

Title: Local Transport Act: Increasing the efficiency and effectiveness of the TC system Lead department or agency: Department for Transport Other departments or agencies: Vehicle and Operator Services Agency	Impact Assessment (IA)
	IA No: DfT00066
	Date: 14/04/2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation
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Summary: Intervention and Options

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

The Traffic Commissioners (TCs) play a key role in regulating the road haulage and passenger transport industries. The DfT has recognised that it may not be operating as efficiently as it could given the limitations of current legislation (e.g. TCs cannot be deployed in different traffic areas). Government intervention is necessary to amend these limitations.

What are the policy objectives and the intended effects?

The objective is to improve the efficiency of the TC system, with the intended effect of reducing the regulatory burden and cost placed on industry. The implementation of these two provisions will give the Senior TC (STC) new powers, although whether any changes are made in the TC system and, therefore, any actual benefits accrue, will depend on what actions the STC takes. Any efficiency improvements delivered will benefit industry by fees being lower than they otherwise would be. However these are indirect benefits of this policy and therefore are currently out of OIOO scope.

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

Policy Option One: Do nothing (baseline option): Do minimum by not implementing the remaining provisions in Part 1 of the Local Transport Act 2008 that relate to TCs.

Policy Option Two: Implement the remaining provisions in Part 1 of the Local Transport Act 2008 that relate to TCs (Option 2a - low case), with the STC acting on his new powers to secure efficiencies (Option 2b - central and Option 2c - high case). This option models a clear way forward by allowing the STC the ability to act on his new powers through, for example, agreeing with the Department that it would be more cost efficient and beneficial to appoint more TCs to work across Great Britain solely on public inquiries replacing, in some (central case, preferred option) or all (high case) traffic areas, the use of Deputy Traffic Commissioners (DTCs).

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 6/2016

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

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:

Stephen Hammond

Date:

21/03/2012

Summary: Analysis and Evidence

Policy Option 1

Description:

Implement LTA provisions and recruit part-time TCs

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: - 0.01	High: 1	Best Estimate: 0.8

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	0.01	0	0.01
High	0.02	0	0.02
Best Estimate	0.02	0	0.02

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

One-off admin implementation costs of £10k (lower case) or £20k (central/high cases) - see evidence base. There will be a transfer of income from replacing DTCs with TCs. In the high scenario, which in theory offers the lowest financial costs, all DTCs are replaced by one part-time TC in each traffic area. For our central case we assume the STC tries to minimise costs but also wishes to leave some flexibility in the system. So in this case DTCs in 5 traffic areas are replaced by 4 part-time TCs.

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

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	0	0	0
High	0	0.12	1
Best Estimate	0	0.09	0.8

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

Benefits accrue from the fact that the cost per Public Inquiry held by a TC is lower than for a DTC. Additionally new TCs will deal mainly with PIs in their area, for which they would be unable to claim travel expenses. In our high scenario, all DTCs are replaced by 7 part-time TCs - one in each traffic area. In our central case, DTCs are replaced by part-time TCs in the 5 busiest traffic areas. In our low case, however, we assume the STC would rather maintain the status quo.

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

TC pooling enables clearer data handling responsibilities within the traffic commissioner system, making conformance with the Governments data handling assurance processes more straightforward. The dismissal clause will broaden the allowable circumstances under which the Secretary of State for Transport could dismiss an individual TC establishing grounds for dismissal fit for a modern regulator. Also TCs would be able to become specialists in particular functions in more than one traffic area

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

(A) 1. There is no overall increase or decrease in PIs. 2. The pro-rata salary paid, and the terms and conditions of employment for, the new TCs are exactly the same as for the existing TCs. 3. That the new TCs spend, proportionate to the number of days worked, the same amount on travel and subsistence as the existing TCs. 4. That DTC terms and conditions could not easily be altered. (R): The main risk is that the STC directs TCs in such a way that the overall costs of the TC system do not reduce, or, moreover, increase. There is also a risk that if the number of PIs drops sharply, TCs will not offer the same flexibility as DTCs. (S): According to our estimates, the number of PIs would have to drop by at least 30% in order to make the new system (with four new part-time TCs) more expensive.

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	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?		01/04/2011			
Which organisation(s) will enforce the policy?		VOSA			
What is the annual change in enforcement cost (£m)?		0			
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: 0	Non-traded: 0		
Does the proposal have an impact on competition?		No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?		Costs: 0	Benefits: 0		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)	Micro	< 20	Small	Medium	Large
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	No	
Small firms Small Firms Impact Test guidance	No	
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 or publication
1	Public Passenger Vehicles Act 1981 http://www.opsi.gov.uk/RevisedStatutes/Acts/ukpga/1981/cukpga_19810014_en_1
2	Local Transport Bill Volume 3: Final Impact Assessment http://www.ialibrary.berr.gov.uk/uploaded/Local%20Transport%20Bill%20-%20Impact%20Assessment.pdf
3	Strengthening local delivery - modernising the traffic commissioner system consultation http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/consultations/archive/2007/trafficcommissioners/
4	Local Transport Bill Volume 2: Summary of points raised during the consultation http://webarchive.nationalarchives.gov.uk/+http://www.dft.gov.uk/adobe/pdf/165237/299192/vol2_summaries.pdf

