

Title: Impact Assessment of the EC's Three Regulations on International Road Transport Lead department or agency: Department for Transport Other departments or agencies: Vehicle and Operator Services Agency (VOSA)	Impact Assessment (IA)
	IA No: DfT00121
	Date: 06/10/2011
	Stage: Final
	Source of intervention: EU
	Type of measure: Primary legislation
	Contact for enquiries: Steve Blackmore Zone 2/24 GMH

Summary: Intervention and Options

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

The European Commission (EC) has found current rules relating to the operator licensing of buses, coaches and lorries are inadequate because of a lack of consistency in the way that they are applied across Member States, resulting in unfair competition between EU countries and issues around compliance and road safety. Intervention at EU level is necessary to provide the clarity and consistency required to address these problems given that this is a trans-national issue, in the sense that vehicles can move freely between member states. Intervention at UK level is then required to implement, enforce and monitor the new Regulations, so burdens are minimised and clear guidance is provided.

What are the policy objectives and the intended effects?

The objective of this intervention is to ensure that consistent standards are applied and enforced across the EU. The intended effects are to: create a more level playing field for international transport operations across the EU and reduce distortion of competition; raise the professional standards of the industry's transport managers; reduce the administrative burdens on regulators, enforcers and particularly operators; enhance compliance with safety, social and technical rules.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

In their IA, the EC considered five options ranging from 'do nothing' to 'full liberalisation.' The preferred option (upon which the adopted Regulations have been based) was 'harmonisation.' The UK supported this proposed move towards harmonisation although the specific details of the Regulations were subject to negotiation at EU level. This IA considers three options for the UK: option A - do nothing; option B - full implementation; and option C - partial implementation UK. The preferred option (Option B) for full implementation was identified at the post-consultation stage in March 2008.

A further consultation exercise was held between May and July 2011 to inform whether specific derogations should be adopted that would further reduce burdens on business.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 12/2012

What is the basis for this review? PIR. **If applicable, set sunset clause date:** Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?	Yes
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SELECT SIGNATORY Sign-off For final proposal stage Impact Assessments:

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

Signed by the responsible Minister: Mike Penning	Date 01/11/ 2011
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Summary: Analysis and Evidence

Policy Option B

Description:

Full implementation

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: 5.5	High: 67.3	Best Estimate: 57.8

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	1.2	1	0.29	3.6
High	1.1		0.29	3.5
Best Estimate	1.2		0.29	3.6

Description and scale of key monetised costs by 'main affected groups'

The main cost relates to (a) the cost of the national register being reflected in fees; and (b) the potential need for some transport managers with 'grandfather rights' needing to obtain a new CPC qualification. These costs are associated with mandatory requirements of the EC Regulation and are therefore unavoidable.

Other key non-monetised costs by 'main affected groups'

Rules around the employment of a transport manager may have a transitional impact although it has not been possible to estimate this given a lack of available data. (Industry through the consultation do not believe this will have an impact). It has also not been possible to quantify the impact of the improved definition of cabotage.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A		1.1	9.1
High	N/A		8.6	71.0
Best Estimate	N/A		7.5	61.3

Description and scale of key monetised benefits by 'main affected groups'

Improved compliance/ safety of foreign registered haulage vehicles would be expected to lead to a reduction in the number of accidents that this type of vehicle is involved in. The main difference between the best estimate and high scenarios in terms of benefits is that the assumed reduction in the number of accidents is greater in the high than in the best-estimate scenario during the first 3 years. After that the assumed reduction is the same (10%, i.e., 3.5 fatalities) and benefits are similar.

Other key non-monetised benefits by 'main affected groups'

Better definition of transport manager responsibilities would be expected to result in safety/ operational benefits to the industry. Document standardisation and more effective sharing of information will facilitate targeted and effective enforcement activity, improving safety and helping to create a more level playing field between GB operators and operators from other EU member states (improving the competitiveness of GB operators).

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

GB (and whole UK) implementation is relatively simple as the new Regulation substantially mirrors the existing operator licensing system. It is assumed that other EU states will implement on time, there is a risk that some may be slow to implement all aspects in full. The reduction in fatalities is illustrative, it is not modelled/forecast.

Although this policy will be implemented the 4th of December 2011, we took 2012 as the starting period for our calculations.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: NA	Benefits: NA	Net: NA	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?	United Kingdom				
From what date will the policy be implemented?	04/12/2011				
Which organisation(s) will enforce the policy?	TCs supported by OTC				
What is the annual change in enforcement cost (£m)?	Negligible				
Does enforcement comply with Hampton principles?	Yes				
Does implementation go beyond minimum EU requirements?	Yes, where burdens reduce				
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)	Traded: N/A		Non-traded: N/A		
Does the proposal have an impact on competition?	Yes				
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?	Costs: N/A		Benefits: N/A		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/K	< 20 N/K	Small N/K	Medium N/K	Large N/K
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	No	
Economic impacts		
Competition Competition Assessment Impact Test guidance	Yes	27
Small firms Small Firms Impact Test guidance	Yes	26
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Summary: Analysis and Evidence

Policy Option C

Description:

Partial implementation

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -103.8	High: -42.0	Best Estimate: - 51.5

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	4.2m	13.1m	113.0m
High	4.1m	13.1m	112.9m
Best Estimate	4.2m	13.1m	112.9m

Description and scale of key monetised costs by 'main affected groups'

The main costs relate to (a) the cost on business of having to provide proof of financial standing in a very prescriptive way, (b) the cost of the national register being reflected in fees; and (b) the cost for all transport managers with 'grandfather rights' needing to obtain a new CPC qualification. These costs are associated with mandatory requirements of the EC Regulation and are unavoidable unless the voluntary provisions outlined in option B are adopted.

Other key non-monetised costs by 'main affected groups'

Rules around the employment of a transport manager may have a transitional impact although it has not been possible to estimate this given a lack of available data. (Industry through the consultation do not believe this will have an impact). It has also not been possible to quantify the impact of the improved definition of cabotage.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	N/A	1.1	9.1
High	N/A	8.6	70.8
Best Estimate	N/A	7.5	61.4

Description and scale of key monetised benefits by 'main affected groups'

Improved compliance/ safety of foreign registered haulage vehicles would be expected to lead to a reduction in the number of accidents that this type of vehicle is involved in. The main difference between the best estimate and high scenarios in terms of benefits is that the assumed reduction in the number of accidents is greater in the high than in the best-estimate scenario during the first 3 years. After that the assumed reduction is the same (10%, i.e., 3.5 fatalities) and benefits are similar.

Other key non-monetised benefits by 'main affected groups'

Better definition of transport manager responsibilities would be expected to result in safety/ operational benefits to the industry. Document standardisation and more effective sharing of information will facilitate targeted and effective enforcement activity, improving safety and helping to create a more level playing field between GB operators and operators from other EU member states (improving the competitiveness of GB operators).

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Option C GB (and whole UK) implementation is will place a significant burden on the operator licensing administrative system and it reflects a major increase in the regulatory burden on new businesses and longstanding transport managers with "grandfather rights". It is a step away from the existing operator licensing system in GB. It is assumed that other EU states will implement on time, there is a risk that some may be slow to implement all aspects in full. The reduction in fatalities is illustrative, it is not modelled/forecast.

Although this policy will be implemented the 4th of December 2011, we took 2012 as the starting period for our calculations.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: NA	Benefits: NA	Net: NA	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			United Kingdom		
From what date will the policy be implemented?			04/12/2010		
Which organisation(s) will enforce the policy?			TCs supported by OTC		
What is the annual change in enforcement cost (£m)?			Negligible		
Does enforcement comply with Hampton principles?			Yes		
Does implementation go beyond minimum EU requirements?			No		
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A	Non-traded: N/A	
Does the proposal have an impact on competition?			Yes		
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: N/A	Benefits: N/A	
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro N/K	< 20 N/K	Small N/K	Medium N/K	Large N/K
Are any of these organisations exempt?	No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

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Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation/publication
1	Public Consultation Document - http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/consultations/archive/2008/euroadtransportproposals/euroadconsulpaper
2	Summary of Responses - http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/consultations/archive/2008/euroadtransportproposals/responses
3	Impact Assessment - http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/consultations/archive/2008/euroadtransportproposals/euroadsappendixd.pdf
4	2011 Consultation exercise – http://www.dft.gov.uk/consultations/dft-2011-11

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs	1.17	0	0	0	0	0	0	0	0	0
Annual recurring cost	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Total annual costs	1.47	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29	0.29
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	3.0	5.0	7.0	8.2	8.3	8.5	8.6	8.8	8.9	9.1
Total annual benefits	3.0	5.0	7.0	8.2	8.3	8.5	8.6	8.8	8.9	9.1

* For non-monetised benefits please see summary pages and main evidence base section



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Evidence Base (for summary sheets)

This evidence base relates to the preparation of a final stage impact assessment (IA) relating to the following EC Regulations:

Regulation (EC) No 1071/2009 of the European Parliament and of the Council establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator and repealing Council Directive 96/26/EC (Informally known as the " Access to the Occupation Regulation¹") This will apply to hire or reward operators only.

