Title: Simplifying the process for revising tolls at local tolled crossings	Impact Assessment (IA)
IA No: DfT00233.	**Date:** 24/01/14
Lead department or agency:	**Stage:** Consultation
Department for Transport	**Source of intervention:** Domestic
	Type of measure: Primary legislation
Other departments or agencies:	**Contact for enquiries**: Natasha Kopala **020 7944 2143**

Summary: Intervention and Options

RPC: RPC Opinion Status

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, One-Out?**	**Measure qualifies as**
£0.34m	£0.25m	-£0.03m	Yes	Out

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

Under the Transport Charges &c. (Miscellaneous Provisions) Act 1954 independent statutory undertakers responsible for ferries and certain bridges are required to apply to the Secretary of State (SofS) for any increase in tolls regardless of the size of the increase. The application must be advertised and any outstanding valid objection necessitates reference to a local public inquiry, the costs of which are borne by the tolled crossing company and are likely passed on to the tolled crossing user. The Department is concerned that disproportionate and elaborate statutory controls are imposed on what are often small, local undertakings.

What are the policy objectives and the intended effects?

The Government wishes to simplify the procedure by which ferry and toll operators are able to vary the level of the charges levied on users of their crossings. It is hoped a more expedient process will result in savings to the toll operators, users and Government.

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

Opt 0 - Do nothing; the SofS would still need to approve all increases. Any objector requesting a public inquiry would be able to generate one which involves costs falling to the operator in the first instance.
Opt1a - Operators can increase tolls annually up to the rate of inflation without applying to the SofS and without users being able to object or trigger a public inquiry. For increases above inflation operators would be required to apply to the SofS and the process would be the same as at present with any objector requesting a public inquiry being able to generate one
Opt 1b – Same as option 1a but operators can only increase tolls annually up to the rate of inflation minus 1% without applying to the SofS
Opt 2a - Same as option 1a but for increases above inflation, the cases on which a public inquiry would be required would be restricted to those where one is requested by a local authority objector
Opt 2b - Same as option 1b but for increases above inflation minus 1%, the cases on which a public inquiry would be required would be restricted to those where one is requested by a local authority objector
Opt 3 - Operators would be allowed to increase tolls by any amount as and when required without referring to the SofS and without any opportunity for a public inquiry.
Whilst option 2b is our preferred option, we intend to consult on options 1-3.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** March 2020

Does implementation go beyond minimum EU requirements?			NA		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:** NA	**Non-traded:** NA	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible SELECT SIGNATORY: Robert Goodwill Date: 30/01/2014

Summary: Analysis & Evidence

Policy Option 1a

Description: Consultation option 1a

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	**High: NQ**	**Best Estimate:** 0.415

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

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

Operators, Local Authorities (LA) and Government – No cost impact
Users - Due to the lack of evidence, we have assumed costs to this group to be non monetised but the consultation will be used to gather more evidence on the potential impact to this group.

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

Users -will no longer be able to object to toll increases below inflation. The impact on tolls is uncertain and depends on how operators use their ability to increase tolls up to inflation without having to apply to the SofS and without the possibility of a public inquiry. It is possible that tolls may increase more frequently.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ		NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	0		0.050	**0.415**

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

Operators –will benefit through savings made from not having to apply to the SofS for increases up to inflation and not having to fund a public inquiry for increases up to this level. The exact level of savings is unclear as we do not have full information on current costs to this group.
Government –will benefit from reduced administrative costs related to no longer being required to process applications for increases up to inflation.

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

Operators –will have greater certainty over future revenue and timing for increased revenue and will be able to make longer term investment decisions.
Users – could benefit from lower increases in tolls due to reduced costs to operators and operators possibly being incentivised to keep tolls below the level where an application to the SofS is needed. This is particularly likely for smaller operators for whom the cost of such an application is a more significant factor.
Depending on how operators choose to use their ability to increase tolls up to inflation, the increase in tolls may be smoother over time.
LA-No key benefits

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Businesses are assumed to be the operators. The extent of the costs and benefits will depend on how operators use their new power and how often they need to make applications for increases in tolls above the level of inflation. With regards savings to Government, there is an assumption that the number of applications and public inquiries would have been at the same rate without reform as in period 2006 to 2012. With regards savings to operators, these are based on costs informally quoted to us by a limited sample of operators and may not therefore be representative of costs experienced by other operators or of future costs.

BUSINESS ASSESSMENT (Option 1a)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	**Benefits:** 0.036	**Net:** 0.036	Yes	OUT

Summary: Analysis & Evidence

Policy Option 1b

Description: Consultation option 1b

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	**High: NQ**	**Best Estimate: 0.332**

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

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

Operators, Local Authorities (LA) and Government – No cost impact
Users - Due to the lack of evidence, we have assumed costs to this group to be non monetised but the consultation will be used to gather more evidence on the potential impact to this group.

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

Users -will no longer be able to object to toll increases below inflation minus 1%. The impact on tolls is uncertain and depends on how operators use their ability to increase tolls up to inflation -1% without having to apply to the SofS and without the possibility of a public inquiry. It is possible that tolls may increase more frequently.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ		NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	0		0.040	**0.332**

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

Operators –will benefit through savings made from not having to apply to the SofS for increases up to the rate of inflation minus 1% and not having to fund a public inquiry for increases up to this level. The exact level of savings is unclear as we do not have full information on current costs to this group.
Government –will benefit from reduced administrative costs related to no longer being required to process applications for increases up to the rate of inflation -1%.

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

Operators –will have greater certainty over future revenue and timing for increased revenue and will be able to make longer term investment decisions.
Users – could benefit from lower increases in tolls due to reduced costs to operators and operators possibly being incentivised to keep tolls below the level where an application to the SofS is needed. This is particularly likely for smaller operators for whom the cost of such an application is a more significant factor. Depending on how operators choose to use their ability to increase tolls up to the rate of inflation minus 1%, the increase in tolls may be smoother over time.
LA-No key benefits

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Businesses are assumed to be the operators. The extent of the costs and benefits will depend on how operators use their new power and how often they need to make applications for increases in tolls above the level of inflation minus 1%. With regards to savings to Government, there is an assumption that the number of applications and public inquiries would have been at the same rate without reform as in period 2006 to 2012. With regards savings to operators, these are based on costs informally quoted to us by a limited sample of operators and may not therefore be representative of costs experienced by other operators or of future costs.

BUSINESS ASSESSMENT (Option 1b)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	**Benefits: 0.029**	**Net:0.029**	Yes	OUT

Summary: Analysis & Evidence

Policy Option 2a

Description: Consultation option 2a

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	**High: NQ**	**Best Estimate: 0.424**

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

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

Operators, Local Authorities and Government – No cost impact
Users - Due to the lack of evidence, we have assumed costs to this group to be non monetised but the consultation will be used to gather more evidence on the potential impact to this group.