+ Add another row

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	0.02									
Annual recurring cost	0	0	0	0	0	0	0	0	0	0
Total annual costs	0.02	0	0	0	0	0	0	0	0	0
Transition benefits	0	0	0	0	0	0	0	0	0	0
Annual recurring benefits	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total annual benefits	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09

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

Evidence Base (for summary sheets)

a) Introduction

Traffic Commissioners (TCs) are responsible for key aspects of the regulation of the road haulage and passenger transport industries. Many of their statutory functions have a judicial element to them - such as deciding, on the basis of the evidence before them whether to grant a new licence or apply regulatory measures to an existing one; which can include revocation. Although they are appointed by the Secretary of State for Transport (the 'Secretary of State'), they are office holders independent of Government, reflecting their regulatory role. Their prime function is the licensing of operators of heavy goods vehicles (HGVs - lorries) and public service vehicles (PSVs – buses and coaches). In addition, they determine, on behalf of the Secretary of State, whether drivers of HGVs and PSVs are fit persons to hold vocational driving licences and determine appeals against the impounding by the Vehicle and Operator Services Agency of illegally operated HGVs. They also have a role in the registration of local bus services by bus operators, with powers to impose sanctions where services are not operated in accordance with the registered details, and in relation to quality partnership and quality contracts schemes made under the Transport Act 2000.

Each TC is responsible for one of eight traffic areas in Great Britain. There are six traffic areas in England and one each for Wales and Scotland. Currently there are seven TCs as one person acts as TC for West Midlands and Wales (the offices for West Midlands and Wales are co-located in Birmingham). An operator is required to obtain a licence for every traffic area where they operate. Each TC has a number of DTCs whom they can ask for support if they are undertaking other statutory or non-statutory functions, or if they are absent. In total across GB there are currently 15 DTCs supporting the TCs across Great Britain, with one or more supporting each TC.

The TC system is funded through the fees charged to industry, so any reduction or increase in the costs of operating the system are passed on directly to the haulage or passenger vehicle operators whom they regulate.

Current legislation restricts the ability for significant savings around use of resources because each TC is only legally able to deal with issues that occur in their particular geographical region, known as their 'traffic area'. So the efficiency of the TC system can not be improved by, for example, directing a TC to be an expert on a particular issue across GB.

The Local Transport Act 2008 ("the 2008 Act") introduced a statutory Senior TC (STC) replacing the administrative role that had existed previously. The statutory STC was also given new powers in the Act including:

(a) Being able to deploy each TC in terms of where they work and what particular statutory functions they work on. The 2008 Act will, once the relevant provision has been commenced, repeal the requirement for a single TC to be appointed to each traffic area. This will create a 'pool' of commissioners able to exercise their statutory functions anywhere in Great Britain – although for devolution reasons a single TC will remain in Scotland, retaining exclusive powers on the registration of local bus services in Scotland, a policy area devolved to the Scottish Parliament.

(b) Being able to issue general directions and guidance to the TCs covering any aspect of the conduct of their functions (except bus registrations in Scotland). Directions cover administrative matters - such as how traffic area offices should process licence applications. Guidance covers regulatory matters – such as how TCs should interpret legislation.

There are hundreds of potential interchangeable options available to the STC for deploying TCs. It is not for the Department to determine options. Instead it is for the STC to do so, and additionally he has a statutory duty to consult on any options that he may wish to pursue. It is therefore very difficult for the Department to produce an IA which shows definitively the options an STC may wish to pursue. As such, this Impact Assessment takes a scenario approach to illustrate the kind of impacts we could reasonably expect to see occurring from some of the options an STC might consider. We have therefore developed an option (Option 1) assessing three different scenarios. The low case scenario would entail no changes being made by the STC; the central case scenario would involve the STC seeking the Department's agreement to employ four further TCs, on a part time basis who are deployed to the 5 traffic areas that

currently have the highest number of public inquiries being undertaken by DTCs; and the high case scenario would involve the STC seeking the Department's agreement to employ six further TCs, on a part time basis to cover all public inquiry work across all traffic areas currently undertaken by DTCs.

