

EXPLANATORY MEMORANDUM TO
THE MOTOR VEHICLES (INTERNATIONAL CIRCULATION) (AMENDMENT)
ORDER 2010

2010 No. 771

1. This Explanatory Memorandum has been prepared by the Department for Transport and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. **Purpose of the instrument**

- 2.1 The instrument amends the Motor Vehicles (International Circulation) Order 1975 (S.I. 1975 / 1208) in consequence of changes to Community legislation.

- 2.2 The most significant changes reflected are the replacement of a number of Community instruments by Regulations 1072/2009 and 1073/2009 of the European Parliament and of the Council of 21 October 2009 on, respectively, common rules for access to the international road haulage market and common rules for access to the international market for coach and bus services.

3. **Matters of special interest to the Joint Committee on Statutory Instruments**

- 3.1 As Regulation 1072/2009 of the European Parliament and of the Council on common rules for access to the international road haulage market does not specifically provide for the amendment of the Regulation 3118/93 in consequence of the coming into force of articles 8 and 9 of the new Regulation before the revocation of Regulation 3118/93 takes effect, article 3(2) makes specific reference to the new Regulation.

4. **Legislative Context**

- 4.1 The Motor Vehicles (International Circulation) Order 1975 regulates the holding of permits and other documents by UK residents who wish to drive abroad, and by visitors from abroad who wish to drive in the UK. In addition, Article 5 exempts from excise duty certain vehicles brought temporarily into the UK.

- 4.2 The European Community has adopted Regulation 1073/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international market for coach and bus services and Regulation 1072/2009 of the European Parliament and of the Council of 21 October 2009 on common rules for access to the international road haulage market. These replace the existing rules governing access to those markets. Both these Regulations generally come into force on 4 December 2011 but provisions relating to goods vehicle cabotage – see paragraph 7.2 – come into force on 14 May 2010.

4.3 As explained in paragraph 7.2, amendments to article 5 of the 1975 Order are necessary to update references to a number of Community instruments, principally those revoked by the two new Regulations referred to above. This instrument effects these changes.

5. Territorial Extent and Application

5.1 This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

Paul Clark, Parliamentary Under Secretary of State, Department of Transport, has made the following statement regarding Human Rights:

“In my view the provisions of the Motor Vehicles (International Circulation) (Amendment) Order 2010 are compatible with the Convention rights”.

7. Policy background

• *What is being done and why*

7.1 This instrument makes consequential amendments to article 5 of the Motor Vehicles (International Circulation) Order 1975 as a result of the replacement of a number of Community instruments referred to in it. The need for these changes arises mainly from the adoption of:

- a) Regulation 1073/2009 on common rules for access to the international market for coach and bus services, which sets out new rules for operators engaging in international journeys in the EU using vehicles designed to carry 10 or more persons including the driver, either on his/ her own account or to carry passengers for hire and reward. The Regulation amends existing EC rules governing such journeys.
- b) Regulation 1072/2009 on common rules for access to the international road haulage market which sets out new rules governing hauliers transporting goods by road for hire or reward in the EU. It also introduces clearer rules and evidence requirements as to when cabotage (domestic goods operations by operators registered in another EU state) are allowed. The Regulation repeals and replaces existing EC rules governing the carriage of goods by road.

7.2 Both Regulations come fully into force on 4 December 2011. The new rules on cabotage set out in Regulation 1072/2009 come into force on 14 May 2010 but as the existing Community instrument regulating goods cabotage (Council Regulation EEC 3118/93) is not finally repealed until the later date, the Order makes a transitional provision on account of the continued existence of that Regulation during that period (see articles 1 and 3). In addition, the Order corrects as from 14 May 2010 the references to -

(a) the First Council Directive of 23 July 1962 on the establishment of common rules for certain types of carriage of goods by road (O.J. L070, 6.8.1962, p.2005) by

substituting a reference to Directive of the European Parliament and of the Council on the establishment of common rules for certain types of carriage of goods by road (O.J. L374, 27.12.2006, p.5) which replaced it; and

(b) Council Regulation 2454/92 concerning passenger cabotage which was declared void by the European Court of Justice and has been replaced by Council Regulation 12/98.

7.3 The Community instruments replaced by the 2009 Regulations referred to in paragraph 7.1 are:

- Council Regulation (EEC) 684/92 of 16 March 1992 on common rules for the international carriage of passengers (O.J. No. L74 20.3.92, p.1);
- Council Regulation (EEC) 881/92 of 26 March 1992 on access to the market in the carriage of goods by road within the Community to or from the territory of a Member State or passing through the territory of one or more Member States (O.J. No. L95 9.4.92, p.1);
- Council Regulation (EC) No 12/98 laying down conditions under which non-resident carriers may operate national road passenger transport services within a Member State (O.J. L 004 8.1.1998, p.10) (which replaced Council Regulation (EEC) No 2454/92 of 23 July 1992 on the same subject (O.J. No. L251 29.8.92, p.1) – see paragraph 7.2); and .
- Council Regulation (EEC) No 3118/93 of 25th October 1993 laying down conditions under which non-resident carriers may operate national road haulage services within a Member State (O.J. No.L279 12.11.93, p.1) as it has effect in accordance with Council Regulation (EC) No 3315/94 of 22nd December 1994 (O.J No.31.12.94, p. 9).

Articles 4(2) and 4 (3) of the Order have the effect of updating these references.

8. Consultation outcome

8.1 In preparing this instrument, the Department for Transport has consulted with Her Majesty's Treasury (HMT) and Her Majesty's Revenue & Customs (HMRC).

8.2 Industry representatives participate actively in the development of European legislation, and close contact has been maintained with industry bodies throughout the decision making process which led to the adoption of EC Regulations 1072/2009 and 1073/2009. A formal 12 week consultation exercise was undertaken by the Department for Transport in December 2007. Over 200 organisations and people were consulted, and 25 responses were received with the majority being broadly supportive of the Government's position. No specific further consultation has been undertaken on this Order as this only makes consequential updating amendments.

9. Guidance

9.1 There is no specific guidance associated with the amendments to this Order.

10. Impact

10.1 There should be no significant impact on business, charities or voluntary bodies.

10.2 There should be no impact on the public sector.

10.3 An Impact Assessment has not been prepared for this instrument. However, an assessment has been prepared on the effects of the provisions of EC Regulations 1072/2009 and 1073/2009 which introduce new substantive requirements. Copies are available on the website of the Department for Transport at

<http://www.dft.gov.uk/consultations/archive/2008/euroadtransportproposals/euroadsappendixd.pdf>

A copy of this assessment is also attached at Annex A to this Memorandum.

11. Regulating small business

11.1 The legislation applies to small business.

11.2 The legislation does not set out to minimise the impact of the requirements on firms employing up to 20 people as the instrument should have no effect on them.

12. Monitoring & review

12.1 As the instrument only makes consequential changes its effect will not be kept under review.

13. Contact

Paul Hayes at the Department for Transport Tel: 0207 944 6846 or email: paul.hayes@dft.gsi.gov.uk can answer any queries regarding the instrument.

Summary: Intervention & Options		
Department /Agency: Department for Transport	Title: Impact Assessment of the EC's Three Proposed Regulations on International Road Transport	
Stage: Consultation	Version:	Date 31 October 2007
Related Publications:		

Available to view or download at:

<http://www.dft.gov.uk>

Contact for enquiries: Geoff Finch

Telephone: 020 7944 4639

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

The EC has found current rules inadequate because of a lack of consistency in the way that they are applied across Member States, resulting in unfair competition and issues around compliance and road safety. Intervention at EU level is necessary to provide the clarity and consistency required to address these problems given that this is a trans-national issue. Intervention is then required at national level in order to implement, enforce and monitor the new regulations.