Regulation (EC) No 1072/2009 of the European Parliament and of the Council on common rules for access to the international road haulage market (recast) (Informally known as the "Access to the Road Haulage Market or Cabotage Regulation²")

Regulation (EC) No 1073/2009 of the European Parliament and of the Council on common rules for access to the international market for coach and bus services, and amending Regulation (EC) No 561/2006 (recast) (Informally known as the "Access to the International Coach and Bus Market Regulation³") (This Regulation is the consolidation of previous Regulations 684/92 & 12/98 and therefore the number of new measures is limited.)

This Final IA is presented as a single document which covers all three Regulations, given that they are interlinked. This is also consistent with the format of the EC's own impact assessment, prepared for the 'do something' options B and C. At the post consultation IA stage, three options were presented:

A: Do Nothing (i.e. maintain the status quo of the existing regime).

B: Full Implementation of the adopted Regulations – the preferred option.

C: Partial Implementation of the adopted Regulations.

At that stage, option B - full implementation was identified as the preferred option.

This final IA has been prepared based on the adopted Regulations and updated discussions with/information received from stakeholders as part of the further consultation exercise that took place in May – July 2011.

Issue under consideration

All three of the above Regulations entered into force in November 2009 and will apply from 4 December 2011 – except for the cabotage provisions in Regulation 1072/2009 which applied from 14 May 2010. Therefore, the Government needs to decide – in collaboration with VOSA and the Traffic Commissioners (the authority that exercise the statutory powers in the above

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0051:0071:EN:PDF>

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0072:0087:EN:PDF>

³ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:300:0088:0105:EN:PDF>

Regulations) – how to implement its provisions into GB law and practice. The Regulation also applies to Northern Ireland and Gibraltar, they are responsible for legal implementation in those areas.

The process began in 2007 when the European Commission published their draft Regulation. The Department subsequently carried out a consultation exercise at that time and produced a post-consultation IA before the negotiations on the draft Regulation began in Brussels.

Rationale for Intervention

Government intervention is necessary to optimise the introduction of the new Regulations so that positive impacts on the industry are maximised and negative ones eliminated or minimised, with no ‘gold-plating’. Thus available derogations have been carefully considered with the aim of minimising burdens and maximising the flexibility of the introduction of the Regulations. In addition, the Government should ensure new legislation is clearly explained to avoid uncertainty among the industry. Therefore, as part of overall implementation, the Government should intervene to provide the industry with clear written guidance on how this new legislation will work ‘on the ground’ in Great Britain. This will help fulfil one of the principles of good regulation: transparency.

Policy objective

The objective of this intervention is to ensure that the Regulation imposes the minimum burden on operators, Traffic Commissioners and enforcement authorities and that the implementation is free from gold-plating. It is also to ensure that the requirements of the Regulation are applied consistently across the UK and in line with what happens in the rest of the EU. Whilst it is for the Department for Transport and Traffic Commissioners to determine how the operator licensing system should operate in Great Britain, the Department represented the UK in the detailed negotiations - both at official and ministerial level within the EU, and has the detailed knowledge of how the European Commission envisioned the individual requirements should work. The Department for Transport also have access to specialised legal advisors that can provide detailed advice on whether any draft guidance meets the requirements of the Regulation. We are therefore working closely with the Senior Traffic Commissioner, industry and other key stakeholders to ensure that the burden of the new Regulation on regulators and industry is minimised and clear guidance is provided.

The recommended option, option B, includes adoption of provisions in the Regulations that permit a member state to continue to recognise Transport Manager "grandfather rights", allows employed Transport Managers to work for multiple companies and provides companies with additional methods by which they can (if they wish) prove compliance with the financial standing requirements of the Regulation. Whilst this may be considered to be going beyond the minimum requirement of the Regulation, it only does so in order to take advantage of voluntary provisions in the regulation that allow us to reduce burdens on business. The benefit of doing this is demonstrated by the comparison between the cost of option B and option C, that is, the cost of option B is lower than that of option C which does not take advantage of these voluntary provisions.

Description of options considered (including do nothing)

Do nothing (Option A)

These Regulations have now entered into force and they are directly applicable EU law that has primacy over any domestic legislation that cover the same ground. Not changing our domestic law to reflect the new EU rules would avoid the costs outlined in full implementation below. However, it would result in a legally incoherent legislative structure for lorry and bus operator licensing. If this happened and domestic and EU law became unenforceable in the UK it would threaten to road safety and this would result in infraction proceedings being brought against us. This could result in legal proceedings by the European Commission and a fine of £11m, with the possibility of further on-going penalties. Failure to implement could also result in other member states refusing to allow UK vehicles on their roads. This would have a very serious effect on UK business in general and the international bus and road haulage market in particular. Therefore, in practice, 'do nothing' is not a viable option.

Full implementation (Option B)

In addition to mandatory requirements, the Regulation does contain a number of areas where individual member states can decide to adopt, or not a number of voluntary provisions. Full implementation in this case involves implementing all mandatory provisions plus those voluntary provisions that reduce the burdens on industry and individuals. Adopting these specific provisions will benefit industry or individuals, as they will allow existing flexibilities in domestic legislation to continue. This is in line Government policy as expressed in paragraph 1.3 of the transposition guidance published in April this year. These are integrated into the costs and benefits of full implementation, as set out below, and are the basis upon which we went to consultation between May-June 2011. Voluntary provisions in the Regulations that increase burdens or introduce additional requirements on businesses or individuals have not been taken forward in this or any option, to do so would be gold-plating.

Partial implementation (Option C)

It is possible for member states to just adopt the mandatory requirements of the Regulation. Partial implementation would involve only implementing mandatory provisions and not considering voluntary provisions. However, it is our general policy to keep the burden of these Regulations on regulators or the industry to an absolute minimum, failing to adopt provisions that benefit industry is contrary to government policy as it will add to the cost and burdens placed on industry. The costs and benefits of partial implementation are set out below.

Costs and benefits of full implementation (Option B)

Introduction

The adopted Regulations will affect the following groups:

Transport operators (specifically hauliers in the hire or reward sector and coach and bus operators where the vehicle is designed to carry nine or more persons). It is estimated that there are almost 29,657⁴ UK businesses involved in road freight transport. The number of issued HGV Operator Licences is higher (over 90,000⁵) given that hauliers require a licence for each of the traffic areas in which they have an operating centre.

The number of issued Operator Licences is comprised of 38,397 national licence holders, 12,697 international licence holders and 51,200 'own account' licence holders (however, the latter group does not fall within the scope of the new Regulations)⁶. Existing licences will continue to be recognised.

The average fleet size per operator licence is estimated at 3.7 vehicles, although it should be noted that almost 50% of operators have just one vehicle, while around 80% have 3 vehicles or fewer⁷.

For passenger vehicles, the Regulations impact on holders of PSV (Public Service Vehicles – buses and coaches) operator licences, but not holders of restricted PSV operator licences, (who operate vehicles with less than 8-seats, or between 9 – 16 seats, with a main occupation other than road passenger transport operator). The Regulation will also not impact on voluntary/community organisations which operate a passenger transport service, where this is exclusively for non-commercial purposes (although they will still need an own-account certificate to travel abroad). The EC estimate there to be 10,826 UK companies involved in road passenger transport which will be impacted upon by Regulation (EC) No 1073/2009⁸. This figure is higher than the count of PSV Operator Licences from UK records⁹ but has been assumed to include an estimate of those in the voluntary sector who operate passenger transport services. At present in the UK there is no comprehensive record of the total number of voluntary/community organisations which are currently providing a transport service.¹⁰

The 9,132 PSV operator licences have resulted in the issue of 91,021 vehicle discs (which must be displayed in the windscreen). The average number of discs varies by category of licence; restricted licences are limited to a maximum of 2 discs but have of average of 1.4, the average for national licence holders is 10.2 and international licences is 22.8¹¹.

In future all new transport managers (who must hold a professional qualification to run the business) will need to pass the full international Transport Manager Certificate of Professional

⁴ Source: ABI (http://www.statistics.gov.uk/abi/2007-archive/downloads/section_i.xls, November 2010), falling from 37,600 in 1999 and 34,600 in 2004. Total employment in the industry is estimated at 280,000 in 2008, declining from 334,000 in 1999 and 299,000 in 2004.

⁵ Source Traffic Commissioners Annual Report 2009-10

⁶ Source: Traffic Commissioners Annual Report (2009/10).

⁷ Source; Traffic Commissioner's Annual Reports (2000-2010)

⁸ Source: European Commission Impact Assessment (2007). Figures relate to 2004.

⁹ 9,132 PSV Operator Licence holders, including 3,012 national, 2,223 international and 3,897 restricted licence holders which will be covered by the scope of the new regulations – source Traffic Commissioner Annual Reports 2009-10).

¹⁰ Under the current system voluntary bodies are issued with a permit by the Traffic Commissioners or other designated bodies. These are not time limited and relate to vehicles not organisations (plus there is no limit to the number of permits a single body can hold). The number of new permits issued in a given year represents an addition to the current stock and therefore does not provide an indication of the total size of the voluntary transport sector. Also there is no way of estimating the number of permit holding organisations which would fall within the scope of the current proposals.

¹¹ Source: Vehicle and Operator Services Agency – who provide administrative support to the Traffic Commissioners

Competence (CPC) qualification. Currently there are two options, to pass a UK national only or a national and international qualification, under the Regulation, from the 4th December 2011 a national only qualification is not allowed. (All existing qualifications are still recognised – this new approach only applies for future CPC qualifications).