Part 1 of the 2008 Act also contains a provision to broaden the allowable circumstances for dismissing TCs by introducing inefficiency factors as well as misbehaviour, thus establishing grounds for dismissal fit for a modern regulator.

b) Problem under consideration

Current inflexibility in legislation prevents the optimisation of the TC resource and also restricts the ability for a TC to become a specialist for a particular regulatory matter.

c) Rationale for intervention

There is a need to regulate because the road transport market can not be relied upon to self-regulate to deliver social objectives. The reason for this is the existence of positive externalities resulting from the TC system's goals i.e. the promotion of road safety, fair competition and public transport reliability. This is the reason for having TCs, but the government has a responsibility to review and amend legislation where necessary to ensure it is effective and minimises burdens on industry.

d) Objectives

To ensure the TC system is operating as efficiently and effectively as possible to minimise unnecessary industry burdens.

e) Options under consideration

Option 1: Do nothing – baseline, don't implement the provisions in the Act

Option 2: Implement remaining provisions, where:

- 2a: No STC changes in recruitment (low scenario)
- 2b: STC recruits TCs to replace DTCs in busiest traffic areas (best estimate scenario)
- 2c: STC replaces DTCs in all traffic areas (high scenario).

The changes to legislation made by the 2008 Act limit the number of options available, and it is out of scope of this Impact Assessment to reconsider this over-arching legislation. As a result only one option has been considered for this Impact Assessment, to demonstrate the types of cost savings that could be delivered by the STC without further fundamental changes to the TC system

We do not know exactly how the STC would use his additional powers, and as noted above the STC has a statutory duty to consult on any options that he may wish to pursue, but options 2b and 2c seem the more likely options given the way the TC system is set up. Thus, in exercising his power to deploy TCs flexibly, the STC needs to justify any decision on the grounds of reasonableness and cost effectiveness.

Policy Option 1: Do-nothing option (baseline).

This option would involve not implementing the remaining provisions in Part 1 of the Local Transport Act 2008 that relate to Traffic Commissioners.

Policy Option 2: Implement LTA provisions and recruit further part-time TCs

Option 1 would involve implementing the remaining provisions in Part 1 of the Local Transport Act (low case), and then, for the central and high cases, the STC deciding, with the agreement of the Department for Transport, to recruiting additional TCs to work across Great Britain solely on public inquiries. The difference between the central and high case is that under the central case (preferred option) the use of DTCs would only be replaced in the busiest traffic areas (assessed as those traffic areas with the highest number of PIs). In the high case TCs would replace DTCs in all traffic areas.

f) Costs and benefits of options

Assumptions

1. There is no overall increase or decrease in PIs. The number of PIs has remained relatively static over many years.
2. That DTC usage data would have been the same in 09/10 as it was in 10/11 (there being no DTC usage data for 09/10).
3. The pro-rata salary paid, and the terms and conditions of employment for, the new TCs are exactly the same as for the existing TCs. We cannot foresee any significant need for changes in the terms and conditions of employment for TCs.
4. That the new TCs spend, proportionate to the number of days worked, the same amount on travel and subsistence as the existing TCs. As with current TCs, we would only expect TCs to claim travel and subsistence for journeys other than to their usual place(s) of work.
5. That DTC terms and conditions could not easily be altered as each DTC would need to agree to any changes proposed and they may be unwilling to accept changes that reduce their ability to claim money.
6. The length of appraisal period is 10 years and the price and PV base year is 2011.

Impacts

By implementing the remaining provisions in the Act the STC may take the decision of replacing DTCs by TCs, which would deliver a cost saving to industry. Implementing the remaining provision would also allow TCs to work beyond their geographic borders, encouraging specialism and further efficiency which could reduce the costs the TC system imposes on industry. A reduction in DTCs would also reduce the number of claims for travel and subsistence.

There are a number of reasons as to why it would be expected that there would be cost-savings from replacing DTCs with TCs. TCs are full-time employees and are thus paid an annual pensionable salary. DTCs are appointees who are paid a fee for the work they undertake. Their terms and conditions of employment allow a full day rate to be claimed for any work they undertake, that (a) lasts more than 4 hours and (b) involves at least one Public Inquiry being held. Otherwise a half day rate can be claimed. However, this approach has historically resulted in mainly day rates being claimed by DTCs even if only one public inquiry is conducted for that fee. For example for 10/11, about 97% of all DTC claims were at the full day rate.

Another key point to note in terms of this IA is that TCs can only claim travel and subsistence when they are travelling to somewhere other than their normal place of work. DTCs, on the other hand can claim travel whenever and wherever they are required to work, even if it is what may be considered their normal place of work.

As all PIs are currently held at TCs' usual places of work i.e. their traffic area offices, no travel and subsistence costs are incurred when TCs hold PIs. Any travel and subsistence claimed by TCs (as shown in Table One in Annex 2) is thus related to fulfilling their other statutory duties or in undertaking non statutory duties. Conversely, the vast majority of DTC travel expenditure is incurred in travelling to and from public inquiries, as without a public inquiry being held a DTC would not be required to travel. The only general exceptions are if a DTC needs to undertake preparation prior to a PI hearing, that can not be completed on the same day as the PI hearing itself, or when DTCs are invited to attend TC meetings or other TC events, such as training days. The main advantage in terms of employment costs of a DTC over a TC is that, as appointees rather than employees, they are not entitled to any annual leave entitlement or sick pay. As DTCs are paid a pro-rata amount this does mean that, in theory, DTCs should deliver better value for money than TCs. This is however, not borne out in the analysis below, potentially for the reasons stated above. DTCs can only perform a limited number of the statutory functions of TCs. Therefore, employing more TCs allows for greater flexibility as there would be a larger pool of TCs to separate all function between, thus allowing greater potential for specialisation, which is discussed in more detail below.