What are the policy objectives and the intended effects?

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

What policy options have been considered? Please justify any preferred option.

In their impact assessment the EC considered five options ranging from 'do nothing' to 'full liberalisation.' The preferred option (upon which the current proposals have been based) was 'harmonisation.' The UK supports this proposed move towards harmonisation although the specific details of the regulations are subject to negotiation at EU level. Therefore, at this stage, the IA considers three options for the UK: option A - do nothing; option B - full implementation of the current proposals; and option C - partial implementation (see evidence base for details of how this option differs).

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects?

DfT to confirm.

Ministerial Sign-off For consultation stage Impact Assessments

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 Minister:

Jim Fitzpatrick

Date: 5th December 2007

Summary: Analysis & Evidence

Policy Option: B

Description: Full Implementation

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' The major areas of cost relate to the change to the CPC training regime (which will impact on operators in terms of lost staff time and potentially higher course fees) and the removal of grandfather rights (which would mean that those individuals that want to remain in the industry will have to undertake CPC training).
	One-off (Transition)	Yrs	
	£ 0.2-9.2m	1	
	Average Annual Cost (excluding one-off)		
	£ 5.9-8.0m		
Total Cost(PV)			£ 51-78m
○	<p>Other key non-monetised costs by 'main affected groups' Rules around the employment of a transport manager will have a potentially significant transitional impact and it is hoped that an estimate can be generated once further information is gathered. The impact of an improved definition of cabotage is also not quantified at this stage.</p>		

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Improved compliance/safety of foreign registered haulage vehicles would be expected to lead to a reduction in the number of fatal accidents that this type of vehicle is involved in. A reduction of 10% has been assumed and valued using DfT's VPF.
	One-off	Yrs	
	£ 0		
	Average Annual Benefit (excluding one-off)		
	£ 5.7m		
Total Benefit (PV)			£ 49m
○	<p>Other key non-monetised benefits by 'main affected groups' Limiting transport manager responsibilities would be expected to result in safety/operational benefits to the industry. Document standardisation/sharing of information will facilitate more targeted and effective enforcement activity, improving safety and helping to create a more level playing field.</p>		

Key Assumptions/Sensitivities/Risks Estimates are based on the existing number of operator licences but the proposals will increase the scope of regulation by removing existing exemptions and so estimates will need to be revised when further information/clarification on scope is obtained.

Price Base Year 2007	Time Period Years 10	Net Benefit Range (NPV) £ -2-29m	NET BENEFIT (NPV Best estimate) £ -15m
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What is the geographic coverage of the policy/option?	UK
On what date will the policy be implemented?	2009/2010
Which organisation(s) will enforce the policy?	VOSA
What is the total annual cost of enforcement for these organisations?	£ 0.25m
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	No
What is the value of the proposed offsetting measure per year?	£ 0
What is the value of changes in greenhouse gas emissions?	£ Negligible
Will the proposal have a significant impact on competition?	No

Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A
Impact on Admin Burdens Baseline (2005 Prices)				(Increase -
Increase	£ 0.9m	Decrease of	£ 0	Net
				£ 0.9m

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Summary: Analysis & Evidence

Policy Option: C

Description: Partial Implementation

COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Estimates have been generated in relation to the costs of demonstrating financial standing, production of a national database and increased inspection costs (relating to operating centres).
	One-off (Transition)	Yrs	
	£ 0.2m	1	
	Average Annual Cost (excluding one-off)		
	£ 1.125m		
○	Total Cost(PV)		£ 9.9m
<p>Other key non-monetised costs by 'main affected groups' Rules around the employment of a transport manager will have a potentially significant transitional impact and it is hoped that an estimate can be generated once further information is gathered. The impact of an improved definition of cabotage is also not quantified at this stage.</p>			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Improved compliance/safety of foreign registered haulage vehicles would be expected to lead to a reduction in the number of fatal accidents that this type of vehicle is involved in. A reduction of 10% has been assumed and valued using DfT's VPF.
	One-off	Yrs	
	£ 0		
	Average Annual Benefit (excluding one-off)		
	£ 5.7m		
○	Total Benefit (PV)		£ 49m
<p>Other key non-monetised benefits by 'main affected groups' Limiting transport manager responsibilities would be expected to result in safety/operational benefits to the industry. Document standardisation/sharing of information will facilitate more targeted and effective enforcement activity, improving safety and helping to create a more level playing field.</p>			

Key Assumptions/Sensitivities/Risks Estimates will need to be revised when further information/clarification is obtained through consultation.

Price Base Year 2007	Time Period Years 10	Net Benefit Range (NPV) £ 0	NET BENEFIT (NPV Best estimate) £ 39.2m
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What is the geographic coverage of the policy/option?	UK
On what date will the policy be implemented?	2009/2010
Which organisation(s) will enforce the policy?	VOSA
What is the total annual cost of enforcement for these organisations?	£ 0.25m
Does enforcement comply with Hampton principles?	Yes
Will implementation go beyond minimum EU requirements?	No
What is the value of the proposed offsetting measure per year?	£ 0
What is the value of changes in greenhouse gas emissions?	£ Negligible
Will the proposal have a significant impact on competition?	No

Annual cost (£-£) per organisation (excluding one-off)	Micro	Small	Medium	Large
Are any of these organisations exempt?	No	No	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices)				(Increase -
Increase	£ 0.9m	Decrease of	£ 0	Net
				£ 0.9m

Key: Annual costs and benefits: Constant Prices (Net) Present Value

Evidence Base (for summary sheets)

Introduction

This evidence base relates to the preparation of a consultation stage impact assessment relating to the following three regulations proposed by the European Commission:

1. Proposal establishing common rules concerning the conditions to be complied with to pursue the occupation of road transport operator ('access to the occupation'). This will apply to hire and reward operators only.
2. Proposal on access to the market in the carriage of goods by road within the Community to or from the territory of a Member State or passing across the territory of one or more Member States ('access to the market').
3. Proposal on common rules for the international carriage of passengers by coach and bus (recast) ('carriage of passengers').

Preparing the Impact Assessment

The consultation stage impact assessment is presented as a single document which covers all three proposals, given that the three regulations are interlinked. This is also consistent with the format of the EC's own impact assessment and the Department's plans to issue a single consultation document covering all three proposals. A separate summary sheet has been prepared for the 'do something' options B and C.

The initial assessment of impacts has been prepared based on current understandings and will therefore need to be revised as areas of uncertainty are clarified.

Options

The options to be considered are as follows:

- A: Do Nothing (i.e. maintain the status quo of the existing regime).
- B: Full Implementation (of the proposals as set out in the draft regulations).
- C: Partial Implementation (of the proposals as set out in the draft regulations).

By maintaining the status quo of the existing regime, no additional costs or benefits would be incurred. All 'do something' options are assessed relative to this status quo.

This evidence base refers to Option B: Full Implementation

Analysis of Impacts

Sectors and Groups Affected

The proposed regulations would affect the following groups:

Transport operators (specifically hauliers in the hire and reward sector and coach and bus operators where the vehicle is designed to carry nine or more persons)

It is estimated that there are almost 35,000¹ UK businesses involved in road freight transport. The number of issued HGV Operator Licences is higher (approaching 100,000) given that hauliers require a licence for each of the UK traffic areas in which they have an operating centre.