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

Users –will no longer be able to object to increases below inflation. The impact on tolls is uncertain and depends on how operators use their ability to increase tolls up to inflation without having to apply to the SofS and without the possibility of a public inquiry. It is possible that tolls may increase more frequently. For proposed increases above inflation, users will still have the opportunity to object but only local authority objectors requesting a public inquiry will automatically lead to one taking place. This means all other types of objector will lose their ability to automatically generate a public inquiry.
LA–May receive more requests object to proposed increases above inflation minus 1%.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ		NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	0		0.051	**0.424**

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

Operators –will see the greatest benefits through savings made from not having to apply to the SofS for increases up to inflation, not having to fund a public inquiry for increases up to this level and having to fund fewer public inquires for increases above inflation.
Government –will benefit from reduced administrative costs related to no longer being required to process applications for increases up to inflation.

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

Operators –will have greater certainty over future revenue and timing for increased revenue and will be able to make longer term investment decisions.
Users – could benefit from lower increases in tolls due to reduced costs to operators and operators possibly being incentivised to keep tolls below the level where an application to the SofS is needed. This is particularly likely for smaller operators for whom the cost of such an application is a more significant factor. Depending on how operators choose to use their ability to increase tolls up to the rate of inflation minus 1%, the increase in tolls may be smoother over time.
LA-No key benefits

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Businesses are assumed to be the operators. The extent of the costs and benefits will depend on how operators use their new power and how often they need to make applications for increases in tolls above the level of inflation. With regards to savings to Government, there is an assumption that the number of applications and public inquiries would have been at the same rate without reform as in period 2006 to 2012. With regards savings to operators, these are based on costs informally quoted to us by a limited sample of operators and may not therefore be representative of costs experienced by other operators or of future costs.

BUSINESS ASSESSMENT (Option 2a)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	**Benefits**: 0.037	**Net**: 0.037	Yes	Out

Summary: Analysis & Evidence

Policy Option 2b

Description: Consultation Option 2b (Recommended Option)

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	High: NQ	Best Estimate: 0.34

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

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

Operators, Local Authorities (LA) and Government – No cost impact
Users - Due to the lack of evidence, we have assumed costs to this group to be non monetised but the consultation will be used to gather more evidence on the potential impact to this group.

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

Users –will no longer be able to object to increases below the level of inflation minus 1%. The impact on tolls is uncertain and depends on how operators use their ability to increase up to this level without having to apply to the SofS and without the possibility of a public inquiry. It is possible that tolls may increase more frequently. For proposed increases above inflation minus 1%, users will still have the opportunity to object but only local authority objectors will be able to request and automatically generate a public inquiry. This means all other types of objector will lose their ability to do this.
LA–May receive more requests object to proposed increases above inflation minus 1%.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ		NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	NQ		0.042	**0.34**

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

Operators –will see the greatest benefits through savings made from not having to apply to the SofS for increases up to the rate of inflation minus 1%, not having to fund a public inquiry for increases up to this level and having to fund fewer public inquires for increases above inflation minus 1%.
Government –will benefit from reduced administrative costs related to no longer being required to process applications for increases up to the rate of inflation minus 1%.

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

Operators –will have greater certainty over future revenue and timing for increased revenue and will be able to make longer term investment decisions.
Users – could benefit from lower increases in tolls due to reduced costs to operators and possibly overall lower tolls as operators could be incentivised to keep tolls below the level where an application to the SofS is needed. This is particularly likely for smaller operators for whom the cost of such an application is a more significant factor. Depending on how operators choose to use their ability to increase tolls up to the rate of inflation minus 1%, the increase in tolls may be smoother over time.
LA-No key benefits

Key assumptions/sensitivities/risks **Discount rate (%)** **3.5%**

Businesses are assumed to be the operators. The extent of the costs and benefits will depend on how operators use their new power and how often they need to make applications for increases in tolls above the level of inflation minus 1%. With regards savings to Government, there is an assumption that the number of applications and public inquiries would have been at the same rate without reform as in period 2006 to 2012. With regards to savings to operators, these are based on costs informally quoted to us by a limited sample of operators and may not therefore be representative of costs experienced by other operators or of future costs.

BUSINESS ASSESSMENT (Option2b)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	Bens: 0.3	Net: 0.3	Yes	Out

Summary: Analysis & Evidence

Policy Option 3

Description: Consultation Option 3

FULL ECONOMIC ASSESSMENT

Price Base Year 2012	PV Base Year 2012	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: NQ	**High: NQ**	**Best Estimate: 0.83**

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

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

Operators, Local Authorities (LA) and Government – No cost impact
Users - Due to the lack of evidence, we have assumed costs to this group to be non monetised but the consultation will be used to gather more evidence on the potential impact to this group.

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

Users –This option could lead to operators of tolled crossings becoming less cautious in keeping down operating costs. As a result this option could potentially lead to users paying higher tolls.
All users, including local authorities, will lose their ability to object to proposed increases or cause a local public inquiry to be held.
Despite this option having the greatest NPV, this is outweighed by greater non-monetised costs to users which is why option 2b is the recommended option.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	NQ		NQ	**NQ**
High	NQ		NQ	**NQ**
Best Estimate	NQ		0.1	**0.83**

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

Government –will benefit from a reduction in staff costs related to no longer being required to process applications.
Operators –will see the greatest benefits through savings made from not having to apply to the SofS to increase their tolls and not having to fund local public inquiries.

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

Operators –will have greater certainty over future revenue and will be able to make longer term investment decisions.
Users –should benefit from lower toll increases following savings made by the operators. Whilst this could be offset by the operators ability to set toll levels, operators will be restricted by not being able to generate annual tolling revenue either substantially less or substantially more than adequate to meet the management and maintenance of a bridge or ferry undertaking, (including a reasonable contribution to any contingency fund and, where appropriate, a reasonable return on investment in the undertaking).
LA –may benefit from fewer representations made by local residents

Key assumptions/sensitivities/risks **Discount rate (%)** 3.5

Businesses are assumed to be the operators. The extent of the costs and benefits will depend on how operators use their new power. With regards saving to Government, there is an assumption that the number of applications and public inquiries would have been at the same rate without reform as in period 2006 to 2012. With regards to savings to operators, these are based on costs informally quoted to us by a limited sample of operators and may not therefore be representative of costs experienced by other operators or of future costs. There is also a risk with this option that tolls could be higher than in other options.

BUSINESS ASSESSMENT (Option3)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: 0	**Bens:** 0.071	**Net:** 0.071	Yes	Out

Evidence Base (for summary sheets)

Introduction

1. Section 6 of the Transport Charges &c (Miscellaneous Provisions) Act 1954 contains the procedure for revising the level of charge for local tolled crossings. Provisions within this Act allow the Secretary of State to make an Order revising charges and call a public inquiry where an objection is made but not withdrawn.