'Benefits of pooling and specialisation of TCs and the outputs of TCs

It is expected that one or more TCs would specialise in particular functions as a result of pooling. The total TC and DTC PI workload can vary from year to year, although it has always been at a relatively similar level. The regulatory changes that this IA covers cannot in themselves alter this total, nor the level of other regulatory work created in TCs fulfilling their statutory functions. However, during the drafting of the Local Transport Bill, it was recognised that TCs would be required to cover an even wider range of matters and thus, to maximise the TC resource, some fundamental changes to the operation of the TC system would be required to be considered by the STC, such as Option 1.

Laying the TC 'pooling' Statutory Instrument and the Commencement Order, which broadens the circumstances under which a TC could be dismissed, will allow the STC to use other powers granted to him in the Local Transport Act 2008 (as detailed in the Introduction to the evidence base, page 5) to improve the overall output of TCs (but not necessarily DTCs as they were not directly affected by any of the Local Transport Act provisions). For example pooling will, if the STC wishes, allow for TCs to specialise in particular functions that should deliver some efficiency benefits. Specialism, although not quantifiable, should lead to efficiency savings, as the more frequent contact with, and thus familiarity of, the specialist subject matter to the TC concerned should result in the workload being actioned more quickly as compared to numerous 'non-specialists' dealing with the same workload. More generally, employing more full-time or part-time TCs could also deliver efficiency benefits as they would be exposed to the work much more regularly than DTCs commonly are. DTCs, given their more limited contractual responsibilities as compared to TCs, are not suited to developing specialist roles. However, any further TCs employed under Option 1 would allow specialism.

Given that the work of the TC system is funded through fees, any efficiency savings delivered would result in reduced fees for the industries they regulate. Having one or more TCs who are specialist in a particular function should also improve consistency of TC regulatory decision making that, although not quantifiable, is a common concern from industry. It is important to note however particularly for this IA, that even if a TC became a specialist across the whole of Great Britain, it would not necessarily result in increased travel and subsistence costs for that TC as they would be able to consider most, if not all, matters from their usual place of work.

TC pooling enables clearer data handling responsibilities within the traffic commissioner system, making conformance with the Government's data handling assurance processes more straightforward. This is because each TC is currently registered with the Information Commissioner's Office that has led to difficulties in determining responsibilities for core data that has, since 2007, been held in one central location rather than in each traffic area office. Under pooling the STC could act as the data controller for this data that is held centrally, and the STC could also clearly specify what data each TC is the data controller for. To achieve this it would be important for the STC when making his "pooling direction", to align each Traffic Commissioner's responsibilities with discrete datasets.

The dismissal clause will broaden the allowable circumstances under which the Secretary of State for Transport could dismiss an individual TC, establishing grounds for dismissal fit for a modern regulator. Currently the grounds for dismissal are very limited.

Costs of Pooling

Costs of implementing any pooling option(s) that the STC identifies and decides, after consultation, to implement should be minimal and are thus not estimated for this IA. Indeed one of the broad objectives that is stipulated in Secretary of State Guidance¹ to the STC is to ensure that directions (such as with regard pooling) are drafted with consideration to keeping operator licence fees as low as possible whilst maintaining the service levels expected by industry. Indeed, one of the STC's personal objectives is to ensure that that any pooling option(s) he pursues should deliver savings, and thus no additional costs including for micro-businesses.

Quantification of impacts

The main impact of the implementation of these two provisions is to reduce the cost of each PI held. In 2009-10, DTCs undertook 907 PIs (source: VOSA). During the same period the total cost of DTCs

¹ Available at <http://www.dft.gov.uk/consultations/archive/2009/trafficcommissioner/guidance.pdf>

amounted to £544,811.53 (source: VOSA). Unpublished data from VOSA for 10/11 (the first year such data has been collated) show that about 92% of the time DTCs were used was to primarily undertake PIs. Therefore, DTC cost per PI then was £552 in 09/10 (assuming the 09/10 figure for DTC use primarily for PIs was the same as 10/11). The word 'primarily' is used in recognition of the fact that (in 10/11) 32% (Source: VOSA unpublished data) of the times DTCs sat PIs they also undertook other work. However, there does not seem to be any particular correlation between whether additional work is undertaken and whether a full or half day rate is claimed - with 97% of all claims being full day claims in 10/11) (Source: VOSA unpublished data) . Therefore it seems reasonable to assume any other work DTCs undertake supplementary to undertaking PIs does not, in virtually all cases, result in higher costs for VOSA, or thus to industry i.e. the costs are nearly always borne by the PIs, and without the PI workload, DTCs would rarely be used by TCs.