The number of issued Operator Licences is comprised of 39,912 national licence holders, 11,522 international licence holders and 48,482 'own account' licence holders (however, this latter group does not fall within the scope of the proposed regulations)². Existing licences would continue to be recognised, although in future all new operator licences would be international.

The proposals would also abolish a number of existing exemptions for vehicles which operate for hire or reward thereby increasing the number of affected parties. The present lack of requirement for an operator licence means that there is no available record of the number of operators who would no longer benefit from an exemption under the new proposals therefore consultation should be used to gain an understanding of the potential numbers involved.

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

For passenger vehicles, the regulations impact on holders of PSV operator licences and also appear to impact on holders of restricted PSV operator licences, (those whose main business is not passenger transport, but is commercial in some way), and, more importantly, on voluntary/community organisations which operate a transport service under a permit, where this is their main activity, but is not commercial. The EC estimate there to be 10,826 UK companies involved in road passenger transport which will be impacted upon by the proposed carriage of passengers regulation³. This figure is higher than the count of PSV Operator Licences from UK records⁴ but has been assumed to include an estimate of those in the voluntary sector who operate passenger transport services⁵. At present in the UK there is no comprehensive record of the total number of voluntary/community

¹ Source: ABI (2004), falling from 37,600 in 1999. Total employment in the industry is estimated at 298,000 in 2004, declining from 335,000 in 1999.

² Source: Traffic Commissioners Annual Report (2005/06). The number of licences in issue has fallen steadily from 122,000 in 1994/5.

³ Source: European Commission Impact Assessment (2007). Figures relate to 2004.

⁴ 8,723 PSV Operator Licence holders, including 3,074 national, 2,509 international and 3,140 restricted licence holders which will be covered by the scope of the new regulations.

⁵ A request has been made to the EC requesting an explanation of how they arrived at this figure but no response has been received to date.

organisations which are currently providing a transport service.⁶ A key objective of the consultation exercise should be to collate evidence on the impact these proposals are likely to make on voluntary sector organisations.

The 8,700 PSV operator licences have resulted in the issue of 88,745 vehicle discs. The average number of discs varies by category of licence; restricted licences are limited to a maximum of 2 discs but have of average of 1.4, the average for national licence holders is 9.3 and international licences is 22.2.

Transport managers

The occupation of transport manager appears to fall within the SOC code 1161 (transport and distribution managers)⁷, however, GoSkills⁸ indicate that the position of transport manager for coach and bus operations is covered by SOC 8219 (transport operatives).⁹ In addition, the SOC system does not provide an indication of the number of CPC qualified transport managers who are currently active in the UK haulage or passenger transport industry.

Information from the qualification awarding body shows that almost 3,900 individuals achieved the CPC qualification in 2006, although again this does not indicate how many of these individuals are active in the role of transport manager.

Table 1 CPC qualifications 2006

CPC Full Awards in 2006	Number
OCR Level 3 Certificate of Professional Competence in International Passenger Transport	99
OCR Level 3 Certificate of Professional Competence in International Road Haulage	505
OCR Level 3 Certificate of Professional Competence in National Passenger Transport	401
OCR Level 3 Certificate of Professional Competence in National Passenger Transport (Northern Ireland)	4
OCR Level 3 Certificate of Professional Competence in National Road Haulage	2850
OCR Level 3 Certificate of Professional	22

⁶ Under the current system voluntary bodies are issued with a permit by the Traffic Commissioners or other designated bodies. These are not time limited and relate to vehicles not organisations (plus there is no limit to the number of permits a single body can hold). The number of new permits issued in a given year represents an addition to the current stock and therefore does not provide an indication of the total size of the voluntary transport sector. Also there is no way of estimating the number of permit holding organisations which would fall within the scope of the current proposals.

⁷ Source: ONS – Labour Force Survey records 79,000 individuals in the category of transport and distribution managers.

⁸ The Sector Skills Council for Passenger Transport: www.goskills.org

⁹ Current data suggests that 22,000 individuals fall within this category. Source: ONS – Labour Force Survey.

Competence in National Road Haulage (Northern Ireland)	
Total Number of Awards	3881

Source: OCR

Views from consultees about the supply of qualified transport managers in the UK would be very welcome.

VOSA/Traffic Commissioners

VOSA/Traffic Commissioners would be responsible for enforcement of the new regulations. The proposals require that a range of information would be collated and held on a national database of licence holders.

Training centres/providers

Training providers which offer the CPC qualification would have to meet the proposed new course requirements. The examination awarding body estimate there are around 600 providers in the UK.

Costs

This section outlines the likely costs of the proposals for each of the key changes in turn.

It should be noted that the proposed removal of current exemptions will increase the number of operators affected by the regulations. Therefore the scale of impact will need to be updated once a better idea of how many additional operators which will be impacted upon is available.

Establishments (access to occupation)

The new proposals contain a requirement that HGV and PSV operators are established in a Member State and can demonstrate this by having an office and operating centre, with sufficient parking, and vehicles registered in the Member State.

In the UK, operators currently have to demonstrate an operating centre. In relation to goods vehicles, the operating centre is defined as the 'base or centre where the vehicle is normally kept' and advice from consultees¹⁰ suggests that licence applications will be refused unless adequate, safe off-road parking can be demonstrated. Therefore it is considered that no major additional costs will be incurred by haulage businesses.

Within the passenger transport sector the impact on operators will hinge on how the EC intend to define 'sufficient' (i.e. will operators be expected to provide a parking space for every vehicle, even in the case of a coach company which always has a proportion of its fleet away on tour).¹¹ If faced with a requirement to increase the number of parking spaces provided an operator would be likely to seek to minimise costs by choosing to either adjust the size of the vehicle fleet or invest in the

¹⁰ Road Haulage Association and Freight Transport Association.

¹¹ Confederation for Passenger Transport.

current/move to a new operating centre. The extent of this impact (and associated cost implications) is presently unclear. Views on the current provision of parking spaces and likely course of action if an increase is required should be sought during consultation.

This proposal will be expected to generate some increased inspection cost for the Traffic Commissioners, particularly in relation to monitoring compliance in relation to the passenger transport sector. The cost of this has been provisionally estimated at £250,000 per year¹² although this should be seen as a lower bound estimate, particularly as the proposed scope of the regulations could significantly increase the number of organisations which require inspection.

Financial standing and Good Repute (access to occupation)

The proposals suggest a new definition of 'serious infringement or repeated minor infringements of Community rules' which could lead to the loss of good repute.

The potential scale of this impact is unclear, particularly as there is uncertainty about what 'minor infringement' will constitute. However, analysis of the number of operator licence disqualifications recorded for 2005/06¹³ shows that this represents a very small proportion of the total stock of existing licences.

Loss of good repute would impact on a transport manager in terms of lost income for two years and would potentially result in a significant cost to the individual in terms of lost earnings. However, this is to some extent a distributional rather than net impact as the loss of income to those judged to be of ill repute would be offset by income gains made by transport managers of good repute¹⁴. In the long-run, the industry and society as a whole would also be expected to benefit from the disqualification of those managers judged to be of ill repute. The threat of disqualification would also be expected to exert a wider disciplinary effect with potential social benefits.

The regulations also propose new requirements regarding proof of financial standing to improve accountability. Currently a series of bank statements is required as proof of financial standing; however, the regulations propose that either certified annual accounts (demonstrating short-term solvency through assets totalling at least €9,000 for a single vehicle and €5,000 for each additional vehicle used and a quick ratio of greater than 80%) or a bank guarantee will be required, suggesting an additional cost to a proportion of operators.