2. The Act states that operators are not able to generate annual tolling revenue either substantially less or substantially more than adequate to meet the management and maintenance of a bridge or ferry undertaking. This includes a reasonable contribution to any contingency fund and, where appropriate, a reasonable return on investment in the undertaking.

3. Whilst this Act covers tolled crossings in England, Wales and Scotland we are not aware of any tolled undertakings in Scotland or Wales where this act applies. The analysis in this document will therefore focus on those crossings in England where we are aware the Act does apply.

Background

4. We are aware that there are a number of crossings across England that are required to follow the procedures set out in Section 6 of the Transport Charges &c (Miscellaneous Provisions) Act 1954 to increase their tolls. The majority of crossings in England that are required to follow this procedure are owned by private companies but some are owned by private individuals and one, at the Tamar Bridge and Torpoint Ferry is run by the local county/district councils.

5. There may be some undertakings in England that are required to follow the process in the 1954 Act for revising tolls but have never applied to the Secretary of State for increases and we are therefore not aware of. Our analysis therefore focuses on the local tolled crossings we are aware of. These include the following 11 crossings that are required to follow the procedures set out in the Transport Charges &c (Miscellaneous Provisions) Act 1954;

   Aldwark Bridge (North Yorkshire)

   Bournemouth-Swanage Motor Road and Ferry

   Clifton Suspension Bridge (Bristol)

   Dartmouth-Kingswear Higher Ferry

   Dunham Bridge (Lincolnshire)

   Rixton & Warburton Bridge (Greater Manchester)

   Shrewsbury (Kingsland) Bridge

   Swinford Bridge (Oxfordshire)

   Tamar Bridge and Torpoint Ferry

   Whitchurch Bridge (Oxfordshire)

   Whitney-on-Wye Bridge (Herefordshire)

6. All of these tolled undertakings vary with regards type of crossing and size with some on minor routes predominantly used by local people for local journeys and some on more major routes used by a wider variety of people for a wider variety of reasons. Each

crossing differs with how it defines different vehicle types and the level of tolls it sets for each vehicle type as shown in Annex A.

7. This proposal relates to those tolled undertakings in England only that are required to follow the 1954 Act and does not impact on undertakings in Scotland, Ireland or Wales.

Rationale for intervention;

8. The existing procedures protect users of an undertaking against unjustifiably high toll increases and the scope for a public inquiry and the role of an inspector and the Secretary of State provides an impartial basis for assessing the interests of users and owners. However, operators are required to apply to the Secretary of State for all increases regardless of the actual level of the increase requested. Operators have informed us that imposes an excessive burden on them, particularly small operators and where the proposed increases are intended simply to keep tolls at the same level or below in real terms. The process is also unpredictable making it difficult for operators to know how much it will cost them to complete their application and how long it will take them to start acquiring an additional revenue. This makes it difficult for operators to make long term investment decisions. This process also involves the Secretary of State in decisions that are better made at the local level.

Other Legislation

9. There are current inconsistencies in the treatment between similar facilities. Undertakings are subject to tolls regulation only if they were originally promoted by statute and even so local authority ferries are exempt under the 1954 Act (section 6(1)(c)). For example the privately owned Dartmouth Kingswear Higher ferry is controlled by the 1954 Act while tolls at the nearby local authority controlled lower ferry are not. Further, the privately owned King Harry's Ferry at Truro is not subject to the 1954 Act because it was not promoted by statute. Tolls at larger crossings such as the Severn crossing can increase annually up to RPI without reference to the Secretary of State, under the specific power applying to those crossings.

Conclusion –Policy objective

10. The current procedure is rigid and bureaucratic and places disproportionately high administrative and cost burdens on toll operators. Operators have made clear to us that they find the process overly burdensome. In light of the current Government's focus on localism it does not seem, in the Department's view, appropriate that certain toll operators remain required to follow a process involving the Secretary of State's consideration for all level of tolls increases.

11. Government is therefore keen to move away from central government determining what is often a matter for local determination. Government is also keen to reduce costs to the taxpayer and provide private business with greater flexibility, inspiring them to consider long term investment. The Department therefore wishes to simplify the procedure for increasing tolls to reduce the burden on operators and will consult on various options to achieve this. This is therefore a consultation stage IA.

Potential Groups Affected

12. The Groups that would be affected by these proposals are:

13. Operators – These are the operators of tolled crossings, some of which are private companies and some of which are local authorities. This group are considered to be the businesses for the purpose of this analysis and should benefit from options 1,2 and 3 through a more efficient process to increase tolls and from reduced costs resulting from a more efficient process.

14. Users - This covers all types of user including businesses, individuals and local authorities. In option 1, 2 and 3, this groups right to object and cause a local public inquiry following a proposal for an increase in tolls will be affected. Under options 1, 2 and 3, this group, including business users, could see lower toll increases if savings to the operator are passed on to them.

15. Local Authorities – This group includes county, district, borough or city councils (or unitary authorities or London or metropolitan borough councils) and parish, community or town councils. This group currently have the same rights as users and are therefore considered as a type of user. The effect on this group for options 1 and 3 will be the same as for other users. However under option 2 this group may encounter an additional burden from being the only type of objector able to cause a public inquiry.

16. Central Government – Central Government is involved in progressing applications for toll increases. It is also responsible for considering requests for public inquires with Ministers being required to make the final decision on this and whether an increase should be allowed. This group should see savings from options 1, 2 and 3.

Current Position

17. This section sets out the current position and is the baseline to which all other options will be compared.

18. Under the Transport Charges &c (Miscellaneous Provisions) Act 1954 Act, operators are required to make an application to increase tolls to the Secretary of State, who, if satisfied, makes an Order revising the charge as he sees fit. The procedure contains a 42–day period during which, following advertisements placed in the local press, objections can be made to the proposed revisions. In the event that an objection, received during that period, is not withdrawn a local public inquiry must be held. All costs relating to making an application, including the costs of a venue and an Inspector if a public inquiry is needed are borne by the operator. The procedure is the same regardless of the proposed level of variation. To date no Inspector has recommended that an increase not be applied.

Timings

19. Operators currently face a level of uncertainty as to how much it will cost them to increase their tolls and how long it will take them to be able to implement increases as this is dependent on a number of factors including whether objections are received and if a public inquiry is required. Looking back at previous applications to the Secretary of State, in cases where a public inquiry does not need to be held, it can take operators between 5 and 8 months to have their application approved and between 9 and18 months for cases where a public inquiry is necessary. This means operators currently have an unknown delay as to when they can actually start collecting increased revenue. In addition, an operator cannot make an application for toll increases within a year of the Secretary of State's previous decision which could in some cases mean waiting 2.5 years from the previous application.