Transport managers

The occupation of transport manager appears to come within the SOC code 1161 (transport and distribution managers)¹², however, GoSkills¹³ indicate that the position of transport manager for coach and bus operations is covered by SOC 8219 (transport operatives)¹⁴. In addition, the SOC system does not provide an indication of the number of CPC qualified transport managers who are currently active in the UK haulage or passenger transport industry.

Information from the qualification awarding body shows that almost 2,600 individuals achieved the CPC qualification in 2010, although again this does not indicate how many of these individuals are active in the role of transport manager.

Table 1 CPC qualifications 2010 (2009 figures in brackets)

CPC Full Awards in 2010	Number
OCR Level 3 Certificate of Professional Competence in International Passenger Transport	81 (120)
OCR Level 3 Certificate of Professional Competence in National Passenger Transport	361 (394)
OCR Level 3 Certificate of Professional Competence in International Road Haulage	425 (461)
OCR Level 3 Certificate of Professional Competence in National Road Haulage	1699 (2254)
Total Number of Awards	2566 (3881)

Source: OCR

Traffic Commissioners/ VOSA

VOSA and Traffic Commissioners will be primarily responsible for enforcement of the new Regulations – although the police can also enforce the requirements, particularly on vehicle maintenance and the requirement to possess a valid licence. The Regulations require that a range of information would be collated and held on a national database of licence-holders.

Costs Option B – Full implementation

This section outlines the likely costs of the key changes for each of the three Regulations in turn. An overview of costs is at the end of this section. It should also be noted that the Regulation no longer contains a provision for 140 hours of mandatory training to obtain a Certificate of Professional Competence. This was a major contributor to compliance costs in the

¹² Source: ONS (http://www.statistics.gov.uk/downloads/theme_labour/uk-employby-soc-apr-jun10.xls, 2010) – Labour Force Survey records 81,000 individuals in the category of transport and distribution managers.

¹³ The Sector Skills Council for Passenger Transport: www.goskills.org

¹⁴ Current data suggests that 22,000 individuals fall within this category. Source: ONS – Labour Force Survey.

consultation IA, before negotiations on the Regulation began in Brussels, but is absent from this final IA because the requirement no longer appears in the Regulation.

Another area where costs have been saved, in comparison with the IA done for the April - May consultation, is financial standing. We originally estimated £0.8m p.a. relating to compliance costs for the new rules on financial standing. However, under the regulation, allowable mechanisms for financial standing are a matter for the competent authority to determine (i.e. the Traffic Commissioners). They had decided to adopt a flexible approach to fulfilling this requirement that will allow all existing mechanisms of financial standing to remain. Therefore, there will be no additional burden on industry, so the costs have been removed from this IA.

Regulation (EC) No 1071/2009 repealing Council Directive 96/26/EC (Informally known as the " Access to the Occupation Regulation")

Establishments (access to occupation)

The Regulation contains a requirement that hire or reward HGV and PSV operators are effectively and stably established in a Member State and can demonstrate this by having an office and operating centre, with sufficient parking, and at least one vehicle registered in the Member State.

In the UK operators currently have to demonstrate that they have an operating centre. In relation to goods vehicles, the operating centre is defined as the 'base or centre where the vehicle is normally kept' and licence applications will be refused by the Traffic Commissioners unless adequate, safe off-road parking can be demonstrated. It is estimated that no additional costs will be incurred by bus and haulage businesses as a result of this requirement.

Good Repute

The Regulation provides a new definition of 'most serious infringement' which could lead to the loss of good repute if an operator or transport manager commits one of the infringements listed. In GB committing of one of these offences now is likely to result in the loss of repute if considered by a Traffic Commissioner. The regulation therefore does not change the impact of that in any material way. It should also be noted that analysis of the number of operator licence disqualifications recorded for 2009/10¹⁵ shows that this represents a very small proportion of the total stock of existing licences.

Financial standing

The Regulation includes new requirements regarding proof of financial standing for hire or reward operators. The levels of financial standing requirements are not changing and the requirement to prove standing already exists. Currently operators have a choice about how they prove financial standing (demonstrating short-term solvency through assets totalling at least

¹⁵ Traffic Commissioners' Annual Report 2009/10 reports that 60 goods vehicle operators and 21 bus and coach operators experienced disqualification of their licence in that year. It is assumed that almost all disqualifications are ultimately due to the loss of good repute.

€9,000 for a single vehicle and €5,000 for each additional vehicle used¹⁶). They can provide annual accounts if they are a large company, a third-party guarantee (overdraft or credit limit) or a series of bank statements is sufficient proof of financial standing. Under the Regulation, it remains for the Traffic Commissioners to decide how financial standing can be proved. Following the consultation exercise and after discussion with officials, they have decided to allow all the existing methodologies for demonstrating financial standing to remain. This includes bank statements, which the implementation consultation IA believed would be abolished. This means that the £0.896m costs estimated for changes to the financial standing regime as a result of losing the ability to use bank statements as proof of financial standing will not occur and the cost has therefore been deleted from this IA.

Employment of transport manager (access to occupation)

The Regulation requires that all hire or reward operators employ a competent transport manager, this is not a change from the current position. Transport managers may be employed directly as staff (either full-time for a single operator or part-time for more than one), or be self-employed and offer their services under contract (e.g. as a consultant). In this latter case, the Regulation now limits the maximum number of transport undertakings (4) and number of vehicles (50) that an individual contracted transport manager can take responsibility for.

This may impact on the industry because of the limits placed on individual transport manager responsibilities may generate additional costs to businesses if the salaries of transport managers are bid-up (due to a shortage of qualified individuals) (although there will be a compensating benefit to the transport managers themselves). Placing an absolute limit on the number of vehicles for contracted transport managers is likely to have a disproportionate impact on small and micro firms, particularly owner-operators, given that they are more likely to use consultant transport managers. (It should be noted that there is no derogation available from this element of the Regulation for micro or small firms).

In the UK haulage sector, the average fleet size is approaching 4 vehicles, although over 80% of operator licence holders are estimated to have 3 vehicles or fewer¹⁷, therefore the proposed vehicle limit would appear to be unlikely to cause a significant impact for the majority of operators. It may also result in more transport managers moving to an employment arrangement with the operator, to circumvent the 4/50 limit.

It could be expected that the operator limit may have more of an impact. There is the potential lead to an imbalance between the demand and supply of transport managers. In total, the current UK haulage fleet is estimated to comprise 415,000 vehicles¹⁸. Under the Regulation, even assuming the worse-case scenario that every CPC qualified transport manager was a consultant and could only look after a maximum of 50 vehicles, this fleet would require a minimum of over 8,200 CPC qualified transport managers. Current statistics from the CPC qualification awarding body show that in 2010 just over 2,100 individuals were awarded a CPC qualification in road haulage. Based on this annual attainment level it would appear reasonable

¹⁶ Article 7 of Regulation 1071/2009

¹⁷ Source: Vehicle and Operator Services Agency

¹⁸ Transport Statistics Great Britain November 2010

to assume an adequate number of qualified managers within the haulage sector (assuming a reasonable level of retention within the industry). There are 55,000 transport managers currently named on operator licences¹⁹, suggesting that the industry can absorb the impact of the 4/50 limit.

Records show that around 5,235 standard PSV operator licences have been issued in the UK²⁰. 442 individuals were awarded a CPC in passenger transport in 2010²¹. At present it is considered that there is a reasonable balance between demand and supply of transport managers. It is possible that implementation of the regulation (particularly the 4/50 rule) may require a greater supply of transport managers. Again data is lacking on the current availability of transport managers, as there is no record of how many people have the proper qualifications to become a transport manager but are not in the industry. However, in the period 2006-2010 16,057 individuals passed the CPC examination – an average of just over 3,200 per year²². Based on these figures and the 55,000 total number of transport managers on O-licences, the transport manager ‘pool’ would increase by a further 55,000 (gross) in 17 years.

It is worth noting that the response to the consultation from industry expressed no concern about the availability of consultant transport managers. Therefore we believe that problems for businesses posed by this will not be significant.

The Regulation also contains provisions to reduce the period which operators have to employ a replacement transport manager from one year to six months, which may be extended by a further three months on the death or physical incapacity of the transport manager. The time taken to replace a transport manager varies considerably, particularly depending on the level of experience required and availability of a replacement. Given that the majority of transport managers would be required to serve a three-month notice period with their existing employer, the new one-month grace period could create some difficulties creating increased competition amongst operators to secure the service of an appropriately qualified transport manager. One possible consequence of this would be to push up transport manager wage levels which will result in a cost to operators but a corresponding benefit to the managers themselves. The impact will be greatest for operators based in areas which are viewed by potential employees as less desirable locations to live and work. However, given the numbers of properly qualified transport managers in circulation, it is unlikely that problems of supply will occur.

Certificate of Professional Competence (access to occupation)

The Regulations remove the separation between national and international CPCs (all new CPCs will be national and international). The Regulation will also see the current provision for grandfather rights defined to those with at least 10 years experience of continuously managing a transport undertaking. The consultation impact assessment estimated that around 20% of current grandfather rights holders will not be able to meet the new grandfather rights

¹⁹ Source: Vehicle and Operator Services Agency

²⁰ Source: Traffic Commissioner Annual Reports 2009-10

²¹ Source: Oxford Cambridge and RSA (OCR)

²² Source: OCR (fees 2009/10)

requirements and each require to sit the international element of the CPC exam (at a cost then of £118.50 each). This resulted in estimated costs of £270,000.