The question now is whether it is more cost effective to employ more TCs to undertake the DTCs' PI workload. The following table shows the cost of a (full time and part-time) TC per year, the number of PIs he/she would have to carry out to be as cost effective as DTCs (i.e. £552 per PI) and the maximum number of PIs a TC would be able to undertake based on the average number of PIs per day carried out across the country (1.7 PIs per day, source: Own estimates based on VOSA information on DTCs' activity over the period April 2010 to March 2011).

Table 1 – TC cost and Public Inquiries per TC.

Average total cost per PI when held by DTC (09/10)	TCs' working days per week	Average cost per individual TC	PIs by TCs to cover DTC workload with same cost	Maximum number of PI TC (assuming 1.7 PIs per day)
552.6	FT	135,971	246	376
	PT 4 days	108,777	197	301
	PT 3.5 days	95,180	172	263
	PT 3 days	81,583	148	226
	PT 2.5 days	67,986	123	188
	PT 2 days	54,388	98	150
	PT 1.5 days	40,791	74	113
	PT 1 days	27,194	49	75

Source: VOSA and own estimates based on VOSA information

Column 2 shows the average cost of employing a TC for the number of days worked as per Column 1. Column 3 shows the number of PIs that a TC would have to undertake to be as cost effective as the existing DTCs are on average (the average DTC cost per PI being £552). Column 4 of Table 1 shows the maximum number of PIs that a TC could perform given the number of days worked (Column 1).

If the number of PIs per traffic area falls within a certain range, the range being the difference between Columns 3 and 4, this shows that it would be more cost effective to replace the DTCs in that traffic area by employing a part time or full time TC. Exactly how many days that TC would work would depend on the current total number of DTC PIs that that TC would have to undertake (as shown in Table 2).

So in practice based on 09-10 PI figures shown in Table 2, there are 3 traffic areas (Eastern, North Eastern and Scotland) where the number of PIs carried out by DTCs only justifies a TC being employed to work one day a week, as the number of PIs in each of those 3 traffic areas falls between 45 and 75 (Table 1, bottom row). There is one traffic area (Western) where the total number of DTC PIs falls between 91 and 150 and thus would require a TC to be employed for 2 days a week. In the South Eastern and Metropolitan traffic area the number of DTC PIs is 152. This indicates that a TC will be required to be employed for two-and-a-half-days to minimise costs. Finally, In the North Western traffic area it'd be more cost effective to employ a part time (three-days-a-week), whereas in the West Midlands and Welsh traffic area (please note this is a joint traffic area for administrative purposes), it would be more cost effective to have a TC employed for three-and-a-half-days. Therefore, it would make financial sense to replace all DTCs by some form of part-time TCs as stated in Table 3.

Table 2 – Work of DTC on Public Inquiries 2009-10

Traffic area	DTC
Eastern	68
North Eastern	64
North Western	193
South Eastern and metropolitan	152
West Midlands + Welsh	249
Western	128
Scottish	53
Welsh	91
Total	907

Source: Traffic Commissioner Annual Report 2009-10

Monetisation of impacts

To estimate the saving from Option 2 (high scenario) over Option 1, we assume all DTCs are replaced by part-time TCs (see table 3). The high scenario in Option 2 achieves the maximum cost effectiveness (assuming the number of PIs remains unchanged).

Table 3 – DTC to be replaced by TCs to achieve minimum cost

Traffic area	DTC	Hig scenario - DTC to be replaced by part-time TCs to achieve minimum cost (number of part time days)
Eastern	68	1
North Eastern	64	1
North Western	193	3
South Eastern and metropolitan	152	2.5
West Midlands + Wels	249	3.5
Western	128	2
Scottish	53	1
Welsh	91	
Total	907	14

The cost of the baseline (do-nothing option) – table 4 - against the cost of the high scenario – table 5 - in Option 1 (i.e. to replace all DTCs by one part-time DTC in each traffic area) are shown below. The administrative cost shown in table 5 (and also table 9) is the estimated cost of recruiting the new TCs, in particular advertising the new posts, and also includes the cost VOSA would incur from updating and publishing documentation to reflect any changes in procedures as a result of pooling:

Table 4 – Cost of do-nothing option

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	total
DTC fees + T&S	501,227	501,227	501,227	501,227	501,227	501,227	501,227	501,227	501,227	501,227	5,012,266
Discount rate	1.000	0.966	0.934	0.902	0.871	0.842	0.814	0.786	0.759	0.734	
NPV	501,227	484,277	467,900	452,078	436,790	422,019	407,748	393,960	380,637	367,765	4,314,402

Table 5 – Cost of High Scenario Option 2

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	total
Part-time TC fees + T&S	380,719	380,719	380,719	380,719	380,719	380,719	380,719	380,719	380,719	380,719	3,807,195
One-off admin costs	20,000	-	-	-	-	-	-	-	-	-	20,000
Total cost	400,719	380,719	380,719	380,719	380,719	380,719	380,719	380,719	380,719	380,719	3,827,195
Discount rate	1.000	0.966	0.934	0.902	0.871	0.842	0.814	0.786	0.759	0.734	
NPV	400,719	367,845	355,406	343,387	331,775	320,556	309,716	299,242	289,123	279,346	3,297,114

Table 6 – Saving from High Scenario Option 2 over Option 1 (do-nothing).