Previous Increases

20. Between 2006 and 2012 (inclusive) the Department has processed 11 applications for toll increases across 8 of the 11 undertakings – and 6 have involved local public inquiries. For the purpose of this analysis it is assumed that this equates to 1.571 applications a year of which 0.857 would include a public inquiry.

21. All the local public inquires that took place between 2006 and 2012 resulted in an inspector recommending an increase.

22. For the purpose of this analysis, the description of future costs and benefits resulting from each option will be based on the analysis of the applications received between 2006-2012 (inclusive)

Costs to operators

23. The current cost for each operator to increase their tolls will vary according to whether an application requires a local public inquiry or not. Under the Act, it is for toll operators to cover all costs for progressing applications to increase tolls. This includes staff cost for drafting and submitting an application, costs for publishing a public notice in a local paper to notify the public about the application and give them 42 days to object. If a public inquiry is held, the operator is also required to cover the costs of placing a public notice in the local paper to let people know that a public inquiry is taking place, hiring the inspector and the venue for the public inquiry to take place. Details on total cost for an inspector for the majority of local public inquiries that have taken place since 2006 in relation to the 1954 Act are set out below. This takes account of the increase in inspector costs that took place in 2010.

Inspector costs for Public Inquiries that have taken place since 2006

	Year of application	Inspector costs
Clifton Suspension Bridge	2006	£6,663
Dunham Bridge	2006	No data held
Tamar Bridge / Torpoint	2010	£9,845
Whitchurch Bridge	2009	£9,895
Bournemouth-Swanage Motor Road Ferry	2006 2009	£4,820 £4,605

24. If the inspector costs are adjusted to 2012 prices, the average inspector costs amount to around £8,100. For the purpose of this analysis, we will round this up to £10,000. This amount does not however cover other costs related to a public inquiry such as venue hire. We will however seek more accurate details on this in the consultation.

25. We do not have information on the other costs associated with public inquiries and listed but as part of some initial informal consultation carried out last year, one undertaking indicated that it cost them £50,000 to increase their tolls and another indicated that it cost them in excess of £80,000. Both of these applications included local public inquires. We do not however have a breakdown of how these costs have been worked out and it is unclear how reflective they are of the average costs to other operators. We will therefore use the lower figure for the purpose of this current impact assessment as an indication of costs and benefits to operators but will use the consultation to check the accuracy of these costs.

26. For the purpose of this analysis we will also assume that as the cost to operators for progressing an application that includes a public inquiry to be £50,000 and the average cost of hiring an inspector is £10,000, the cost of progressing applications without a public inquiry is £40,000.

27. Assuming an average number of 1.571 applications per year,0.857 of which include a public inquiry this equates to a collective cost to business per annum of £71,410, (0.857 x £50,000 + 0.714 x 40,000)

28. As the process set out in the 1954 Act is the same for all applications, the costs will be similar for each tolling operator. This means the extent of the relative financial burden of the current process will vary between operators depending on their level of tolling revenue. This financial burden may have an impact on some operator's ability to increase tolls.

Administrative costs to DfT

29. Estimated staff costs (including salary costs) to Government with regards the checking and processing of applications are around £33,500 per annum (around 2% SCS1, 5% PB7, 5% PB6 and 60% PB3). This cost includes applications for toll increases that have been processed in relation to Humber Bridge which is an undertaking not being considered under this measure but for which there have been two applications processed between 2006-2012. This means including Humber Bridge, there have been 13 applications processed in 7 years this amounts to a cost to government of around £18,000 per application (£33,500 x 7 / 13). Taking out Humber Bridge, this amounts to a Government cost per year of around £28,278relating to the processing of applications under the 1954 Act (£18,000 x 1.571).

30. In addition the current process places a burden on Ministers with regards to approving applications or considering the outcome of local public inquires which has not been quantified in this analysis.

Users

31. The number of users varies between crossings. For example the total number of users at Tamar Bridge was 8,000,000 in 2008 compared to 952,681 users at Bournemouth-Swanage Motor road Ferry in 2007 (data taken from applications provided by operators). We do not have details on what percentage of users at each crossing are business users or individuals.

32. Under the current process, users have an opportunity to object to all proposed increases to tolls and any outstanding objector from any party is able to require a public inquiry.

Current Toll level

33. Annex A provides details of current tolls levels at each of the 11 undertakings listed above. This shows the different ways each toll crossing applies tolls for various types of user.

Options

Option 1a

a. Up to Inflation - Operators would be allowed to increase their tolls annually in line with inflation without having to refer to the Secretary of State.

b. Above inflation - Operators that wished to increase tolls by more than inflation would be required to apply to the Secretary of State using the existing procedures set out above and as now, any outstanding objection from any party would allow the objector to require a public inquiry.

34. Under this option, operators would not be required to seek approval from the Secretary of State to vary tolls annually in line with (or below) inflation. These decisions would instead be made at a local level by the toll operators themselves. Should an operator wish to vary tolls above the level of inflation, they would be required to apply to the Secretary of State using the existing procedures, and as now, any outstanding objection from any party would allow the objector to require a public inquiry.

35. Under this option it will be for operators to decide when (if at all) to increase their tolls in line with inflation. However, operators would still be required, as under the current process, to ensure any revenue generated from tolls was not substantially less or substantially more than adequate to meet the management and maintenance of the

bridge or ferry undertaking (including a reasonable contribution to any contingency fund and, where appropriate, a reasonable return on investment in the undertaking).

36. We also propose recommending a requirement for operators to inform users at least six weeks before any increases are implemented, possibly through a notice in the local paper. To help make it clearer to users how increases have been calculated, we propose recommending that operators using this new power publish a breakdown of their tolls possibly for the previous five years. The former will be similar to the process operators are currently required to follow to advertise their intention to make an increase but the latter may be an additional burden for some operators. The costs of meeting this are likely to include a one off cost with regards to setting this up (possibly by creating a website where one does not exist) and ongoing costs with regards ensuring information is kept up to date but these costs should be small and evaluating them is not considered proportionate. We will use the consultation to seek views on this.

37. The consultation will be used to seek views on whether inflation should be measured using Retail Price Index (RPI) or Consumer Price Index (CPI). We also propose seeking in the consultation views on enabling operators to accumulate inflation increases for up to five years as in some cases the tolls charged are measured in pence and an annual increase would be insignificant compared with the costs of implementing it. In the past operators have generally applied for increases around every five years. We therefore propose enabling operators to accumulate increases for up to five years. The power to accumulate would not be applied retrospectively but would commence from the date the legislation comes into effect. This is to ensure that those who applied just before any new process is approved are not at a disadvantage.

38. The way in which increases up to inflation are managed could allow some flexibility to operators by comparing the weighted average of tolls for each crossing point with inflation rather than comparing the change in each individual toll rate with inflation. However, regulation of a weighted average has implications for different classes of uses, such that some users could have increases above inflation even when the weighted average increase is below inflation. The method by which each individual toll rate is weighted, whether all toll rates are included or only those rates which are being increased, the period over which comparison is made with inflation, and the audit requirement for such a process would also need to be decided. The weighted average approach will be part of the consultation exercise.