However, as a result of the consultation exercise, the Department has decided to adopt a simplified regime for awarding grandfather rights under the Regulation which will dramatically cut costs and greatly reduce the burden of compliance on grandfather rights holders themselves. Under the new arrangements, all 12,822²³ grandfather rights holders that are currently on O-licences can be automatically be granted renewed grandfather rights. This will eliminate all potential costs for those individuals in moving to the new regime.

There are also around 2,630²⁴ grandfather rights holders that are not currently listed as a transport manager on an O-licence who we know are likely to be eligible. These individuals will still be required to apply to the Department for continuation of their grandfather rights (we cannot make this automatic as some will have retired and others may have died). Although each case will be treated on its merits (and we will ensure that they are not disadvantaged by not being on a current O-licence), there will be some individuals that do not qualify for the continuation of their grandfather rights – because they do not meet the new ten-year rule. Those individuals could decide to remain outside the industry as now or to undertake CPC training. At present, we do not know how many of these individuals will decide to retrain, but some assumptions are made below.

The current (2010/11) fee for taking the international certificate of professional competence examination is £121.10²⁵. Although formal training is not mandatory – applicants can choose to gain the knowledge in any way they wish (e.g. home learning) – private sector training companies and other bodies do provide classroom training courses. We believe that between 50 and 500 existing rights holders may wish to re-enter the business and will have to take a new exam. It is reasonable to assume that training or study is not required by these people (because they would have been practising for a number of years and have the required knowledge anyway). So any costs will relate to fees for taking new examinations. In this regard, we estimate the cost of compliance will be between £6,055 and £60,550 (Our best estimate is £12,110 as a one off cost in 2011/12). This figure is significantly lower than the £270,000 in the pre-consultation IA because of the radically simplified process we are able to adopt in awarding grandfather rights to the majority.

Regulation (EC) No 1072/2009 (Informally known as the "Access to the Road Haulage Market or Cabotage Regulation")

Cabotage of goods transport (access to markets)

The cabotage regulations are already in force as they became active in May 2010. Road cabotage transport represents a small share of the total road transport market at EU level. The new definition aimed to clarify the definition of temporary.

²³ Source: VOSA

²⁴ Source: VOSA

²⁵ OCR Fess 2010-11

The impact of cabotage activity in GB is focused around the English Channel, North Sea and Irish Sea ports. Even in these areas, official cabotage measures are relatively low (it is estimated that foreign operators' share of the market is 0.2% percent of tonne/kms moved).²⁶

The impact of legal cabotage extends beyond the direct loss of market share for domestic hauliers, in particular, through the threat of foreign competition having a wider impact on buyers' price expectations. Though there is no quantitative evidence as to the scale of this impact on operator margins, evidence gathered by associations²⁷ indicates a "footprint" effect from overseas hauliers quoting low rates to one or two customers, which then circulate lowering price expectations for other buyers..

There is acknowledged potential for cabotage penetration to increase over coming years²⁸.

Standardisation of documents and national database (access to occupation and markets)

The old directive had standardised documents. The new Regulation slowly changes the format of certified copies of Community Licences and Driver Attestations/Community Authorisations, specifically inclusion of enhanced security features and serial numbers. Current Community Authorisations will remain valid until their date of expiry so the impact is limited to the issuing of new documents only.

This will create some short-term transitional costs to VOSA in terms of standardisation but this is not significant as it is in effect part of routine business.

The most significant change arising from the new Regulation is the requirement to check Transport Manager repute throughout the EU. This requires each member state to have a national register that will be compatible with an EU information exchange system. This system will also be used to exchange information on the offences committed by operators working in other EU member states.

There is an existing reciprocal arrangement requiring notification of defects on foreign vehicles to the appropriate licensing authority although the response from some Member States is considered to have been disappointing and there is therefore scope for improving the effectiveness of exchange of information. VOSA presently has a web-based system for collating information about licence holders, therefore it is considered that the foundation for increased sharing of information with other Member States is in place. However, in order to meet the new requirements a number of additional fields need to be added to the current database – this work will be done by VOSA in-house and was originally estimated as a one-off cost of £457,000²⁹ given that the database is not a stand-alone system and the addition of new fields would require changes to be made to its structure. Available cost information at that time indicated that this

²⁶ Department for Transport 2009 Survey of Foreign Vehicle in Great Britain

²⁷ Freight Transport Association and Road Haulage Association

²⁸ For example, the Haulage Industry Task Group estimate if all foreign vehicles used all their spare time in the UK to undertake cabotage this would yield a potential capacity/penetration rate of 15.7 percent (non-bulk, over 38 tonnes, hire or reward sector only). However, this would appear to be a worst case scenario particularly as little of this potential capacity appears to be being utilised in practice.

²⁹ Source: VOSA. Based on costs provided by VOSA relating to the introduction of additional fields to the existing database.

requirement would also result in additional on-going costs of £130,000 pa³⁰. However, this work is now well on its way to completion so costs are now known with greater certainty. The one-off database cost is now £787,000 and on-going costs have been revised to £210,000 over 5 years.

An additional cost mentioned in the pre-consultation IA was to electronically interconnect the VOSA database to those in other member states. However, this is not required to be implemented until January 2013 and detailed costs have not yet been determined. However, we estimate they will be in the order of £40,000 - £140,000³¹.

Regulation (EC) No 1073/2009 amending Regulation (EC) No 561/2006 (recast) (Informally known as the "Access to the International Coach and Bus Market Regulation")

Regular coach services (carriage of passengers)

The passenger market Regulation applies to operators engaging in international journeys in the EU using a vehicle designed to carry nine or more persons, either on own account or hire or reward. The Regulation simplifies the procedure for authorising new regular coach services between Member States and reduces the scope for such new services to be refused. In the UK, it is reported to be rare for such requests to be refused, so the impact is likely to be minimal. Although the changes may lead to an increased number of applications to occur in the future resulting in more competition on certain routes and so the situation should be monitored. However, the Regulation may also open up additional opportunities for UK operators.

It is also reported that any additional costs for the small number of British operators running regular services to continental Europe will be modest. No operators have indicated that they expect to incur measurable extra cost³².

If the Regulations also require full authorisation for all cross-border bus services (rather than the current situation where neighbouring member states can agree special arrangements in border areas) then additional costs would be incurred by Translink in Northern Ireland,³³ including the cost of an additional administrative resource, the cost of continuing to run un-economic (and, sometimes, un-needed) services while going through the process of changing or cancelling the licensed timetable, and the missed opportunities for new services while approval is awaited. It is not possible to produce a detailed breakdown of costs for this. However, Discussions with the relevant trade association (CPT) suggest that these costs, as a broad estimate, might add up to £250,000 per annum.

³⁰ The existing cost information suggests that the 'moderate' category relates to work expected to cost between £10,000 and £100,000. conservatively assuming a budget of up to £100,000 for each element result in a total of £200,000.

³¹ Source: VOSA

³² Source: CPT. However, the proposed regulation would require every passenger on an international service to be issued with a ticket. If a season ticket or concessionary pass would not constitute a ticket under the regulation then some further additional costs (and potential inconvenience for passengers) would occur.

³³ Translink is the bus operation of the state-owned Northern Ireland Transport Holding Company.

Table 2 - Overview of Estimated Costs of Option B

Area of Change	Option B – full implementation	Notes
Good repute	Primarily distributional impact	Cost to individual transport managers who experience disqualification offset by gains made by those who maintain good repute.
Financial standing	Nil	The previous IA estimated these costs at £896,000. However, as all current methodologies to demonstrate financial standing will be retained, this cost will no longer occur.
Grandfather rights	£12,110	The original IA estimated compliance costs of £270,000. However, we are now proposing to automatically issue revised grandfather rights to over 80% of existing holders. This will greatly reduce compliance costs to the small number of existing holders that may choose or be required to sit a CPC examination. One-off.
Cabotage	Nil	Already implemented. Ongoing.
Regular coach services	£250,000 p.a.	Increased cost to operators of cross-border services. Ongoing.
Employment of transport manager	Negligible	Potential cost to industry.
Standardisation of documents	Negligible	Cost to VOSA. Short-term transitional cost.
National database	£787,000	Build national register. Cost to VOSA. One-off – Already spent
	£40,000-£140,000 (best-worst cases)	Interconnection with other member states. One-off. Cost to VOSA. Early estimate.
	£210,000	On-going costs. Cost to VOSA. On-going.
Asking Licence holders for essential information (with detailed guidance) required to complete the data set for the national register.	Cost to industry £278,000 (£5 per reply x 55,600 licence holders)	The Questionnaire is a short 2 page questionnaire designed to gather details required by the new EC Regulation that are not already collected. It is a one off cost based on 15 minutes to complete and post.

Benefits Option B - Full implementation

The Regulations replace an earlier directive and are designed to provide more consistent interpretation and enforcement of the existing rules thereby leading to a more level playing field for operators across Member States. The Regulations would also be expected to have a positive impact on road safety given that there is evidence in the UK relating to higher non-compliance of international operators³⁴ and involvement in accidents - although questions remain about how far road safety issues occur as a result of levels of enforcement and regulation, or other factors such as differences in driving practice/standards. An overview of benefits is at the end of this section.