It is assumed that the majority of operators will already produce annual accounts but an additional cost will be incurred for those that do not produce certified accounts

¹² Data for 2005/06 shows that there were 1,263 applications for new licences and 1,141 applications for major variations (bus and coach operators). Assuming that half a day of additional staff time is required per application this would suggest that up to 5 additional full-time staff may be required throughout the UK.

¹³ Traffic Commissioners' Annual Report 2005/06 reports that 74 goods vehicle operators and 13 bus and coach operators experienced disqualification of their licence in that year. It is assumed that almost all disqualifications are ultimately due to the loss of good repute.

¹⁴ Effect will be some combination of: the take up of positions by currently unemployed or underemployed transport managers (in which case the impact is primarily distributional); and a bidding up of wage levels of transport managers if there are no suitably qualified applicants available (in which case there is a gain – a short-term economic rent – to transport managers but with a net adverse impact on the industry).

(this is thought likely to impact mainly on very small road haulage operators¹⁵). However, the requirements may also place practical difficulties on small or newly established operators (in terms of demonstrating the required assets and quick ratio). Views from the industry on the extent to which this will impact on the ability of small companies to operate would be particularly useful.

At this stage, an indicative estimate of the increased cost to operators is £0.875m p.a.¹⁶ This figure only considers the costs which may be incurred by the need to prove financial standing, it does not consider the wider impact of the new requirements on the industry (i.e. the consequences of having to demonstrate a given level of assets/quick ratio).

Employment of transport manager (access to occupation)

The proposals would require that all operators employ a competent transport manager and limit the maximum number of operators (4) and vehicles (12) that an individual transport manager can take responsibility for (in relation to owner-drivers). This may impact on the industry in terms of constraining growth (because of the limits placed on individual transport manager responsibilities) and may generate additional costs to businesses if the salaries of transport managers are bid-up (due to a shortage of suitably qualified individuals), although there will be a compensating benefit to the transport managers themselves. Placing an absolute limit of the number of vehicles is likely to generate a threshold effect, for example in terms of providing disincentives to expand a fleet. It is also likely to have a disproportionate impact on small firms, particularly owner-operators, given that the proposals require a clearer contractual arrangement to exist between the operator and transport manager.

The vehicle limit proposed implies an average fleet size of 3 vehicles. In the UK haulage sector the average fleet size is approaching 4, although over 80% of operator licence holders are estimated to have 3 vehicles or less therefore the proposed vehicle limit would appear to be unlikely to cause a significant impact for the majority of operators.

The proposed operator limit could lead to an imbalance between the demand and supply of transport managers. However, at this stage we have been unable to establish the number of CPC qualified transport managers currently active in the UK.

In total the current UK haulage fleet is estimated to comprise just over 370,000 vehicles. Under the new proposals this fleet would require a minimum of over 33,000 CPC qualified transport managers. Current statistics from the CPC qualification awarding body show that in 2006 almost 3,500 individuals were awarded a CPC qualification in road haulage. Based on this annual attainment level it would appear

¹⁵ The view of the CPT was that for passenger transport operators it was not providing proof that would be an issue, rather meeting the required asset values and quick ratio.

¹⁶ Of the 35,000 businesses in the road haulage sector it is estimated that the majority are SMEs (based on fleet size alone, over 90% of operators have 10 vehicles or less, suggesting that the total number of employees will fall within the definition of a small business). Many of these will produce certified accounts, although a proportion, conservatively estimated at 5% of total businesses, will incur additional costs on an annual basis (this low proportion is supported by the findings of the small firms impact test in which surveyed businesses suggested that in general no additional costs would be incurred). An estimated figure of £500 in relation to the cost of a SME filing accounts has been used.

reasonable to assume an adequate number of qualified managers within the haulage sector (assuming a reasonable level of retention within the industry).

Key issues to be explored during consultation are the current availability of transport managers and the levels of responsibility which they currently adopt (the ratio of vehicles/operators per transport manager).

Records show that around 5,500 standard PSV operator licences have been issued in the UK. However, a further 3,140 restricted licences also exist – currently restricted licence holders do not require a transport manager and it is not clear whether the proposed regulation intends for them to be included in this requirement. If they were it would introduce a significant cost for a category of organisations, many of whom have only a marginal involvement in transport.

Just over 400 individuals were awarded a CPC in passenger transport in 2006. At present it is considered that there is a reasonable balance between demand and supply although this relies on a less strict definition of 'responsibility.' If a smaller span of control is introduced then a greater supply of transport managers will be required, particularly if it is combined with a wider scope of organisations.

Again views should be sought on the current availability of transport managers and the extent to which increased employment of transport managers will be required given existing fleet numbers/commitments.

The proposals also contain provision to reduce the period which operators have to employ a replacement transport manager from one year to six months. It has been reported that the time taken to replace a transport manager varies considerably, particularly depending on the level of experience required. Given that the majority of transport managers would be required to serve a three month notice period with their existing employer, the proposed six month grace period would create some difficulties creating increased competition amongst operators to secure the service of an appropriately qualified transport manager. One possible consequence of this would be to push up transport manager wage levels which will result in a cost to operators but a corresponding benefit to the managers themselves. The impact will be greatest for operators based in areas which are viewed by potential employees as less desirable locations to live and work.

Certificate of Professional Competence (access to occupation)

Under the current regime only the examination is regulated. The new regulation requires that new transport managers would have to undertake a minimum of 140 hours of training in addition to an examination. The proposals are based on quantity rather than quality of training provision.

The proposals suggest a three-fold increase in the current training regime.¹⁷ This will generate a cost to operators in terms of the additional staff time spent undergoing training. The increased training requirement is likely to lead to an increase in course fees (to cover the increased cost to providers). The current cost of a full CPC course is variable as it is set by the provider (the awarding body has no control over this and makes only a minimal charge as the certifying authority). If the proposals are

¹⁷ It is currently estimated that up to 7 days training is required. The proposed 140 hours equates to some 20 days.

accepted, providers would be free to increase course fees, although there will be a limit to what the market will accept.

At present the extent of this increase is unclear so a range has been constructed based on the scenarios below.

1. Invoice cost of training remains unchanged¹⁸. However, operators incur costs due to the additional days of staff time which must be spent in training.¹⁹ The total number of individuals obtaining a CPC qualification (road haulage and passenger transport) in 2006 has been used as a proxy for the annual scale of the impact resulting in an increased cost to UK operators of approaching £4.5million p.a.
2. In addition to the increased training requirement, the current course fees are increase to £1,100²⁰. This suggests an increased cost to UK operators of £6.6 million p.a.

However, the above calculations assume that the new training regime does not impact on the number of individuals who decide to undertake the qualification. The combination of the increased training requirement and the associated increased cost to operators may lead to a decline in the number of CPC entrants which would impact negatively on the industry by serving to further bid up the wages of those who already hold a CPC qualification due to increasing levels of scarcity. In addition, it has also been noted that a significant proportion of individuals who achieve a CPC qualification do not subsequently work as a transport manager. It is understood that many firms allow their employees to take the qualification as part of wider staff development in the sector but that the increased training requirement (and costs to firms) may reduce this number thereby impacting on the revenue generated by providers.

The proposals would also remove the separation between national and international CPCs (all would become international).

It is estimated that there are around 600 providers offering the CPC qualification. The proposals require training centres to seek accreditation/certification for the new CPC regime and this will result in a cost which is likely to be recovered through increased course fees.