Monetised and non-monetised costs and benefits (including administrative burden)

Operators

Non-monetised benefits

39. Under this option operators would have certainty as to when increases up to inflation could be implemented. This would give the operator greater predictability over costs related to making an increase in tolls and provide them with greater ability to plan ahead against likely future income.

Monetised benefits

40. Taking the increases at each crossing for each vehicle type for all the years and undertakings we have data for, around **50**% of those increases were below the increase in RPI and around **40**% were below the increase in CPI. Under this option, these increases would not have needed to have sought approval from the Secretary of State, thus saving the operator some of the costs set out above.

41. We have limited information with regards the impact the current system has on operators in relation to time and costs, and how this will affect future toll changes. This impact assessment includes our best estimate of the reduction in the number of inquiries and

applications and associated costs as a result of each option. Therefore for this option, we have assumed that 1.571 applications continue to be submitted a year, 0.857 of which require a public inquiry. For the purpose of this analysis we have assumed the same ratio of applications for increases below inflation and have used the lower CPI figure to reflect this. However, as a number of increases in the past have been just above CPI, it is reasonable to assume that operators will aim to keep increases below whatever level of inflation is set to avoid a potential public inquiry. We therefore feel it is reasonable to assume that this option will result in around 50% less applications.

42. This would mean a saving to operators of 0.785 applications per annum, of which 0.429 would include a public inquiry. Assuming each application includes an inquiry costs operators £50,000 whilst those that don't cost operators £40,000, this would amount to a total collective saving to operators of around £36,000 per annum (0.429x £50,000 + 0.356 x £40,000 = £35,690).

Users

Non-monetised costs

43. One impact on users will be around their opportunity to object as users currently have the opportunity to object to all proposed increases. Under this option, this opportunity will be removed for annual increases up to inflation.

44. The effect on the level of tolls experienced by users depends on how operators set tolls, and how operators choose to use their new power to increase tolls up to inflation. Possible scenarios include the following:-

a. Under the existing framework operators increase tolls infrequently to fully or partially catch up with past cost increases. If operators choose to use the new power fully, users could see more frequent increases up to the level of inflation. This could mean that in the short term, users may experience more frequent toll increases rather than less frequent but larger increases. However, as operators will not be able to generate an annual revenue either substantially less or substantially more than adequate to meet the management and maintenance of a bridge or ferry undertaking (including a reasonable contribution to any contingency fund and, where appropriate, a reasonable return on investment in the undertaking), in the long term, tolls should be at a similar level to what they would have been and indeed slightly lower due to savings in admin and public inquiry related costs this option will provide to operators.

b. Under the existing framework operators increase tolls infrequently to anticipate future cost increases as well as recover past cost increases. If operators choose to use the new power fully, users could see more frequent, but smaller increases in tolls up to the level of inflation. Tolls could be temporarily above or below the level they otherwise would have been. As operators will not be able to generate an annual revenue either substantially less or substantially more than adequate to meet the management and maintenance of a bridge or ferry undertaking (including a reasonable contribution to any contingency fund and, where appropriate, a reasonable return on investment in the undertaking) the long run level of the toll should be similar.

c. For the operators of the smaller crossings in particular, this option may provide an incentive to control their costs so as to avoid the need for an increase in tolls above the rate of inflation and to avoid the consequential need to apply to the SofS for approval. This could result in a higher proportion of toll increases being below the rate of inflation.

Government

Monetised benefits

45. The savings to government will depend on how often operators apply for increases above inflation but there will be a saving to government with regards applications for increase up to inflation. We have assumed that the same ratio of applications for increases below inflation will continue in the future, such that there will be a 50% reduction in the number. This would mean a saving to government of 0.785 applications amounting to a saving of around £14,000 a year (0.785 x £18,000 = £14,130).

Average Annual Benefit

46. Adding together the savings to business and the savings to Government, this option should result in an estimated average annual benefit of around £50,000 (£35,690 saving to business + £14,130 saving to Government = £49,820).

Impact on Traffic levels

47. Using vehicle data provided by operators to us through previous applications, changes in tolls do seem to affect the level of traffic but by and large less than in proportion to the percentage change in tolls. Models suggest that trips related to business and employment are less affected by toll changes than trips related to other activities, and that the largest effect is on low and middle income travellers. Actual data suggest a range of experience.

48. Allowing operators to increase tolls up to inflation may lead to more frequent but smaller individual toll increases so that there may be a change in the timing but not necessarily the level of tolls in the long run. In this case the pattern of use of tolled crossings may be subject to less volatility. If deregulation leads to lower costs, and that cost saving is passed onto users, then there may be some small encouragement to greater use of tolled crossings.

Option 1b

49. a. Up to Inflation minus 1%- Operators would be allowed to increase their tolls annually in line with inflation minus 1% without having to refer to the Secretary of State.

50. b. Above inflation minus 1% - Operators that wished to increase tolls by more than inflation minus 1 % would be required to apply to the Secretary of State using the existing procedures set out above and as now, any outstanding objection from any party would allow the objector to require a public inquiry.

51. This option is the same as option 1a but the level at which operators could increase their tolls before having to make an application to the SofS would be inflation minus 1%.

52. The considerations set out in paragraphs 36-38 would also be applied to this option.

Monetised and non-monetised costs and benefits (including administrative burden)

Operators

Non-monetised benefits

53. The non-monetised benefits would be the same as option 1a.

Monetised benefits

54. Using the same approach as to option 1a and taking the increases at each crossing for each vehicle type for all the years and undertakings we have data for, around **40 %** of those increases were at or below RPI minus 1% and around **35%** were below the

increase in CPI minus 1%. Under this option, these increases would not have needed to have sought approval from the Secretary of State, thus saving the operator some of the costs set out above.

55. For the reasons set out in option 1a, we have assumed that 1.571 applications continue to be submitted a year,0.857 of which require a public inquiry. For the purpose of this analysis we have assumed the same ratio of applications for increases below inflation minus 1% and have used the lower CPI figure (35%) to reflect this. However, as 40% of increases previously have been below the level of CPI (see option 1a), this means 5% of increases in the past have been between inflation minus 1% and inflation. It is therefore reasonable to assume that those operators will aim to keep increases below the level of inflation minus 1% to avoid a potential public inquiry. We therefore feel it is reasonable to assume that this option will result in around **40%** less applications than the status quo.

56. This would mean a saving to operators of 0.628 applications per annum, of which 0.343 would include a public inquiry. Assuming each application that includes an inquiry costs operators £50,000 whilst those that don't cost operators £40,000, this would have amounted to a total collective saving to operators of around £29,000 per annum (0.343 x £50,000 + 0.285x £40,000 = £28,550).