The primary reason for the operator licensing system is road safety. Much of its benefits are from the deterrent effect caused by the enforcement action that can be taken against individual operators that fail to meet the requirements – including revocation of the licence and the closure of their business. This deterrent effect is very difficult to quantify, but is a major benefit of the O-licensing system. Importantly it also supports operators who work to the required high standards now by ensuring they remain competitive.

However, by their nature, goods vehicles are large and heavy – the largest between 40 and 44 tonnes depending on usage. Coaches can carry up to 56 passengers and double-deck buses up to 90 people. So the consequences of accidents involving such vehicles can be very serious indeed. Accident data – via the annually published *Reported Road Casualties: Great Britain* - is also available that allows us to determine whether the O-licensing system, and particularly the deterrent effect and roadside enforcement have any beneficial effects.

The bus/ coach and particularly the heavy goods vehicle sector (to which O-licensing applies to) is large. There are currently around 91,200 GB registered goods vehicle operators and 9,132 bus and coach operators running around 350,259 and 91,000 vehicles respectively³⁵. Combined these run nearly 20 billion vehicle kilometres per year – 6.5% of total vehicle kilometres operated on GB roads³⁶.

To target enforcement VOSA introduced a risk rating system in 2006 (OCRS – Operator Compliance Risk Score) which highlights those operators that are most at risk of non-compliance. Where roadside enforcement by the police or VOSA identifies a vehicle or driver that is guilty of non-compliance – e.g. by the vehicle not being roadworthy or drivers not complying with drivers' hours rules or other rules - the O-licensing system allows those offences and the vehicle/ driver to be accurately linked to the operator responsible for that vehicle and driver combination at the time when the offence occurred.

VOSA use this information, along with other data such as failure rates for individual vehicles at test to build up a profile of each operator. This allows enforcement activity targeted towards

³⁴ 31.5% non-compliance for international vehicles compared to 23% for UK vehicles in terms of roadworthiness (source: VOSA).

³⁵ Source: Traffic Commissioner Annual Reports 2009-10

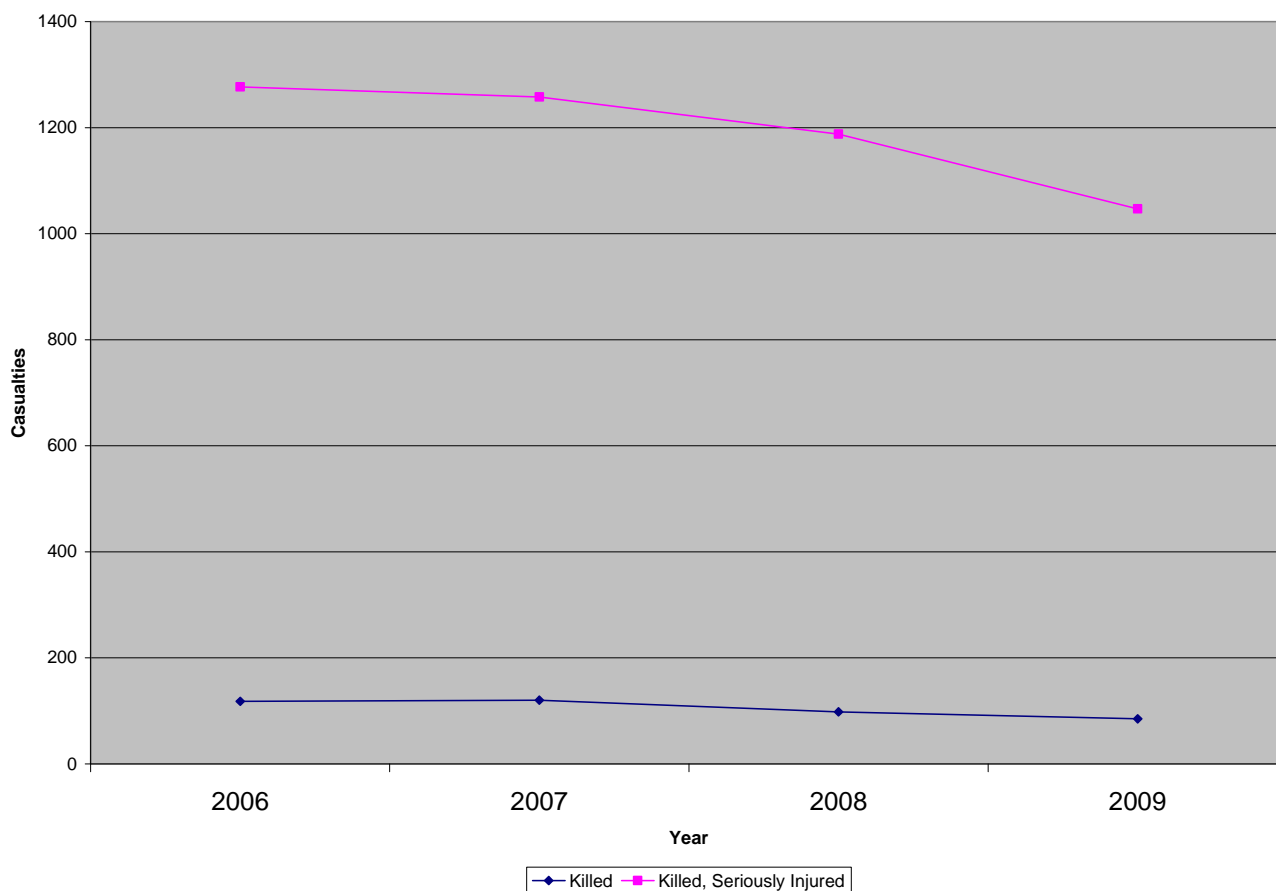
³⁶ Source: DfT National Road Traffic Survey

those most likely to commit offences, and away from those that have a history of compliance. These operators are then under more scrutiny from the Traffic Commissioners (with possible revocation of their operator licence) than compliant operators. This is in line with the requirement of the Regulation to have targeted enforcement and overall Government policy to reduce burdens on business. It also encourages the compliant to remain so, and the non-compliant to improve their performance, so that they will not be targeted for future enforcement.

This risk rating system appears to be working. Available statistics for GB show that there has been a 34% reduction in injuries involving GB registered heavy goods vehicles between 2006 and 2009. Fatal injuries have reduced by nearly 38% over that period with killed or seriously injured (KSI) reducing by nearly 33%³⁷.

These figures need to be seen against a 3% decline in overall bus and coach mileage and a 9.3% decline in HGV mileage over the same period³⁸. However, it cannot fully explain the reduction in casualties and it is reasonable to assume that some of those benefits are down to better targeting of enforcement. Nor has it had a great impact on casualties involving foreign HGVs which for fatal accidents were 9.5% and 7.8% of total fatalities involving heavy goods vehicles in 2008 and 2009 respectively.

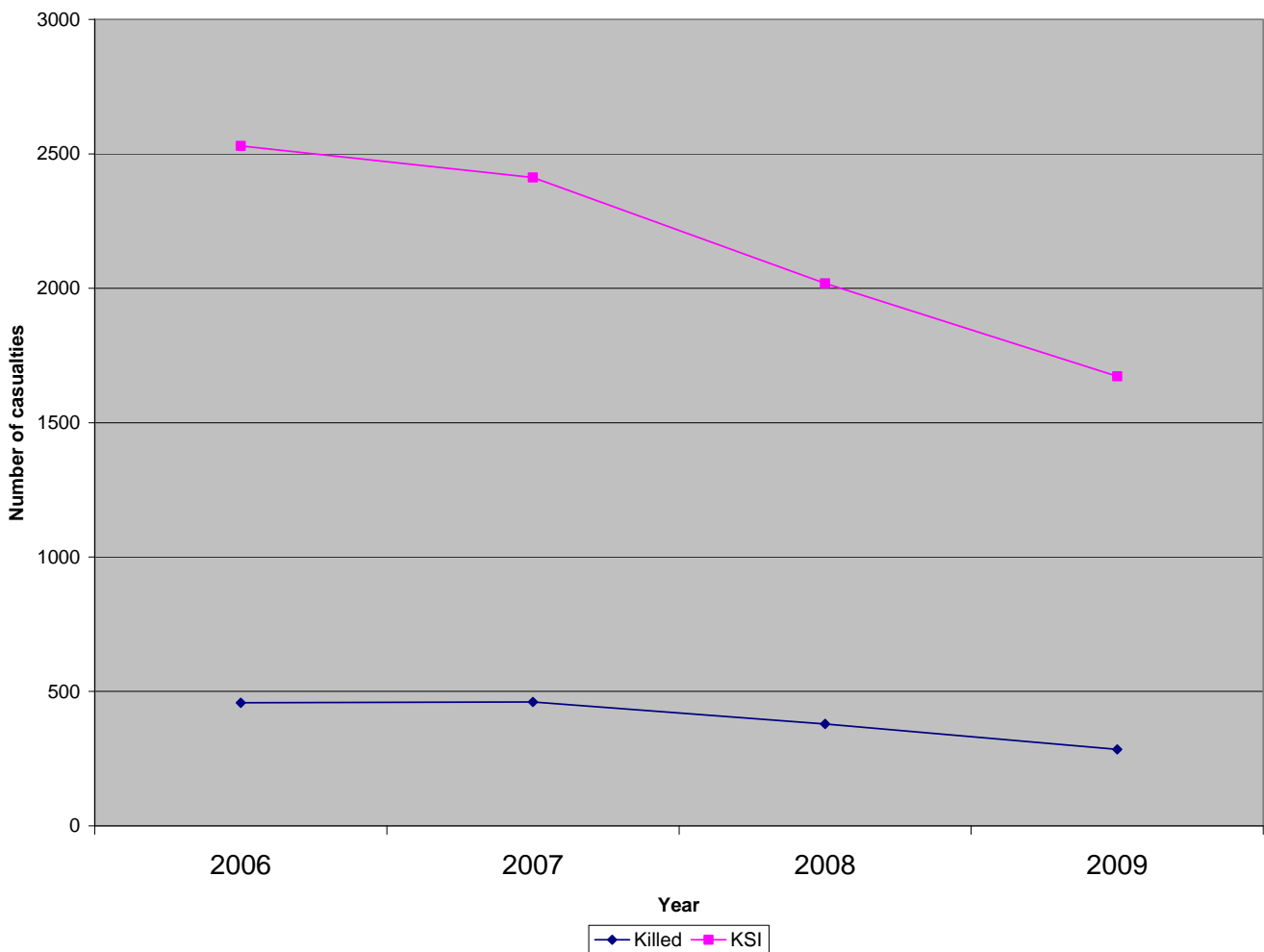
Figure 1 – Buses and Coaches: Reported Incidents by severity