The proposals would also see the current provision for grandfather rights withdrawn from 1st January 2012. Those who currently benefit from grandfather rights could choose either to leave the industry or to undertake CPC training. However, this element would not come into force until 2012 and, given that the rights date from

¹⁸ The current invoice cost of CPC training is estimated at around £550.

¹⁹ The salary for a haulage transport manager is reported to lie within the range £18,700 to £45,000. Therefore it has been assumed that the salary for an individual who is in the process of obtaining a CPC would be at the bottom of this range. The cost to the company would be comprised of salary costs plus non-wage costs (21.2%, based on DfT appraisal guidance). Therefore an additional 13 days of training is estimated to cost the operator approaching £1,150.

²⁰ This represents a two-fold increase in current estimated fees.

1975, by this time the number of individuals benefiting from grandfather rights would be relatively small. However, discussions with stakeholders suggest that the industry has an older age profile, particularly in relation to small, family-run companies and for haulage alone it is estimated that around 10,500 individuals would be impacted on by the proposed changes.

Assuming that around 25% of the estimated 10,500 who would be using grandfather rights are unaffected because they are in the process of undertaking a CPC qualification and/or the company they work for is in the process of training another member of staff; also that between 50-75% leave the industry, this leaves a range where between 0-25% are forced to obtain a qualification in order to remain in the industry and would incur costs in terms of course fees and lost staff time estimated in the range of £0-9million. Those who leave the industry would incur a cost in terms of lost earnings, but again this is a primarily distributional impact as the loss of earnings for one individual would be expected to be off-set by the increased earnings of others.

This should be considered as a conservative estimate given that the existing course fee and a low wage level have been assumed and it does not consider the number of individuals in the passenger transport sector that the withdrawal of grandfather rights will impact on²¹. Views on the scale of this impact should be welcomed from consultees, particularly the impact on small, family businesses.

Cabotage of goods transport (access to markets)

Road cabotage transport only represents a small share of the total road transport market at EU level. Cabotage is currently allowed on a 'temporary' basis. The proposed new definition aims to clarify the definition of temporary but as a result could increase competition for UK hauliers by increasing opportunities for foreign hauliers to undertake journeys in the UK.

The impact of cabotage activity in the UK is focused around the Channel, North Sea and Irish Sea ports. But even in these areas, official cabotage measures are relatively low (it is estimated that foreign operators' share of the market is between 2.5 - 4.2 percent in the hire and reward sector).²² The overall cabotage penetration rate in the UK has risen from 0.37 percent in 1999 to 1.2 percent in 2004.

At present cabotage does not have a significant impact on the UK haulage industry and if current penetration rates were maintained then no significant additional impacts would be expected to result. However, it is likely that the number of contracts in the UK won by non-UK operators will increase as a result of the changes. Consumers may benefit from reduced costs, although this benefit will be offset by the impact on domestic operators in terms of reduced revenue. The impact of cabotage extends beyond the direct loss of market share, in particular, through the threat of foreign competition having a wider impact on buyers' price expectations. Though there is no quantitative evidence as to the scale of this wider impact on operator margins evidence gathered by associations indicates a "footprint" effect from overseas hauliers quoting low rates to one or two customers, which then

²¹ However, discussion with the CPT suggests that the number of people who have never sat a CPC (or equivalent) qualification and are still active as transport managers would be expected to be quite small.

²² Haulage Industry Task Group: summary of evidence (HMT, December 2006).

circulate lowering price expectations for some buyers of haulage services. The presumption is that changes in this area will increase competition which would be beneficial, although difficulties arise because of distortions in tax regimes across the EU, particularly differential pricing of fuel (which is outside of the scope of these regulations).

Despite the overall lower cost base for foreign hauliers from some countries, observed levels of cabotage in the UK are still relatively low, but there is acknowledged potential for cabotage penetration to increase²³.

The number of haulage operator licences has declined steadily over the past 10 year period, although in recent years the pace of this decline appears to have slowed. Statistics show that number of operator licences in the UK haulage industry declined by 1% (between 2003/04 and 2004/05). In addition, total employment declined by 4% (between 2003 and 2004). There are clearly a number of factors underlying this trend and the role of cabotage is considered by the Department to have made a negligible contribution to this decline. Therefore it has not been possible to quantify the potential impact on UK industry of an increase in cabotage activity by foreign operators.

Regular coach services (carriage of passengers)

The passenger market regulation applies to operators engaging in international journeys in the EU using a vehicle designed to carry nine or more persons, either on own account or hire and reward.

The proposals simplify the procedure for authorising new regular coach services between Member States but reduce the scope for such new services to be refused. In the UK it is reported to be rare for such requests to be refused so the impact is likely to be minimal although the changes may lead to an increased number of applications to occur in the future resulting in more competition on certain routes and so the situation should be monitored. However, the proposal may also open up additional opportunities for UK operators.

It is also reported that any additional costs for the small number of British operators running regular services to continental Europe will be modest. No operators have indicated that they expect to incur measurable extra cost²⁴.

If the regulations also require full authorisation for all cross-border bus services (rather than the current situation where neighbouring member states can agree special arrangements in border areas) then additional costs would be incurred by Translink in Northern Ireland,²⁵ including the cost of an additional administrative resource, the cost of continuing to run un-economic (and, sometimes, un-needed) services while going through the process of changing or cancelling the licensed

²³ For example, the Haulage Industry Task Group estimate if all foreign vehicles used all their spare time in the UK to undertake cabotage this would yield a potential capacity/penetration rate of 15.7 percent (non-bulk, over 38 tonnes, hire and reward sector only). However, this would appear to be a worst case scenario particularly as little of this potential capacity appears to be being utilised in practice.

²⁴ Source: CPT. However, the proposed regulation would require every passenger on an international service to be issued with a ticket. If a season ticket or concessionary pass would not constitute a ticket under the regulation then some further additional costs (and potential inconvenience for passengers) would occur.

²⁵ Translink is the bus operation of the state-owned Northern Ireland Transport Holding Company.

timetable, and the missed opportunities for new services while approval is awaited. Discussions with the relevant trade association (CPT) suggest that these costs, as a broad estimate, might add up to £250,000 per annum.

Standardisation of documents and national database (access to markets)

Standardisation of certified copies of Community Licences and Driver Attestations/Community Authorisations will be required under the proposals, specifically inclusion of enhanced security features and serial numbers which would be entered into a national database. Current Community Authorisations will remain valid until their date of expiry.

This will create some short-term transitional costs to VOSA in terms of standardisation but this is not likely to be significant. In addition, it should be noted that VOSA could pass on some or all of this increased administration cost to the industry, although this would merely affect the incidence of the costs involved.

There is an existing reciprocal arrangement requiring notification of defects on foreign vehicles to the appropriate licensing authority although the response from some Member States is considered to have been disappointing and there is therefore scope for improving the effectiveness of exchange of information. VOSA presently has a web-based system for collating information about licence holders therefore it is considered that the foundation for increased sharing of information with other Member States is in place. Passwords could be issued to designated authorities/officials to enable them to access the system and it is considered that this would result in a minimal to moderate cost to the agency. However, in order to meet the proposed requirements a number of additional fields would need to be added to the current database – this work could be done under VOSA's existing IT supplier contract and would also result in a moderate cost²⁶ given that the database is not a stand-alone system and the addition of new fields would require changes to be made to its structure. Available cost information indicates that this requirement would result in an IT upgrade cost to VOSA of up to £200,000²⁷.