Users

Non-monetised costs

57. The non-monetised costs will be the same as option 1a.

Non Monetised benefits

58. There is a possibility that this option could result in a greater number of toll increases being below the level of inflation minus 1%.

Government

Monetised benefits

59. The savings to government will depend on how often operators apply for increases above inflation minus 1% but there will be a saving to government with regards to applications for increases up to the level of inflation minus 1%. We have assumed that the same ratio of applications for increases up to inflation minus 1% will continue in the future, such that there will be a 40% reduction in the number of applications. This would mean a saving to government of 0.628 applications amounting to a saving of around £11,000 a year (0.628 x £18,000 = £11,304).

Average Annual Benefit

60. Adding together the savings to business and the savings to Government, this option should result in an estimated average annual benefit of around £40,000 (£28,550 saving to business + £11,304 saving to Government = £39,854).

61.

Impact on Traffic levels

62. The impact on traffic is likely to be similar to option1a.

Option 2a

a. Up to Inflation - Operators would be allowed to increase their tolls annually in line with inflation without having to refer to the Secretary of State.

b. Above inflation - Operators that wished to increase tolls more than inflation would be required to apply to the Secretary of State using the existing procedures.

However, the cases on which a public inquiry would be required would be restricted to those where one is requested by a local authority objector (defined as a unitary, county, district, parish or town council) as opposed to an individual. In all other cases it would be for the Secretary of State to decide if one was necessary.

63. This option is the same as option 1a but for increases above inflation the circumstances in which a public inquiry would be called would be restricted to just those where there were outstanding objections from a local authority.

64. The considerations set out in paragraphs 36-38 would also be applied to this option.

Monetised and non-monetised costs and benefits (including administrative burden)

Operators

Non-monetised benefits

65. Under this option it is less likely that above inflation increases will result in a public inquiry, reducing the length of time operators need to wait for a decision to be made on their application.

Monetised benefits

66. These will be the same as option 1a but with additional benefits for operators making applications for increases above inflation.

67. Between 2006 and 2012 the Department has processed 11 applications for toll increases under the 1954 Act across 8 of the 11 undertakings – and 6 have involved public inquiries. Of these, 4 have included objections from local authorities. We have assumed that this ratio will continue in the future such that where operators make an application to the Secretary of State for an increase above the level of inflation, 33% of these application's would not include an objection from a local authority and would therefore no longer require a public inquiry, saving the operators the costs of funding these inquiries (though the application costs would remain the same). Building on option 1a, it is assumed 50% of applications continue to be above the level of inflation and that this option will result in an additional per annum saving to option 1a for operators of 0.143 public inquiries which equates to an additional saving to option 1a of £1,433 (0.143 x £10,000). The total saving to operators resulting from this option is therefore around £37,000 (£35,690 + £1,433 =£37,123).

Users

Non-monetised costs

68. The range of effects on users will be similar to those set out in option 1a. In addition, only local authority objectors can trigger a public inquiry, other types of objector will lose their ability to trigger a public inquiry and are therefore likely to have less opportunity to have their objections heard at a public inquiry. However, as under the current system local authorities will continue to be able to put forward objections on behalf of their residents.

Government

Monetised benefits

69. The savings to government would be similar to option 1a as the same number of applications for increases above inflation would need to be processed.

Local Authorities

Non-monetised cost

70. Under the current system local authorities have the opportunity to object to any proposed increase tolls. It is unclear how often and how many representations are currently made to

local authorities by local residents and whether local authorities only put forward objections when requested to by local residents. However, under this option there is a risk that local authorities may receive a higher number of representations from local residents than they do currently and face extra pressure to ensure they put a request to the Secretary of State for a public inquiry to be held.

Average Annual Benefit

71. Adding together the savings to business and the savings to Government, this option should result in an estimated average annual benefit of around £51,000 (£37,123 saving to business + £14,130, saving to Government = £51,253).

Impact on Traffic

72. The impact on traffic is likely to be similar as option 1a.

Option 2b

a. Up to Inflation minus 1% - Operators would be allowed to increase their tolls annually in line with inflation minus 1% without having to refer to the Secretary of State.

b. Above inflation minus 1% - Operators that wished to increase tolls more than the rate of inflation minus 1% would be required to apply to the Secretary of State using the existing procedures. However, the cases on which a public inquiry would be required would be restricted to those where one is requested by a local authority objector (defined as a unitary, county, district, parish or town council) as opposed to an individual. In all other cases it would be for the Secretary of State to decide if one was necessary.

73. This option is similar to option 2a but the level at which operators could increase tolls without applying to the Secretary of State would be inflation minus 1%.

74. This is the preferred option as it offers the best balance between providing greater flexibility to the operator and providing the user with the opportunity to be consulted on larger proposed increases as well as protecting users from large annual increases.

75. The considerations set out in paragraphs 36-38 would also be applied to this option.

Monetised and non-monetised costs and benefits (including administrative burden)

Operators

Non-monetised benefits

76. The non-monetised benefits will be similar to option 2a.

Monetised benefits

77. Similar to option 2a, we have assumed the same ratio of public inquiries to applications, as seen between 2006-2011, will continue in the future such that operators will have 33% less public inquiry costs for increases that are above the level of inflation minus 1% (though the application costs would remain the same). This means that if 40% of applications are below the level of inflation minus 1%, 60% would be above. This would mean an additional per annum saving to option 1b for operators of 0.171 public inquiries which equates to an additional saving to option 1b of £1,710 (0.171 x £10,000). The total saving to operators resulting from this option is therefore around £30,000 (£28,550+ £1,710 = £30,260).

78. As this is the preferred option, the equivalent annual net cost to business (EANCB) shown on the front page that will result from this option is £-0.03m (2009 prices, in line with One-In-Two-Out (OITO) methodology). This is because there are no expected costs related to implementing this option and an estimated saving to operators of around £30,000 (£0.03m) per year.

Users

Non-monetised costs

79. The range of effects on users will be similar to those set out in option 2a.

Non-monetised benefits

80. Users could however see a greater number of toll increases below the level of inflation minus 1%.

Government

Monetised benefits

81. The savings to government would be similar to option 1b as the same number of applications for increases above the level of inflation minus 1% would need to be processed.

Local Authorities

Non-monetised cost

82. The impact on local authorities is likely to be similar to option 2a.

Average Annual Benefit

83. Adding together the savings to business and the savings to Government, this option should result in an estimated average annual benefit of around £42,000 (£30,260 saving to business + £11,304, saving to Government = £41,564).

Impact on Traffic

84. The impact on traffic is likely to be similar to option 1a.

Option 3 - Tolling operators would be allowed to increase tolls by any amount, as and when required, without applying to the Secretary of State and without consultation with the public.