³⁷ Source: Reported Road Casualties – Great Britain – annual reports

³⁸ DfT National Road Traffic Survey

Figure 2 – HGVs Reported Accidents by Severity



However, VOSA apply their risk rating system to foreign registered vehicles as well. Whilst available figures show that foreign registered HGVs represents only 4.7% of the annual mileage travelled by UK registered HGV vehicles (around 950m vehicle kilometres), since 2006, the casualty rate in GB has still reduced by 26%, with fatal injuries reducing from 44 in 2006 to 21 in 2009 (52%), and fatal and serious injuries reducing from 163 to 86 (47%)³⁹.

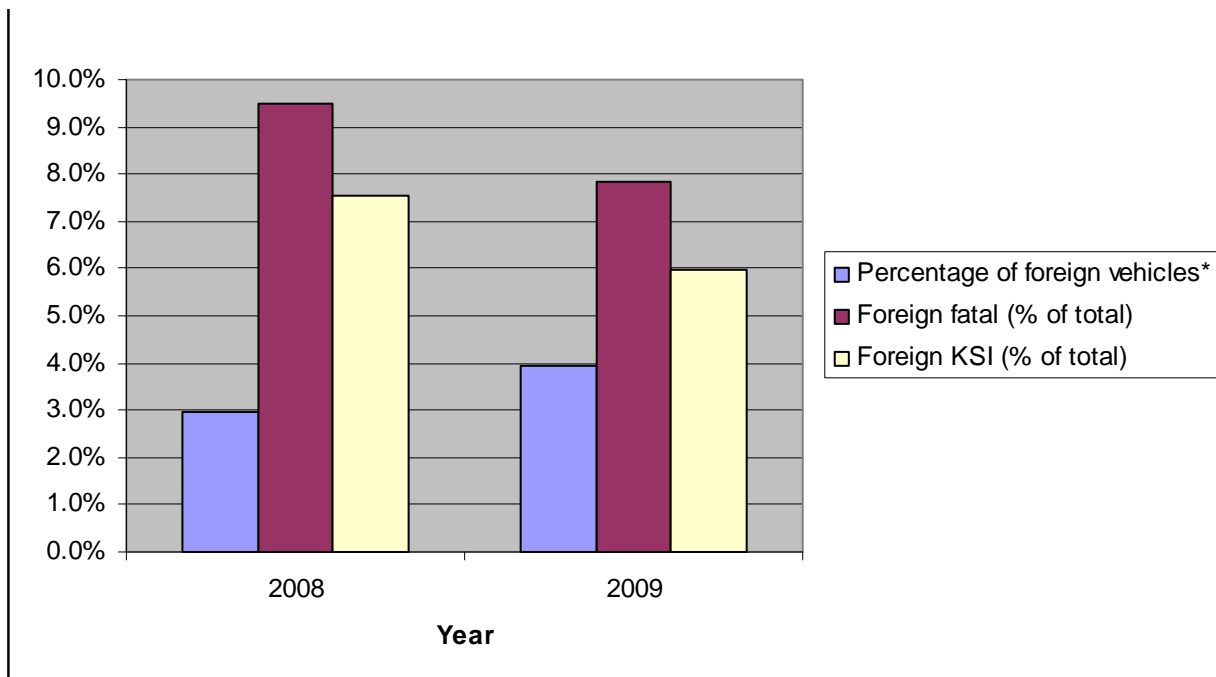
Even with these reductions, casualties by foreign vehicles are still much higher per vehicle mile. As stated above, whilst annual mileage for foreign HGVs is around 4-5% of total UK mileage, casualty figures for 2006-2009 show that on average around 8% of all fatal casualties involving HGVs on GB roads involve foreign vehicles and almost 7% of KSI. This is shown below.

Table 3 - Percentage of foreign vehicles and accidents among foreign vehicles

	2008	2009
Percentage of foreign vehicles*	3.0%	4.0%
Foreign fatal (% of total)	9.5%	7.8%
Foreign Killed Seriously Injured (% of total)	7.5%	6.0%

³⁹ Source: Reported Road Casualties – Great Britain – annual reports

Figure 3 – Foreign Vehicles in GB and Accident Data



Therefore, the Regulation will result in three major benefits:

- It requires an OCRS type system to be rolled out across all other member states, and enforcement authorities to move to this system of targeted enforcement. At present, this targeted approach is either absent or not as well implemented in other member states, so the benefits it has brought to GB in terms of improving the overall compliance of operators can be expected to roll out across Europe. This will include foreign international hauliers operating on GB roads.
- The OCRS system will continue in GB under the Regulation, and VOSA will continue to fine-tune it better to target non-compliant operators (both domestic and foreign). This can also be expected to result in a further reduction in casualties, particularly involving HGV vehicles.
- Regulation 1072/2009 requires all member states to report the most serious infringements committed by vehicles from other member states to the licensing authority in the 'home' member state (using the interconnected national register databases). VOSA already have informal arrangements for doing so at present, but there is no requirement for licensing authorities in other member states to take any action. Frequently, they don't. However, Regulation 1071/2009 requires the competent authority receiving such a notification to take action and decide whether the reported infringement should result in the loss of the operator's good repute (and therefore their O-licence). The Regulation assumes that it will and if the competent authority decides that it should not, they are required to record the reasons on their national register. All such determinations

must also be reported to the European Commission (who will determine whether such determinations are in line with the requirements of the Regulation). Taken together, these requirements will exert further pressure on the licensing authorities in other member states to deal appropriately with operators that commit serious offences elsewhere in the EU. This can be expected to result in an improvement in the standards of foreign goods vehicles within the EU, including on GB roads, resulting in a further reduction in road casualties.

It is difficult to predict how the benefits and improvements highlighted above will result in further reductions in casualties in the future. However, an indicative reduction of 1 fatality in 2011, 2 in 2012, 3 in 2013 and 3.5 (or 10% of fatalities in 2008) onwards⁴⁰ would be valued at around £65 million over 10 years (approximately £6.5m a year) in our central case⁴¹. A reduction in the number of non-fatal (injury and damage-only) accidents would also be expected but has not been quantified.

In addition:

Access to occupation – defining transport manager responsibilities may bring safety and/ or operational benefits. The minor tightening of grandfather rights may also generate benefits in terms of improved confidence in the industry and standardised working practices, these benefits are not expected to be significant and have not been quantified.

Access to markets - standardisation of documents and sharing of information will enable more targeted and effective enforcement activity to be undertaken. This has the potential to ensure that enforcement resources are used more effectively and again this will improve road safety and create a more level playing field for UK operators.

Carriage of passengers – the presumption is that the Regulation is likely to lead to some benefits in terms of a reduced administrative burden although these are likely to be small in a UK context.

Carriage of passengers: reinstatement of the 12 day rule

There are likely benefits to be gained from the introduction of changes to the current EU drivers' hours rules for international occasional coach journeys (i.e. closed door tours). Since 2006, coach drivers for these tours have been required to take weekly rest periods after six days. Under the new Regulation, in certain circumstances and with some accompanying safeguards, this will revert to 12 days. The new provision was introduced on 4 June 2010.

⁴⁰ Although we expect this regulation to affect the whole spectrum of accidents (fatal, serious and slight), we have combined all of them in one category for the sake of simplicity. For example, the prevention of 3 road accidents with 3 fatalities roughly equals a road accident with 1 fatality plus 10 serious and 27 slight accidents.

⁴¹ Based on a value of preventing a fatality of £1.8m in 2009 (DfT, WebTag <http://www.dft.gov.uk/webtag/documents/expert/unit3.4.1.php>) updated to 2011 prices and then uplifted annually by 2.25% as recommended in WebTag (<http://www.dft.gov.uk/webtag/documents/expert/unit3.4.php#07>, paragraph 2.3.3). To update to 2011 prices, we drew on GDP deflator provided by HMT (see http://www.hm-treasury.gov.uk/d/gdp_deflators.csv) from 2010 and 2011. Once fatality figures were expressed in 2011 prices (our base year), we uplifted them by 2.25% (long term real GDP growth rate) to account any increase in the cost of a fatality (this approach is suggested in WebTag).