Benefits

Overall the proposals are designed to provide more consistent interpretation and enforcement of the existing rules thereby leading to a more level playing field for operators across the Member States, assuming a common level of application. The regulations would also be expected to have a positive impact on road safety given that there is evidence in the UK relating to higher non-compliance of international operators²⁸ and involvement in accidents - although questions remain about how far road safety issues occur as a result of standards of enforcement and regulation, or other factors such as differences in driving practice/standards.

²⁶ Source: VOSA. Based on costings provided to VOSA by its IT contractor relating to the introduction of additional fields to the existing database for another purpose. A cost for providing call centre access was provided and this has been assumed to be broadly comparable to the requirement to provide access to other Member States.

²⁷ The existing cost information suggests that the 'moderate' category relates to work expected to cost between £10,000 and £100,000. conservatively assuming a budget of up to £100,000 for each element result in a total of £200,000.

²⁸ 31.5% non-compliance for international vehicles compared to 23% for UK vehicles in terms of roadworthiness (source: VOSA).

Statistics show that a total of 11,336 HGVs were involved in accidents in 2006 of which 1,072 were foreign registered. These accidents resulted in a total of 419 of the casualties involved being killed; 44 (11%) of these fatalities involved foreign registered HGVs²⁹. Although the cause and circumstances of these incidents varies it might be expected that the new regulations would prevent a small proportion of these deaths involving foreign HGVs. A reduction of 10% (4 deaths) would be valued at around £5.7 million.³⁰ A reduction in the number of non-fatal (injury and damage-only) accidents would also be expected but has not been quantified.

In addition:

- Access to occupation - limiting transport manager responsibilities may bring safety and/or operational benefits. The withdrawal of grandfather rights may also generate benefits in terms of improved confidence in the industry and standardised working practices.
- Access to markets - standardisation of documents and sharing of information will enable more targeted and effective enforcement activity to be undertaken; this will help to ensure that enforcement resources are used more effectively and again this will improve road safety and create a more level playing field for UK operators.
- Access to markets - improved definition of cabotage may result in benefits in terms of reduced enforcement costs (particularly as the proposals may reduce the length of legal hearings given the increased clarity around the definition of cabotage); there is also potential for increased logistics efficiency which may benefit customers. The definition will also provide clarity for UK hauliers who wish to seek opportunities to undertake cabotage in other EU countries.
- Carriage of passengers – the presumption is that the proposals are likely to lead to some benefits in terms of a reduced administrative burden although these are likely to be small in a UK context.

Environmental and Social Impacts

There is some concern about the level of dis-benefits to passengers which may occur as a result of the proposal to include restricted licence and voluntary sector permit holders within the scope of the access to occupation regulation. The increased burdens placed on these operators may lead to a change in the cost or availability of such services with potential to impact negatively on vulnerable groups such as the elderly and disabled. Further costs will be incurred by local authorities in sourcing alternative provision. However, in other cases, an alternative may not be provided leading to reduced quality of life for existing passengers. The scale of the impact will depend on the extent to which voluntary groups fall within the scope of

²⁹ Road Casualties Great Britain 2006 (DfT, 2007). It is also reported that foreign registered buses or coaches were involved in 0 fatal accidents.

³⁰ Based on a value of preventing a fatality of £1.43m. Highways Economics Note No.1 (DfT, 2007).

the proposals – groups that are included will incur costs in terms of operator licencing, training and the proposal that the driver of the vehicle should be an employee of the organisation (whereas in many existing cases would be a volunteer). Alternatively these organisations may choose to withdraw their services resulting in significant dis-benefits to users. Views should be sought on the number of organisations which will fall within the scope of the proposals and the extent to which requirements could be met.

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

A number of the proposals have potential to impact positively on vehicle compliance and safety and this would be expected to create social benefits as a result of decreased accidents.

Impact on Small Firms

There is evidence to suggest that some elements of the proposed regulations will impact disproportionately on small firms, in particular the increased CPC training requirement (leading to an increase in lost staff time). Restrictions on the responsibilities of transport managers may also create a disincentive for SMEs to expand their vehicle fleet.

Both the road haulage and passenger transport by bus and coach (including voluntary transport associations) sectors contain a significant percentage of small businesses

As part of the requirement to undertake a small firms impact test, telephone consultation was undertaken with a sample of road haulage businesses³¹. Seven of these businesses were able to undertake a short survey (resulting in a response rate of 39%). The findings show that the proposed changes to the CPC training regime was the area which was of most concern to respondents given the significant increase in staff time which would be taken away from business activities and the associated impact on cost and competitiveness. A summary of findings is contained in Annex 3.

Competition Assessment

Further harmonisation and definition of the regulations in the area of freight and passenger transport will help to even out issues which have arisen to date due to a lack of consistency in implementation and enforcement across Member States. This will lead to a more level playing field for UK operators in the EU market so long as application and enforcement are consistent. The proposals will not distort competition within the UK.

³¹ Contact details were provided by the Road Haulage Association.

This evidence base refers to Option C: Partial Implementation

Partial Implementation would involve some or all of the following changes (compared to full implementation)³²:

- Delay the removal of grandfather rights to 2015 (as by this point the vast majority of those currently benefiting will have reached retirement age and so the impact will be minimal).
- Maintain the current list of exemptions (see annex 2) from having to hold an operators licence (the current proposals advocate that these are removed).
- Maintain the existing one year grace period for providing a replacement transport manager (the current proposals reduce this to six months).
- Maintain the existing requirements for achieving a Certificate of Professional Competence (the current proposals suggest a new requirement for 140 hours of training to be completed in addition to an examination and also that the distinction between national and international operator licences be removed).
- Maintain the existing requirements around the need for appropriate vehicle maintenance arrangements.
- Introduce an exclusion for local cross-border bus services (i.e. those travelling within 50km of an international border) and transfer of authorisation responsibility from IRFO³³ to a national authority (this exclusion was suggested in the EC's original consultation paper but has been removed from the current proposals). However, discussion with the Department of the Environment Northern Ireland confirms that authorisation of both public and private bus services (including those which operate cross-border) is currently undertaken by the Northern Ireland Government and so this proposal would be equivalent to maintaining the status quo.
- Maintain a passenger derogation for undertakings that are either non-commercial or do not have the operation of road passenger vehicles as their main business.

Analysis of Impacts

Sectors and Groups Affected

The proposed regulations would affect the following groups:

Transport operators (specifically hauliers in the hire and reward sector and coach and bus operators where the vehicle is designed to carry nine or more persons)

³² Partial implementation could involve all, or any combination, of the changes listed which therefore form a set of sub-options. It is expected that the options for partial implementation will be further developed as negotiations progress.

³³ International Road Freight Office.

It is estimated that there are almost 35,000³⁴ UK businesses involved in road freight transport. The number of issued HGV Operator Licences is higher (approaching 100,000) given that hauliers require a licence for each of the UK traffic areas in which they have an operating centre.

The number of issued Operator Licences is comprised of 39,912 national licence holders, 11,522 international licence holders and 48,482 'own account' licence holders (however, this latter group does not fall within the scope of the proposed regulations)³⁵. Existing licences would continue to be recognised, although in future all new operator licences would be international.

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

For passenger vehicles, partial implementation would impact on holders of full PSV operator licences only, i.e. not restricted PSV operator licences, (those whose main business is not passenger transport, but is commercial in some way) nor on voluntary/community organisations which operate a transport service under a permit. UK records show there to be 3,074 national licences and 2,509 international licences, giving a total of 5,583 licences which would fall within the scope of partial implementation.

The average number of discs varies by category of licence; the average for national licence holders is 9.3 and international licences is 22.2.