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Savings (benefits)	100,507	120,507	120,507	120,507	120,507	120,507	120,507	120,507	120,507	120,507	1,185,071
NPV (savings)	100,507	116,432	112,495	108,691	105,015	101,464	98,033	94,718	91,515	88,420	1,017,288

As we said above, the High Scenario (option 2c) in Option 2 provides the most cost effective alternative to the current system. However, it presents two limitations. In the first place, by removing all DTCs from the system, we are also removing the required flexibility to deal with peaks and troughs. Secondly, a one-day part time job might present some difficulties to both employee and employer. For these reason, we thought the most likely scenario is that DTCs are kept in those areas where one-day part time TCs would be required. The relevant tables for the most likely scenario are below:

Table 7 – DTC to be replaced by TCs in the best estimate (or Most Likely) scenario

Traffic area	DTC	MoL scenario - DTC to be replaced by part-time TCs to in the West Mids & Welsh, Western, North West, and SEMTA
Eastern	68	0
North Eastern	64	0
North Western	193	3
South Eastern and metropolitan	152	2.5
West Midlands + Welsh	249	3.5
Western	128	2
Scottish	53	0
Welsh	91	0
Total	907	11

Table 8 – Cost of do-nothing option

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	total
DTC fees + T&S	501,227	501,227	501,227	501,227	501,227	501,227	501,227	501,227	501,227	501,227	5,012,266
Discount rate	1.000	0.966	0.934	0.902	0.871	0.842	0.814	0.786	0.759	0.734	
NPV	501,227	484,277	467,900	452,078	436,790	422,019	407,748	393,960	380,637	367,765	4,314,402

Table 9 - Cost of best estimate scenario Option 2

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	total
Part-time TC fees + T&S	299,137	299,137	299,137	299,137	299,137	299,137	299,137	299,137	299,137	299,137	2,991,367
Prorata DTCs fees + T&S	102,235	102,235	102,235	102,235	102,235	102,235	102,235	102,235	102,235	102,235	1,022,348
One-off admin costs	20,000	-	-	-	-	-	-	-	-	-	20,000
Total	421,371	401,371	401,371	401,371	401,371	401,371	401,371	401,371	401,371	401,371	4,033,715
Discount rate	1.000	0.966	0.934	0.902	0.871	0.842	0.814	0.786	0.759	0.734	
NPV	421,371	387,799	374,685	362,014	349,772	337,944	326,516	315,474	304,806	294,499	3,474,880

Table 10 - Saving from best estimate Scenario Option 2 over Option 1 (do-nothing).

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	total
Savings (benefits)	79,855	99,855	99,855	99,855	99,855	99,855	99,855	99,855	99,855	99,855	978,551
NPV (savings)	79,855	96,478	93,216	90,064	87,018	84,075	81,232	78,485	75,831	73,267	839,522

Results for each option

Tables 8, 9 and 10 show our estimates for the best estimate case (option 2b). In this case, the cost savings from replacing DTCs with part-time TCs in 5 traffic areas (West Midlands, Welsh, Western, North West, and South East and Metropolitan) would generate savings of nearly £1m (£0.8m NPV) over 10 years.

There would be an administrative cost for all scenarios under Option Two as a result of the impact of the changes. The Low Scenario would not deliver any benefits but would incur administrative costs of £10,000 associated with VOSA being required to change processes, documentation, forms etc. to reflect the legislative changes. This administrative cost would also be incurred under the central and high cases, but in addition another £10,000 would be incurred largely associated with the costs of recruiting the part-time TCs.

As shown in Tables 4, 5 and 6 the High Scenario delivers savings of £1.2m (£1m NPV). This is the most cost effective alternative but it lacks the important flexibility that the best Estimate Scenario offers. All cost savings delivered would be passed on to industry who would benefit from paying lower fees than they otherwise would have to.

g) Sensitivity analysis

We have undertaken sensitivity analysis to estimate to what extent the number of PIs would have to drop to justify, on cost efficiency grounds, keeping the current system rather than moving to the new (central case) approach. The number of PIs is the key variable for determining cost-effectiveness so this is why we have chosen that variable for undertaking the sensitivity analysis.