85. Operators would, as under the current system, still not be able to generate an annual revenue either substantially less or substantially more than adequate to meet the management and maintenance of a bridge or ferry undertaking, including a reasonable contribution to any contingency fund and, where appropriate, a reasonable return on investment in the undertaking. It would be for operators to ensure this requirement was being met.

86. We also propose recommending a requirement for operators to inform the public of their intention to make increases six weeks before implementing them, similar to the proposals under options 1 and 2.

Monetised and non-monetised costs and benefits (including administrative burden)

Operators

Non-monetised benefits

87. Operators would not face any delay with regards imposing an increase giving them greater certainty over their future income.

Monetised benefits

88. This option would provide the greatest saving to operators as all costs to operators related to making an application for a toll increase would be removed. The only costs to

operators would be in relation to advertising increases ahead of putting them in place but this should be minimal and similar to the cost of doing this at present.

89. Based on the assumption that 1.571 applications are currently submitted a year of which 0.857 would include a public inquiry, the collective saving to operators per annum would be £71,410 (0.857 x £50,000 + 0.714 x 40,000)

Users

Non-monetised costs

90. The greatest impact on users would be the complete loss of their right to object to any increases or to have their objection heard at a public inquiry.

91. As operators will be constrained by the requirement set out in paragraph 85, increases under this option should be similar to increases made under the other options and potentially lower as operators will no longer need to fund applications to the Secretary of State. However, there is a risk that operators become less cautious in keeping down their operating costs resulting in higher tolls for users. It is possible that the requirement to apply to the Secretary of State and potentially fund a public inquiry as under option 1 &2 would deter some operators from making above inflation/inflation minus 1% increases whilst under option 3 this deterrent would be removed. Options 1 and 2 may therefore keep tolls lower for users but give less flexibility to the operator. There is also risk with this approach of placing total reliance on information in accounts to control the increase in tolls which are not subject to potential scrutiny at a public inquiry.

92. It is unclear to what level operators would look to increase their tolls under this option given the constraint set out above. It is therefore difficult to assess the impact on users. Further, this impact will depend on what alternative routes are available to users and the cost of these routes against the cost of using a tolled undertaking. Again we do not have information on this.

93. The existence of alternative routes is likely to act as a deterrent to some undertakings to raise their tolls too high. However, on routes where an undertaking has a monopoly, this option would leave users vulnerable to the possibility of significant and frequent increase. For those undertakings owned by a local authority, the increases imposed are likely to be lower as this body will be accountable to its local residents.

Government

Monetised benefits

94. There will be a complete removal of the administrative burden on the Department. This would mean a saving to government of 1.571 applications per annum amounting to a saving of around £28,000 (1.571 x £18,000 = £ 28,278) from staff costs. In addition, the burden on the Secretary of State would also be completely removed.

Average Annual Benefit

95. Adding together the savings to business and the savings to Government, this option should result in an estimated average annual benefit of around £100,000 (£71,410 saving to business + £ 28,278 saving to Government = £99,688).

Alternative options

96. An option was considered as to whether a saving and a reduced burden to an operator could be achieved without regulation, possibly through trying to speed up the length of time an application takes to be processed. However, it was agreed that no significant saving could be achieved and this option was ruled out.

Risks and assumptions

97. It is possible that there a number of other crossings across England that are required to follow the procedures set out in the 1954 Act but that we are not aware of. The majority

of data on vehicle numbers has been provided to us by the operators themselves. There may not therefore be consistency across undertakings as to how this data has been collected.

98. The risks and assumptions of the analysis of all three options relate to the lack of evidence about the costs associated with the current process (and therefore the savings resulting from each option), vehicle numbers at each crossing and types of users at each crossing (business or individual).

99. Due to the lack of evidence, we have assumed costs for all options to be non monetised and the cost of implementing each option to be zero. The benefits to operators have been worked out based on costs two operators indicated to us for progressing an application where a public inquiry is necessary as part of some informal consultation undertaken last year. However, there is a risk that these costs may not be reflective of the average costs to other operators. There is an also assumption that the cost of progressing an application where there is no public inquiry is £10,000 less than the costs indicated by these two operators which is based on the average cost of hiring an inspector. There are however other costs related to holding a public inquiry that are therefore not covered in this assumption. The consultation will therefore be used to collate more accurate data on this.

100. The impact of each option on users will to some extent depend on how operators at each crossing decide to use this process which we cannot predict. There may also be variation in how operators at each crossing use this process so the impact will be different for users of each crossing.

Rationale and Evidence that justify the level of analysis

101. This impact assessment is at consultation stage. The consultation will also be used to fill other information gaps as listed in paragraph 106 .As a result there should be more evidence about costs and benefits of each of the options when the responses to the consultation are received. We will also use the consultation to seek views on the options proposed.

Direct Costs and benefits to Business Calculations (Following OITO Methodology).

102. The policies in this document are within the scope of One in Two Out as they deregulate businesses, namely those tolled crossing operators that are privately owned. Tolled crossing operators vary in size but the process and costs associated with the current process for revising tolls are the same for all operators.

103. We are aware of the costs to tolled crossings operators from having to hire an Inspector for a local public inquiry, when one is required, but we do not have complete information on the average cost to businesses in total for using the existing process (beyond the two figures provided as part of some early informal consultation and quoted in paragraph 25) to increase their tolls either when a public inquiry is necessary or when one is not.

104. We believe that simplifying the process for altering tolls counts as an OUT for businesses as costs and admin burdens to operators will be reduced. They will also have more certainty over future revenue and should experience a reduced or no delay in implementing increases. The estimated monetised savings to operators of the preferred option (option 2b) are predicted to be to be around £30,000 which amounts to an equivalent annual net cost to business (EANCB) shown on the front page to £-0.03m (2009 prices, in line with One-In-Two-Out (OITO) methodology).

105. Business users of a tolled crossing should benefit from lower increases in tolls, because the savings in the costs incurred by the crossing operators should be passed on to the users. There is also likely to be a pattern of smaller increases in tolls at more frequent

intervals, rather than the current position of large increases at infrequent intervals, so toll costs will be more predictable for users, including business users.

Evidence gaps and Consultation

106. As this is a consultation stage impact assessment, we have produced an analysis of costs and benefits based on limited evidence. There are significant uncertainties and unknowns about the impact of the options. This is particularly with regards to the current costs to operators for making an application under the current process, the number and types of user and each crossings and the extent to which operators may wish to increases their tolls if they were not required to apply to the Secretary of State. The consultation will therefore be used to seek further data on the following assumptions to allow a more detailed cost-benefit analysis to be constructed to inform final decisions on the preferred option;

    1) A break down of costs to operators using the current process
    2) Number and types of users at crossings
    3) The number of operators that would take advantage of any of the new arrangements set out above and how they would intend to use them.

107. During the consultation process the Department is planning to write to a number of other tolled undertaking to check what processes they are currently required to follow to increase their tolls.