Transport managers

The occupation of transport manager appears to fall within the SOC code 1161 (transport and distribution managers)³⁶, however, GoSkills³⁷ indicate that the position of transport manager for coach and bus operations is covered by SOC 8219 (transport operatives).³⁸ In addition, the SOC system does not provide an indication of the number of CPC qualified transport managers who are currently active in the UK haulage or passenger transport industry.

Information from the qualification awarding body shows that almost 3,900 individuals achieved the CPC qualification in 2006, although again this does not indicate how many of these individuals are active in the role of transport manager.

³⁴ Source: ABI (2004), falling from 37,600 in 1999. Total employment in the industry is estimated at 298,000 in 2004, declining from 335,000 in 1999.

³⁵ Source: Traffic Commissioners Annual Report (2005/06). The number of licences in issue has fallen steadily from 122,000 in 1994/5.

³⁶ Source: ONS – Labour Force Survey records 79,000 individuals in the category of transport and distribution managers.

³⁷ The Sector Skills Council for Passenger Transport: www.goskills.org

³⁸ Current data suggests that 22,000 individuals fall within this category. Source: ONS – Labour Force Survey.

Table 1 CPC qualifications 2006

CPC Full Awards in 2006	Number
OCR Level 3 Certificate of Professional Competence in International Passenger Transport	99
OCR Level 3 Certificate of Professional Competence in International Road Haulage	505
OCR Level 3 Certificate of Professional Competence in National Passenger Transport	401
OCR Level 3 Certificate of Professional Competence in National Passenger Transport (Northern Ireland)	4
OCR Level 3 Certificate of Professional Competence in National Road Haulage	2850
OCR Level 3 Certificate of Professional Competence in National Road Haulage (Northern Ireland)	22
Total Number of Awards	3881

Source: OCR

Views from consultees about the supply of qualified transport managers in the UK would be very welcome.

VOSA/Traffic Commissioners

VOSA/Traffic Commissioners would be responsible for enforcement of the new regulations. The proposals require that a range of information would be collated and held on a national database of licence holders.

Training centres/providers

Training providers which offer the CPC qualification would have to meet the proposed new course requirements. The examination awarding body estimate there are around 600 providers in the UK.

Costs

Additional costs would be lower than those estimated for option B as the status quo would continue to be maintained in terms of:

- Exemptions;
- Providing a replacement transport manager;
- CPC;
- Vehicle maintenance agreements;

- Voluntary transport organisations;
- Cross-border bus services.

In addition, delaying the removal of grandfather rights by a further three years would reduce costs incurred in this area. By 2015 it is expected that most operators holding grandfather rights would have retired and so additional costs as a result of their removal would be expected to be minimal.

Therefore additional costs from partial implementation can be summarised as follows (this is a sub-set of costs estimated for option B and a full explanation can be found in the option B evidence base):

Establishments

No significant cost impact to haulage operators expected. A cost to passenger transport operators relating to the provision of sufficient parking spaces may be incurred but has not been estimated at this stage given uncertainty about how the requirement will be defined. Increased inspection activity has been provisionally costed at £250,000 p.a. but should be seen as a lower bound estimate given that the proposed regulations would increase the number of organisations requiring inspection (but the increase would be less than under option B as in this case the current derogations around passenger transport would be maintained).

Financial Standing and Good Repute

There is a potential cost to the affected individual through loss of good repute (resulting in lost earnings) but this is a primarily distributional impact and will be offset by income gains made by those who maintain good repute.

There will be a cost to some operators regarding the need to demonstrate good financial standing. An indicative estimate of costs associated with this measure is £0.875m p.a.

Employment of transport manager (excluding the proposal to reduce the grace period for finding a replacement transport manager)

A cost to some operators would be expected to occur although at this present this is not quantified. Views are required on the number of active CPC qualified transport managers in the UK, and their current responsibilities, in order to inform an estimate of the balance of supply and demand (and the associated impact on operators).

Cabotage of goods transport

At present cabotage does not have a significant impact on the UK haulage industry and if current penetration rates were maintained then no significant additional impacts would be expected to result.

However, it is likely that the proposed changes will make cabotage more attractive to non-UK operators. Consumers may benefit from reduced costs although this benefit will be offset by the impact on domestic operators in terms of reduced revenue. The UK haulage industry has experienced some decline in recent years although increased levels of cabotage are thought to have played a negligible role in this situation. Therefore it has not been possible to quantify the potential impact on UK industry of an increase in cabotage activity by foreign operators.

Regular coach services (excluding the proposal that cross-border bus services would require full authorisation)

It is thought that operators will experience no measurable extra cost compared with the current system.

Standardisation of documents and national database

Some short-term transitional costs will be incurred by VOSA as a result of need to introduce standardisation of documents. A moderate one-off cost will be incurred by VOSE because of the need to upgrade existing IT systems; this has been estimated at up to £200,000.

Benefits

Overall the proposals are designed to provide more consistent interpretation and enforcement of the existing rules thereby leading to a more level playing field for operators across the Member States, assuming a common level of application. The regulations would also be expected to have a positive impact on road safety given that there is evidence in the UK relating to higher non-compliance of international operators³⁹ and involvement in accidents - although questions remain about how far road safety issues occur as a result of standards of enforcement and regulation, or other factors such as differences in driving practice/standards.

Statistics show that a total of 11,336 HGVs were involved in accidents in 2006 of which 1,072 were foreign registered. These accidents resulted in a total of 419 of the casualties involved being killed; 44 (11%) of these fatalities involved foreign registered HGVs⁴⁰. Although the cause and circumstances of these incidents varies it might be expected that the new regulations would prevent a small proportion of these deaths involving foreign HGVs. A reduction of 10% (4 deaths) would be valued at around £5.7 million.⁴¹ A reduction in the number of non-fatal (injury and damage-only) accidents would also be expected but has not been quantified.

In addition:

- Access to occupation - limiting transport manager responsibilities may bring safety and/or operational benefits.
- Access to markets - standardisation of documents and sharing of information will enable more targeted and effective enforcement activity to be undertaken; this will help to ensure that enforcement resources are used more effectively and again this will improve road safety and create a more level playing field for UK operators.

³⁹ 31.5% non-compliance for international vehicles compared to 23% for UK vehicles in terms of roadworthiness (source: VOSA).

⁴⁰ Road Casualties Great Britain 2006 (DfT, 2007). It is also reported that foreign registered buses or coaches were involved in 0 fatal accidents.

⁴¹ Based on a value of preventing a fatality of £1.43m. Highways Economics Note No.1 (DfT, 2007).

- Access to markets - improved definition of cabotage may result in benefits in terms of reduced enforcement costs (particularly as the proposals may reduce the length of legal hearings given the increased clarity around the definition of cabotage); there is also potential for increased logistics efficiency which may benefit customers. The definition will also provide clarity for UK hauliers who wish to seek opportunities to undertake cabotage in other EU countries.
- Carriage of passengers – the presumption is that the proposals are likely to lead to some benefits in terms of a reduced administrative burden although these are likely to be small in a UK context.

Environmental and Social Impacts

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

A number of the proposals have potential to impact positively on vehicle compliance and safety and this would be expected to create social benefits as a result of decreased accidents.

Impact on Small Firms

There is evidence to suggest that some elements of the proposed regulations will impact disproportionately on small firms, in particular the need to demonstrate financial standing. Restrictions on the responsibilities of transport managers may also create a disincentive for SMEs to expand their vehicle fleet.