According to our estimates, the number of PIs should drop more than 30% in order to make the new system (with five new part-time TCs) more expensive than the old one. Also our estimates show that the number of PIs should drop more than 30% in order to make the new system (with four new part-time TCs) more expensive than the old one. Therefore we are reasonably confident that cost savings would be delivered.

h) Risks

The main risk with TC pooling is that the STC directs TCs in such a way that the overall costs of the TC system do not reduce, or, moreover, increase. This is theoretically possible if one or more existing or new TCs are required to travel long distances from their home addresses to perform statutory functions. Such travel could reduce overall TC availability for conducting their statutory duties, including Public Inquiries. This would result in increased use of Deputy TCs to conduct those inquiries leading to increased DTC staff costs and associated travel and subsistence costs (as DTCs can claim for any journeys undertaken as explained under 'Impacts' above). However the risk is considered low as the Secretary of State Guidance to the STC states that, when deploying TCs, he should ensure all TCs are efficient and effective. This matter is also covered in the STC's personal objectives. The STC should also give clear guidance to TCs on how their workload should be prioritised and how DTCs are used.

Also, there is a risk that if the number of PIs drops sharply in the coming years, this would make the new system more costly than the current one. The reason for this being that TCs are a less flexible resource as they have contracts that stipulate the number of hours they work per week and, therefore, a sharp drop in PIs could lead not enough workload for them. However, we estimated that a 30% drop in the number of cases would be needed for the new system to be less cost-effective than the current one.

j) Preferred option

The preferred option is option 2. Option 2 is more cost effective because it allows the STC to replace DCTs by TCs – who can not claim travel and subsistence to the location from where they usually work that is also the location where PIs are held. Also, according to our estimates, TCs are more cost-effective in dealing with Public Inquiries given that current level of PIs. The saving also supports the suggestion that the operation of the DTC system leads to cost inefficiencies.

Although the saving from option 2b (replacing DTCs in just the busiest areas is a third less than from 2c (replacing all DTCs with part-time TCs) over 10 years, the central case is the most likely option for practical reasons i.e. it retains the flexible DTC resource in the traffic areas with lower DTC PI workloads, and thus caters for peaks and troughs in PI demand.

The risk with the high case is that insufficient flexibility would result, for example either insufficient PI workload due to a significant reduction in PIs in a traffic area, or in PIs that can not be conducted by an existing TC. Alternatively, if a number of TCs were unavailable through illness or other reasons, there would not be the flexible DTC resource (see paragraph 2 of (a) introduction on page 7). It is also questionable as to whether employing a person to work only one day a week as would be required in 3 traffic areas is practical from an employment or PI handling perspective.

So, in summary, we expect the STC to replace DTCs as this will deliver cost-savings; but we do not believe he would go as far as the high scenario because of the need to manage resource to deal with peaks and troughs in workloads. So 2b is our 'best' estimate, rather than our preferred choice (as we can only choose 2 over 1, not between a, b and c).

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)]; To review practical impact of the changes to legislation.</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?] To ensure the regulation is operating as intended i.e. that the TC system has become more efficient.</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] In depth evaluation, in particular focussing on the impact of TC budgets and thus costs savings to the industries they regulate through reduced fees (in real terms).</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] In 2009/10 the cost of employing TCs and Deputy TCs was £1.9 million.</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] Real term reduction in fees charged to industry (assuming all other cost variables remain unchanged in real terms)</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] Annual accounts for the Office of the TC over the next 5 financial years, and, during the same time period, the TC Annual Reports and any other relevant Office of the TC management reports.</p>
<p>Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here] N/A</p>

Annex 2: Data tables

Data

Table 1 - TC and Deputy TC staff cost 2009/10

TC Cost	401440 Salary - CTCC [10018]	648,402.72
	403440 Allowances - CTCC [10018]	26,881.68
	406440 ERNIC - CTCC [10018]	72,226.82
	407440 SUPERANN - CTCC [10018]	157,561.32
TC Cost Total		905,072.54
TC T&S	424620 MISC - TC Staff Costs	46,726.15
TC Travel & Subsistence Total		46,726.15
DTC Fees	408510 TC/DTC - Daily Rate	417,466.56
	406190 ERNIC - SCS [78840/78860/10019/10020]	45,919.84
	424620 MISC - DTC Staff Costs	31,738.85
DTC Fees Total		495,125.25
DTC T&S	424620 MISC - DTC Staff Costs	49,686.28
DTC Travel & Subsistence Total		49,686.28
Grand Total		1,496,610.22

Source: VOSA annual accounting reports 2009/10

This table details information from VOSA's 2009/10 annual accounting reports. They show a total cost for employing TCs, including National Insurance and pension contributions, of £905,072. The table also shows the total cost of DTCs being used to undertake the functions of TCs - when a TC is unavailable due to other work commitments or absence - of £495,125. There are no pension contributions for DTCs as they are not salaried employees.

