contact</i>
2.3%	10.2%	20.5%	19.3%	47.7%

Views about quality of advice from trade associations:

<i>Excellent</i>	<i>Good</i>	<i>Adequate</i>	<i>Poor</i>	<i>Don't know/no contact</i>
31.2%	32.3%	18.3%	6.5%	7.5%

The remaining 4.3% indicated that they were not members of a trade body. These findings suggest that trade associations are doing a good job and that the ECHA Helpdesk could perform better. This may reflect trade associations' greater knowledge of the specific issues which affect their membership and a lack of knowledge of UK supply chains at the ECHA.

J. Other REACH-related problems or issues that have had an impact on business, not covered in the questionnaire, and raised by respondents

44. 38 substantive comments covering a wide variety of issues were received; these are still being analysed. However, cost, lack of knowledge and the loss of certain products features strongly. Among the respondents there is widespread cynicism about the value and usefulness of REACH.

K. Next steps

45. Analysis of the survey results is still at an early stage. However, the validated survey findings will be shared with the European Commission and the European

Chemicals Agency. In the longer term, the Defra REACH team is planning to commission follow-up interviews in Summer 2014 to address in more detail the issues highlighted by this survey. The REACH team is pleased to report that 42 respondents have agreed to assist with these interviews. We thank those concerned for their promised assistance with this phase of the work.