The Confederation of Passenger Transport estimates that approximately 4000 occasional coach tours would meet the criteria to benefit from the revised provision. We do not have details of the exact itineraries of these tours, but industry trends suggest that these fall into three categories:

- Coach not needed every day (25% of all tours): No benefit from the revised work/ rest patterns because drivers are able to take weekly rest while on tour.
- Coach needed every day (50% of all tours). Sometimes the requirements are trivial, such as for ten-minute transfers from a hotel to a concert hall, but are nonetheless incompatible with a single driver who needs to take a 24 hour rest. It is not usually practicable to hire a foreign driver to drive a UK coach (because most are unfamiliar with the right hand drive layout), so the choices are to hire a local coach for the party's use on the British driver's rest day, to take two drivers for the whole trip (who can rest on different days) or to fly a British driver out to cover the tour driver's day off. The costs of each of these options are broadly similar: approximately £300 - £400. 2,000 tours at a saving of £350 each would give an annual benefit of £0.7m.
- Tour planned so that the party spends at least 24 hours in one place (while the driver takes weekly rest) even if they would prefer not to (25%). It is hard to monetise the benefits in this case, but a figure of £10 per passenger is reasonable. With an average of 40 people on each tour, this gives a benefit of £0.4m over 1000 tours.

Cost savings / efficiency benefit	£0.7m
Improved passenger experience	£0.4m
Total benefit (not discounted)	£1.1m

We assume no safety disbenefits as a result of this change.

Adoption of derogations

The Regulation also contains a number of derogations that individual member states can adopt to provide further flexibility on how the requirements of the Regulation are implemented. These are outlined below.

National registers

Each member state is required to keep an electronic database of all their bus, coach and hire or reward lorry operators that have an O-licence issued under the Regulation. The Regulation also stipulates the specific data that the database must hold on each operator. As well as simple data such as the name of the operator, their address etc, it also requires data to be held on serious infringements and penalties that have resulted in a conviction in the last two years. The types of convictions and penalties that must be held in the register are listed in the Regulation. These include infringements of drivers hours rules, vehicle roadworthiness etc. The most serious of these types of offences are also listed in Annex IV of Regulation 1071/2009 and include, for example, exceeding the daily drivers hours limit by 50% or more without taking a break, and carrying passengers or goods without a valid driving licence.

However, requiring Traffic Commissioner staff to secure access to and similarly process all other convictions data required by Article 6 of the Regulation – some of which are outside the scope of the Department’s own enforcement activity - and vet all 51,094⁴² bus, coach and lorry operators that are subject to the new Regulation is likely to incur significant additional costs of around £113k⁴³ – as Traffic Commissioner staff would need further staff resource to process this data, as well as delivering the national register in the same time-frame. Given that the most serious infringements are the ones that are most likely to result in enforcement action, this additional cost – which would be recouped from the industry through fees – is not warranted and will not be pursued as this is ‘gold-plating’ the Regulation and also increases the fiscal burden on the industry.

Financial standing

The Regulation allows Traffic Commissioners to accept proof of financial standing by certified annual reports and accounts and other methods such as a bank guarantee or insurance from banks or other financial institutions such as insurance companies, that offer a ‘joint and several’ guarantee. The Traffic Commissioner’s interpretation of this provision also means that the current, and popular, facility to use cash-in-bank to provide appropriate financial standing will remain. However, in order for this to happen, the specific provision needs to be adopted by the Traffic Commissioners. It was assumed before the Regulation was ratified that they would do so. The benefits of doing so is the avoidance of the potentially significant additional cost of requiring small businesses to prove financial standing via audited accounts and guarantees (this product does not currently exist for this sector), rather than credit arrangements or cash in bank. Adopting the provision also allows new forms of financial standing to be used – such as, for new operators, a certified opening balance for their first year. Adoption of this will therefore not change the current mechanisms for proving financial standing and therefore eliminate additional burdens of this requirement on industry. Although new means of proving financial standing may reduce costs to operators, these savings expected to be negligible.

Provision of guidance

The provision of clear guidance to industry in layman’s language on how the O-licensing system will operate under the Regulation will minimise the costs incurred by operators. Applications for new licences are more likely to be complete and timely, revisions to existing licences already in issue will be easier, and a large increase in queries from operators on how the new legislation works will be avoided. These costs could be considerable given that, over the last five years, Traffic Commissioners have received an average of 3,820 new applications and 6,428⁴⁴ applications to vary existing licences each year. As the cost of the operator licensing system is funded by fees from industry, administrative savings would ultimately benefit the industry and its customers.

The main fiscal benefit to Government is that the risk of legal challenge would diminish. Although it is very difficult to estimate the level of cost saving that would occur, a single legal

⁴² Source: Traffic Commissioner Annual Reports 2009-10

⁴³ Source: VOSA. This comprises – system set up costs £60k, 2FTE £48k plus £5.5k IT costs.

⁴⁴ Source Traffic Commissioner Annual Reports

challenge can incur considerable costs to both regulators and industry⁴⁵. The operator concerned may need to take time out from running his business to prepare his case and/ or employ legal advisors to do so. Likewise, Traffic Commissioners could also incur costs in preparing a defence and in cases where the decision could affect wider Department for Transport policy, the Secretary of State may also need to be represented. It should be noted that Traffic Commissioner/ VOSA costs incurred for taking part in legal action are recovered through fees paid by the industry.

Overview of Estimated Benefits

Regulation/Area of Change	Option B – full implementation (central scenario – current prices)	Notes
Access to Occupation	£6.5m p.a.	Benefits derived from improvements in compliance of foreign operators. Assuming full implementation in the rest of the EU. Based on an assumed scenario.
Carriage of passengers	£1.1m p.a.	Benefits from revised provisions on rest requirements for international occasional coach journeys.

Risks and assumptions

There is evidence to suggest that some elements of the Regulations may impact on small and micro firms, in particular the defining of responsibilities of transport managers and the new grandfather rights arrangements. However, the consultation did provide some reassurance here in that this was not seen as a risk by industry itself.

Both the road haulage and passenger transport sectors contain a significant percentage of small businesses – around 80% of existing hire or reward licence holders have 4 or fewer vehicles.

As part of the requirement to undertake a small firms impact test, telephone consultation was undertaken with a sample of road haulage businesses⁴⁶. Seven of these businesses were able to undertake a short survey (resulting in a response rate of 39%). The findings show that the majority of changes would not cause operators undue difficulty. Some concern was expressed about the restrictions on the number of operators and vehicles that consultant transport managers can work for. However, the Department proposes to adopt a derogation that would

⁴⁵ For example, five legal cases between May 2007 and February 2008 cost the Department £30,000 in external legal costs alone.

⁴⁶ Contact details were provided by the Road Haulage Association.

allow employed transport managers also to work on a part-time basis as consultant transport managers. This will provide extra transport manager resource to the industry, which should ameliorate this risk. A summary of findings is contained in **Annex A**. The Department did not repeat this exercise for this stage of the IA because the policies in the areas covered by that survey have either not changed or were removed from the Regulation during the EU negotiation process (e.g. the 140 hours CPC training).

Administrative burden and policy savings calculations

Many aspects of the Regulation are identical to the provisions of the existing Directive. Other areas of the Regulation require industry and regulators to do things slightly differently, but impose no additional burden or saving. However, some elements will reduce the administrative burdens on regulators, enforcers and operators, particularly the provision of national registers which will greatly improve communication between licensing authorities in all member states.

Wider impacts

The new definition of cabotage has potential to reduce empty runs leading to higher efficiency although the environmental impact of this is difficult to quantify and not likely to be significant in a UK context given the small proportion of the market which is currently accounted for by cabotage operations (although this may grow as a result of the changes agreed).

The new Regulations have potential to impact positively on vehicle compliance and safety and this would be expected to create social benefits as a result of decreased accidents. This is mostly the case for vehicles from other EU member states operating in GB where the standards for operator licensing will be brought into line with the GB system. Therefore vehicle and operating standards will be comparable - levelling the competitive playing field between GB and non GB operators. The implementation of the Regulations as proposed under option B do not alter the relative competitive position of operators of different sizes or types in the GB hire or reward market. (Option C will change the competitive position for smaller or new operators by making compliance with the operator licensing rules more expensive for these companies).

Costs and benefits of partial implementation (Option C)

Costs Option C – Partial implementation

There are three areas where we propose to adopt voluntary provisions permitted in the Regulations under option B that would not happen under option C. Not adopting the provisions will increase costs on businesses and individuals working in the road sectors.

The three areas are:-

- Permitting the continuation of "Grandfather Rights" for Transport Managers
- Allowing Transport Managers to work both as an "Internal" and "**External**" Transport Manager
- Additional methods by which Financial Standing can be determined by Traffic Commissioners

Grandfather Rights

Option C would end the ability for Transport Managers to claim Grandfather Rights from the 4th December 2011. Therefore each these Transport Manager working today would be required to take the Certificate of Professional Competence examination if they were to continue to practice as a transport manager. The direct costs that would be incurred as a result is £ 1,242,195.

The direct cost above is very conservative calculation as it only includes the direct cost of the examination itself which is £121.10 per exam. It is based on 80% of 12,822 current active Grandfather Rights holders taking the exam.