Wider Impacts

Statutory Equality Duties

108. The Government does not consider that there will be any impact on statutory equality duties. An Equality Impact Assessment is not considered necessary or proportionate. A number of undertakings offer a concession for certain types of users such as people with a disability or offer a discount for a number of crossing passes bought at once. However, there is no general legislation governing the discounts/exemptions that should be made available for disabled people using tolled bridges, tunnels or roads. Where a discount/exemption is provided it is either included within the specific legislation governing charging at a particular tolled undertaking or where there is no legislative provision, provided voluntarily by the toll operator. We do not expect this proposal to affect any concession currently offered.

Small Firms Impact Test

109. The proposals in this document will have a positive impact on all statutory toll crossing operators including those that are privately owned, as they will no longer be required to comply with mandatory and costly processes for all toll increases. We do not have details as to how many staff each operator employs but each of the proposed options should benefit all operators.

110. With regards tolled crossing business users, we do not have details on the number of users at each crossing that are business users but we expect the impact on this group to be the same as for all other users. As explained elsewhere in this impact assessment, the exact impact on users is unknown at this moment as it will depend upon how individual operators implement each option but users could see lower tolls if savings to the operator are passed on to users.

111. We do not therefore believe that it would be appropriate to exempt micro-businesses from the proposed changes. That said, the consultation will aim to gather more detailed information to enable a better analysis of the likely impact on both operators and users. This will also be reflected in the final impact assessment, to be produced after the consultation.

Other Specific Impact Tests.

112. We do not expect any impact on competition, the justice system, sustainable development, rural areas, the environment or any other social impacts.

Summary and preferred option with Description of Implementation

113. Options 1b and 2b allow operators to increase tolls up to the level of inflation minus 1% without an application to the Secretary of State and are thus more restrictive than options 1a and 2a which allow operators to increase up to the level of inflation. Options 2a and 2b are more restrictive as to when a public inquiry would be necessary. Option 3 offers a greater level of deregulation by completely removing Secretary of State intervention in the process of toll increases.

114. Although option 3 is estimated to result in the biggest saving to business, option 2b is the preferred option. This is because this option is seen to provide the best balance between users and operators by providing savings and greater flexibility to the operator, compared to the current system, whilst ensuring that users can continue to have a say over larger increases that are likely to have a greater impact on them.

115. The consultation will be used to seek views on this from all parties and to gather evidence of the costs and benefits resulting from each option. Whichever option is decided on in light of the consultation, parliamentary time will be needed for changes to be enacted through Primary Legislation (possibly as part of another Bill). The Government and Parliamentary Business Committee are aware of this. It is hoped implementation will be possible before March 2015.

116. Following implementation of this policy, data will be collected year on year for five years on the level of toll increase for each vehicle type at each crossing. This will then be analysed after five years. Assuming an implementation date of March 2015, this would mean a review date of March 2020.

Annex A

Tolled Company	Current toll	Year Toll set
1. **Aldwark Bridge**		
Vehicles under 3.5 tonnes	40p	2005
Vehicles over 3.5 tonnes	£1	2005
2. **Clifton Suspension Bridge**		
All Motor Vehicles	50p	2007
Pedal Cycles, Pedestrians, Handcarts	5p	2007
3. **Dunham Bridge**		
Motor Cycle	10p	2012
Tri-Car	15p	2012
Motor Vehicle/Car	36p	2012
Motor Car with Trailer	45p	2012
Lorry, Van capacity over 509kg, or Coach - 4 wheels	60p	2012
Lorry, Van capacity over 509kg, or Coach 6 wheels	£1	2012
Lorry, Van capacity over 509kg, or Coach 8 wheels	£1	2012
Lorry, Van capacity over 509kg, or Coach 10 wheels	£1	2012
Lorry, Van capacity over 509kg, or Coach 12 wheels	£1	2012
Lorry, Van capacity over 509kg, or Coach 14+ wheels	£1	2012
4. **Rixton Warburton Bridge**		
All vehicles	12p	1863
5**. Shrewsbury Kingsland Bridge**		
Motorcycles, pedal cycles Pedestrians	1p	2011
All other Motor Vehicles	20p	2011
6. **Swinford Bridge**		
Motorcycles	2p	1994
Cars / Light Vans / Minibuses	5p	1994
Single deck bus / Coach	12p	1994
Double deck bus	20p	1994
HGV's with than 2 axles	10p per axle	1994
7. **Tamar Bridge / Torpoint Ferry**		
Tamar Bridge (only pay one way)		
Motor Cycle	**Free**	

Vehicles not exceeding 3.5 tonnes/2 axles	£1.50	2010
As above with trailer	£3.00	2010
Vehicles exceeding 3.5 tonnes/2 axles	£4.20	
as above with trailer	£8.40	
3 axles	£6	2010
as above with trailer	£12	
Vehicles with 4 axles or more	£8.20	2010
as above with trailer	£16.40	
Torpoint Ferry (only pay one way)		
Motorcycles	30p	2010
Motor Cars	£1.50	2010
Vehicles not exceeding 3.5 tonnes/2 axles	£4.20	2010
HGV's + 3 axles	£6.90	2010
Vehicles more than 4 axles	£9.40	2010
8. **Whitchurch Bridge**		
Pedestrian, cycle and motorcycle	Free	2009
Vehicles below 3.5 tonnes MGW	40p	2009
Vehicles above 3.5 tonnes MGW up to 7.5 tonned MGV	£3	2009
9. **Whitney on Wye Bridge**		
Pedal cycles	10p	2009
Motorcycles	20p	2009
Cars & vehicles under 7.5 tonnes (any number of crossings up to midnight)	80p	2009
LGV over 7.5 tonnes	£1.40	2009
Minibuses -,less than 16 passengers	£80p	2009
Passenger vehicle more than 16persons – when not carrying any passengers	£1.40	
Passenger vehicle more than 16person –when carrying one or more passengers	£1.80	2009
10.**Bournemouth-Swanage Motor Road Ferry**		
Pedestrians	£1	2009
Motorcycles / Pedal Cycles	£1	2009
Car or light van/most camper vans (up to 3500kg) minibus up to 17 seats.	£3.50	2009
Goods vehicles with a maximum weight of more than 3500kg	£7	2009
Bus or coach	£8	2009
11. **Dartmouth-Kingswear Floating Bridge**		
Cycles & Pedestrians	50p	2008

Motorcycles	£2	2008
Passenger vehicles – up to 8 persons	£4.70	2008
LGV less than 3.5 tonnes	£4.70	2008
Passenger vehicles – between 9-20 persons	£6	2008
HGV over 3.5 tonnes, but less than 7.500kg	£6.60	2008
Passenger vehicles 21+persons but less than 18,000kg	£15	2008
Heavy goods vehicles over 7.500kg but not exceeding 18,000kg	£15.00	2008