Both the road haulage and passenger transport by bus and coach sectors contain a significant percentage of small businesses

As part of the requirement to undertake a small firms impact test, telephone consultation was undertaken with a sample of road haulage businesses⁴². Seven of these businesses were able to undertake a short survey (resulting in a response rate of 39%). The findings show that the changes which would occur under partial implementation would not cause significant costs or concern to the respondents. A summary of findings is contained in Annex 3.

Competition Assessment

Further harmonisation and definition of the regulations in the area of freight and passenger transport will help to even out issues which have arisen to date due to a lack of consistency in implementation and enforcement across Member States. This will lead to a more level playing field for UK operators in the EU market so long as application and enforcement are consistent. The proposals will not distort competition within the UK.

⁴² Contact details were provided by the Road Haulage Association.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	Yes	No
Small Firms Impact Test	Yes	Yes
Legal Aid	Yes	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No

Annexes

Annex 1:

Summary of Indicative Costs

Costs shown are relative to the current status quo (i.e. option a).

Table 1 Overview of Estimated Costs

Area of Change	Option B – full implementation	Option C – partial implementation	Notes
Establishment	£0.25m p.a.	£0.25m p.a.	Cost to VOSA. Ongoing.
Good repute	Primarily distributional impact	Primarily distributional impact	Cost to individual transport managers who experience disqualification offset by gains made by those who maintain good repute.
Financial standing	£0.875m p.a.	£0.875m p.a.	Estimated compliance cost to operators. Ongoing.
Employment of transport manager	Not quantified	Not quantified	Potentially significant initial cost to operators (industry would then be expected to adapt to minimise ongoing costs).
CPC	£4.5-6.6m p.a.	0	Cost to operators. Ongoing. Also cost to providers – presently not quantified.
Grandfather rights	£0-9m	Negligible	CPC training costs to operators/individual. One-off.
Cabotage	Not quantified	Not quantified	Cost to operators/industry. Ongoing.
Regular coach services	£0.25m p.a.	0	Increased cost to operators of cross-border services. Ongoing.
Standardisation of	Negligible	Negligible	Cost to VOSA. Short-

documents			term transitional cost.
National database	£0.2m	£0.2m	Cost to VOSA. One-off.

Table 2 Overview of Estimated Benefits

Regulation Area of Change	Option B – full implementation	Option C – partial implementation	Notes
Access to Occupation	£5.7m p.a.	£5.7m p.a.	Benefits derived from improvements in compliance of foreign operators. Assuming full implementation in rest of EU. Based on an assumed scenario.

Annex 2:

Vehicles which do not need to be on an operator’s licence or the use of which do not require an operators licence

The following list reflects the substance of the main exemptions from operator licensing and is a summary only. Details of most of them can be found in Schedule 3 to the Goods Vehicles (Licensing of Operators) Regulations 1995.

- vehicles first used before 1977 which have an unladen weight not exceeding 1525kg and for which the maximum gross plated weight is between 3500kg and 3556.21kg (3.5 tons)
- motor vehicles & their trailers using public roads for less than 9.654km (6 miles) a week, whilst moving between private premises
- vehicles being used under a trade licence
- vehicles used by, or under the control of Her Majesty’s United Kingdom forces and visiting forces vehicles
- vehicles being used by local authorities for Civil Defence purposes, or to carry out their functions in respect of certain enactments
- vehicles being used for police, fire or ambulance purposes
- fire-fighting & rescue vehicles used in mines
- RNLI & Coastguard vehicles when used for transporting lifeboats, appliances or crew
- vehicles being held ready for use in emergencies by water, electricity, gas & telephone undertakings

- tractors, including agricultural tractors, used in the following circumstances:

Hauling:

- (a) Threshing appliances;
- (b) Farming implements
- (c) A living van for the accommodation of persons employed to drive the tractor; or
- (d) supplies of water or fuel required for the tractor.

Hauling articles for a farm required by the keeper, being either the occupier of the farm or a contractor employed to do agricultural work on the farm by the occupier of the farm.

Hauling articles for a forestry estate required by the keeper where the keeper is the occupier of that estate or employed to do forestry work on the estate by the occupier or a contractor employed to do forestry work on the estate by the occupier.

Hauling within 24.135 kilometres (15 miles), of a farm or a forestry estate occupied by the keeper, agricultural or woodland produce of that farm or estate.

Hauling within 24.135 kilometres (15 miles), of a farm or a forestry estate occupied by the keeper, material to be spread on the roads to deal with frost, ice or snow.

Hauling a snow plough or a similar contrivance for the purpose of clearing snow; and hauling:

- (a) soil for landscaping or similar works; or
 - (b) a mowing machine,
- where the keeper is the local authority.

- vehicles being used to carry goods within aerodromes
- vehicles being used for funerals
- uncompleted vehicles on test or trial
- vehicles being used for or in connection with (or on their way to) snow clearing or distribution of salt, grit etc
- vehicles on their way to a Department for Transport examination being presented laden at the request of an examiner
- electric and steam propelled vehicles
- recovery vehicles. Paragraph 3 of the Goods Vehicles [Licensing of Operators] Regulations 1995 states that a recovery vehicle has the same meaning as in Part V of Schedule 1 to the Vehicle Excise and Registration Act 1994 (i.e. a vehicle which is constructed or permanently adapted for any one or more of the purposes of lifting, towing and transporting a disabled vehicle).
- vehicles with fitted equipment eg machines, appliances, where the only other goods (or burden) carried are required for use in connection with the fitted equipment

- tower wagons & trailers which are carrying goods related to the work of the tower wagons
- dual purpose vehicles (eg Land Rovers) & their trailers
- trailers whose primary purpose is not to carry goods but do so incidentally in connection with construction, maintenance or repair of roads
- road rollers & trailers
- showmen's goods vehicles & trailers
- crown vehicles
- vehicles being used for international haulage by operators established in other EU Member States
- vehicles being used for international haulage by operators established in Northern Ireland
- vehicles being used under the provisions of the Goods Vehicles (Operators Licences) (Temporary Use in Great Britain) Regulations 1980. These Regulations include provision for the use in Great Britain of Northern Ireland Vehicles, which have an operating centre in Northern Ireland, provided that certain conditions are met.

Own account and hire and reward operations are covered.

Annex 3:

Summary of Consultation with Road Haulage Businesses

Total sample = 18 (provided by RHA)

Responses = 7 (response rate 39%)

Declined = 6

No reply = 2

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

Findings

Number employed by respondent businesses ranged from 3 to 100.

Only one respondent was involved in making international journeys.

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

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

threat to their business from foreign operators, although this was primarily due to lower labour/fuel costs, with compliance licensing issues seen as less important.

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

All businesses interviewed said that they would not incur any additional costs as a result of the new requirements on financial standing as they already produce audited accounts and have to prove solvency. One respondent also commented that banks are willing to aid small businesses as long as they are financially viable and not in significant debt.

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

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

Reducing the time period to find a replacement transport manager was not seen as a problem by businesses in the sample as most recruit from within and then provide training (and six months was seen as an adequate time to achieve a CPC, although proposed changes to the training regime may impact on this) (applies to option B only).

Most respondents commented that 140 hours of training seemed excessive, and that national haulage companies would not benefit from the international dimension. The new training regime may deter new entrants as employers may be forced to ask for guarantees that staff will stay with the company for a given number of years if they provide support for training. There would be additional costs to businesses in terms of lost time – staff diverted from business activities would impact on costs and competitiveness.

The proposals will also significantly impact on the time taken to achieve a CPC qualification as it was reported that most entrants approach it by attending classes on a weekly basis (applies to option B only).

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