The cost above does not include a number of consequential costs to businesses such as having to replace the 20% of existing rights holders who would be unlikely to sit the exam. It also does not include any cost of retakes of the exam (it is reasonable to expect a rate of failure, but that is unquantifiable without additional data). The disruption would be considerable and the consequences would be focussed on SMEs who have a high proportion of grandfather rights holders still working in them.

In addition to the direct cost of the exam itself, there is also cost of the time for the exams. There are two formal two-hour exams required, we have assumed for this costing that this would take 1 working day to achieve. Based on an employment cost of £40,000 pa and a 232 working day year, the cost will be £172 per exam in lost staff costs. This results in an additional burden on business of £1,764,376.

Adding the two quantified above shows that Option C directly increases burdens on business by not less than a one off cost £3,006,571. We have not quantified the other area as we do not feel they will make a material difference to any decision in this area and quantification would involve significant costs in obtaining robust data.

Internal and External Transport Managers

Option C would not permit Transport Managers to work both as an Internal and External (consultant) transport manager at the same time. This is permitted now and there are many cases where this occurs, mostly in the SME parts of the goods and PSV markets. A transport manager would need to decide to be exclusively an internal or external transport manager and not be allowed to undertake work outside that predetermined. This limits the ability of a small company transport manager to be able to supplement income working for third parties and being able to pass expertise on.

There would be a loss in income for individuals as well as increased costs for companies. We have not quantified the costs in this area as we do not feel they will make a material difference to any decision. Imposing the restriction would simply be a burden on businesses and individuals and has no benefit at all. Any quantification would involve significant costs in obtaining robust data and would not impact on the final decision. Failing to take advantage of the flexibility allowed by the Regulation would be a form of Gold Plating.

Financial Standing

Regulation EC 1072/2009 specifies the requirements that an undertaking must meet if the undertaking is to meet the requirement for financial standing. Option B adopts the derogation

permitted in section 2 of article 7 of the regulation which allows the traffic commissioners to accept further proofs of financial standing. Option C would not permit the use of bank guarantees, liability insurances or other financial instruments. The only form of proof therefore permitted would be certified annual accounts. Option C would impose a major regulatory restriction on businesses. As above, the restriction would have its greatest impact of SMEs as these businesses use the alternative methods as proof when required.

We have done an initial assessment only as we do not feel additional quantification is required to inform decisions in this area. We do not feel additional quantification will make a material difference to any decision which appears clear cut.

Not less than 50% of the businesses in the goods sector would need to produce certified audited annual accounts as a requirement that they do not have to fulfil at this time. As small businesses this would cost not less than £500 per business every year (generally far more). This results in an annual additional burden not less than £12,800,000 per year. Imposing the restriction would simply be a burden on businesses and individuals and has no benefit at all. Failing to take advantage of the flexibility allowed by the Regulation would be a form of Gold Plating.

Table of Estimated Cost of Option C

Area of Change	Option C – full implementation	Notes
Good repute	Primarily distributional impact	As per option B.
Financial standing	£12,800,000 pa	Only the direct costs of producing audited certified annual accounts for 50% of the goods sector.
Grandfather rights	£3,006,571	Cost of 10,258 exams and the time taken to sit the exams only. One-off.
Cabotage	Nil	As per option B
Regular coach services	£250,000 p.a.	As per option B.
Employment of transport manager	Unquantified	Significant cost to industry and individuals as outlined above.
Standardisation of documents	Negligible	As per option B.
National database	£787,000 £40,000-£140,000 £210,000	
Asking Licence holders for essential information required to complete the data set for the national register.	Cost to industry £278,000 (£5 per reply x 55,600 licence holders)	As per option B

Benefits Option C - Partial implementation

We have not identified any additional benefits arising as a result of partial implementation when compared with full implementation outlined in option B. Therefore we will use the same benefits as outlined above for the full implementation.

One In One Out

This measure is not in scope of OIOO as it relates to the implementation of an EU Regulation. Furthermore, we have taken advantage of the voluntary provisions allowed for in the regulation in order to reduce the burdens on business, that is, we have retained the helpful flexibilities that exist in the current regime.

Summary and preferred option with description of implementation plan

Given that these Regulations have already entered into force and are directly applicable EU law, where the UK would be in direct breach of its legal obligations we believe implementation (full or partial) are the only options genuinely available.

As full implementation provides lower costs while delivering the benefits, it is the preferred option.

Detailed implementation of the Regulation is by the following processes:

- Public consultation on those areas of the Regulation where member states have options on detailed implementation. This took place between 4 April-20 May 2011 and the Department received 21 responses. In summary, those responses supported the Departments proposals on how those options should be implemented⁴⁷.
- Draft and issue detailed guidance to the industry on how the new Regulation will operate 'on the ground'. This is likely to be a two-stage process:
 - Formal written guidance will be produced to supplement existing literature on how the O-licensing system works.
 - The Senior Traffic Commissioner will consult on and issue any statutory directions and guidance to his fellow Traffic Commissioners on those areas of the Regulation that he considers require changes to their regulatory role⁴⁸.

⁴⁷ Source: DfT Response to Consultation – <http://www.dft.gov.uk/consultations/dft-2011-11>

⁴⁸ Using his powers in Part 1 of the Local Transport Act 2008

Annex A:

Summary of Consultation with Road Haulage Businesses

Total sample = 18 (provided by RHA)

Responses = 7 (response rate 39%)

Declined = 6

No reply = 2

Other (e.g. appointment not kept) = 3

Findings

Number employed by respondent businesses ranged from 3 to 100.

Only one respondent was involved in making international journeys.

The EC Regulations are designed to modernise and streamline the existing rules which lay down the requirements for entering the occupation of transport operator and entering the international road haulage market. The EC found current rules inadequate because of a lack of consistency in the way that they are applied across member states, resulting in unfair competition and issues around compliance and road safety.

When asked to comment on the extent of this problem, the majority of the sample (6) said that this was not an issue for their business given little/no competition from foreign operators in the market in which they operate. However, two respondents did acknowledge a general issue around safety, non-compliance and inconsistent approaches concerning foreign operators. Only one operator highlighted a serious threat to their business from foreign operators, although this was primarily due to lower labour/fuel costs, with compliance licensing issues seen as less important.

All businesses interviewed said that there would be no impact from the requirement to have an operating centre, parking spaces, etc as they already meet this criteria as a result of the current system.

All businesses interviewed said that they would not incur any additional costs as a result of the new requirements on financial standing as they already produce audited accounts and have to prove solvency. One respondent also commented that banks are willing to aid small businesses as long as they are financially viable and not in significant debt. *Although this position may have changed as a result of the recession, the current means of proving financial standing will all remain, so the impact of the regulation in this area is nil.*

All responding businesses have CPC qualified transport managers (or are in the process of gaining a qualification) therefore would experience no impact as a result of grandfather rights changing. One commented that many of those who benefited from the rights have acquired the qualification in recent years.

In most cases (6), it was felt that the limitations on transport manager responsibilities would not be a problem because of the small size of their business and the fact that transport managers work only for the business in question. It was thought that few SMEs employ third party transport managers as most owners either do it themselves or employ managers to work full-time. However, respondents also acknowledged that in some cases these limits may impede business growth and are likely to create an imbalance of demand and supply. Companies may incur costs by having to train up existing staff. Also examples were provided of transport managers being responsible for 30, or even 50, vehicles.

Reducing the time period to find a replacement transport manager was not seen as a problem by businesses in the sample as most recruit from within and then provide training (and six months was seen as an adequate time to achieve a CPC).

None of the respondents were concerned about the new definition of cabotage as competition from foreign operators was seen as minimal/non-existent due to the nature of the business they were involved in. One respondent acknowledged that it may become an issue in the medium-term.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review, or there could be a political commitment to review (PIR)];</p> <p>There is no power for individual member states to review the mandatory requirements of the Regulations - only the freedom to decide whether to adopt derogations where they are available. There is also no requirement in the Regulations or implementing legislation to issue the guidance that is also included in this impact assessment. However, if any of the policies or measures adopted as part of detailed implementation prove unworkable in practice, they will be re-examined at that time with changes made at that time - a legislative process is not required.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?]</p> <p>Once introduced, there will be on-going monitoring to ensure that the body of the Regulations as well as the measures and policies allowed by the derogations and explained in the guidance remain proportionate to the requirements of the EU Regulations, represent the minimum burden on industry and that they continue to represent workable and pragmatic solutions.</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach]</p> <p>On-going monitoring will comprise analysing feedback from regulators, enforcement agencies, industry trade bodies and individual operators. This is the right approach because implementation of the Regulations will largely revolve around the detailed requirements on those bodies and the interactions between them.</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured]</p> <p>The Regulations replace existing EU Directive 96/26/EC, Regulations EEC No 881/92 and 3118/93. Directive 2006/94/EC. Regulations EEC 684/92 and EC 12/98.</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives]</p> <p>That the measures and policies required by the Regulations and permitted by the derogations and set out in the guidance prove to be proportionate, pragmatic, workable and represent the minimum burden on the passenger and haulage industries. Should this not prove the case in specific cases, those elements will be reviewed as and when necessary.</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]</p> <p>VOSA already collects a wide range of statistical data on the performance of the O-licensing regime. DfT also undertake regular meetings with key stakeholders, where feedback on the effectiveness of implementation, use of derogations and guidance explaining them would be regularly discussed and analysed.</p>
<p>Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here]</p>