Table 2 - Work of TC and DTC on public enquiries 2009/10

Traffic area	TC	DTC	Total
Eastern	151	68	219
North Eastern	180	64	244
North Western	251	193	444
South Eastern and metropolitan	72	152	224
West Midlands	60	158	218
Western	113	128	241
Scottish	101	53	154
Welsh	44	91	135
Total	972	907	1879

Source: TC Annual Report 2009/10

Table 3 – Maximum number of PIs that can be undertaken by a TC who is employed between 1 and 5 days a week

Average total cost per PI when held by DTC (09/10)	TCs' working days per week	Average cost per individual TC	Pis by TCs to cover DTC workload with same cost	Maximum number of PI TC (assuming 1.7* Pis per day)
552.6	FT	135,971	246	376
	PT 4 days	108,777	197	301
	PT 3.5 days	95,180	172	263
	PT 3 days	81,583	148	226
	PT 2.5 days	67,986	123	188
	PT 2 days	54,388	98	150
	PT 1.5 days	40,791	74	113
	PT 1 days	27,194	49	75

Source: Based on VOSA statistics in Tables 1 and 2 above, and also unpublished data from VOSA on the work (including PIs) of DTCs per traffic area over a year period (April 2010 to March 2011),

*Average number of PIs per DTC across traffic areas for which we have the information (5 out of 8 traffic areas).

Table 4 - Minimum number of PIs per TC that would need to be undertaken to ensure that TC was as cost effective as an average DTC

Average total cost per PI	TCs' working days per week	Total working days	Average cost per individual TC	Pis by TCs to cover DTC workload with same cost*
552.6	FT (5 days)	220	135,971	226
	PT 4 days	176	108,777	181
	PT 3.5 days	154	95,180	158
	PT 3 days	132	81,583	136
	PT 2.5 days	110	67,986	113
	PT 2 days	88	54,388	91
	PT 1.5 days	66	40,791	68
	PT 1 days	44	27,194	45

Source: Based on VOSA statistics in Tables 1 and 2 above, and also unpublished data from VOSA on the work (including PIs) of DTCs per traffic area from April 2010 to March 2011.

*For example, for a 2 day part-time TC the 91 is calculated by dividing the average cost per individual TC (column 4), £54,388, by the average total cost per PI for a DTC, £552.

Table 5 – Number of new TC days to complete PIs with minimum cost, by traffic area (high case)

Traffic area	Current total DTCs' PIs (A)	Number of days 'new TC' needs to be employed to minimise costs (B)	Maximum number of PIs achievable per year by new TCs, based on number of days employed (C)	Spare capacity for each 'new TC' given current DTC PI workload i.e. C minus A
Eastern	68	1	75	7
North Eastern	64	1	75	11
North Western	193	3	226	33
South Eastern and metropolitan	152	2.5	188	36
West Midlands + Welsh	249	3.5	263	14
Western	128	2	150	22
Scottish	53	1	75	22
Total	907	14	1014	121

Source: Based on VOSA statistics in Tables 2 and 3 above

Table 6 – Analysis of which Traffic Areas would have reduced costs if a TC was employed, and number of days (central case)

Traffic area	Current total DTCs' PIs (A)	Number of days 'new TC' needs to be employed to reduce costs while also retaining some of the flexibility DTCs allow (B)	Maximum number of PIs achievable per year by new TCs, based on number of days employed (C)	Spare capacity for each 'new TC' given current DTC PI workload i.e. C minus A
Eastern	68	0	0	-68*
North Eastern	64	0	0	-64*
North Western	193	3	226	33
South Eastern and metropolitan	152	2.5	188	36
West Midlands + Welsh	249	3.5	263	14
Western	128	2	150	22
Scottish	53	0	0	-53*
Total	907	11	827	-80*

Source: Based on VOSA statistics in Tables 2 and 3 above

*Where there is a negative figure, DTCs would still be required to undertake these PIs, unless current or new TCs are able to undertake the PIs.

Table 7 - Cost of current and new system - replacing all DTCs with part-time TCs in all traffic areas (high case).

Cost of keeping DTC current system

	total
DTC fees + T&S	5,012,266
Discount rate	
NPV	4,314,402
Cost of new system - replacing all DTCs with part-time TCs	
Year	total
Part-time TC fees + T&S	3,807,195
One-off admin costs	20,000
Total cost	3,827,195
Discount rate	
NPV	3,297,114
	Total
Savings (benefits)	1,185,071
NPV (savings)	1,017,288

Table 8 - Cost of current and new system - replacing DTCs with part-time TCs in the West Midlands & Welsh, Western, North West, and South Eastern and Metropolitan traffic areas (central case)

Cost of keeping DTC current system

	total
DTC fees + T&S	5,012,266
Discount rate	
NPV	4,314,402

Cost of new system - replacing TC to be replaced by part-time TCs in the West Mids & Welsh, Western, North West, and South Eastern and metropolitan

	total
Part-time TC fees + T&S	2,991,367
Prorrata DTCs fees + T&S	1,111,247
One-off admin costs	20,000
Total	4,122,615
Discount rate	
NPV	3,551,402
	total
Savings (benefits)	889,651
NPV (savings)	762,999