Title: Medium-term exemptions from Public Service Vehicles Accessibility Regulations 2000 for home-to-school and rail-replacement coaches **IA No:** DfTDMA236 **RPC Reference No: N/A** **Lead department or agency:** Department for Transport **Other departments or agencies:** N/A	**Impact Assessment (IA)** **Date:** 17/02/2022 **Stage: Final** **Source of intervention:Domestic** **Type of measure: Administrative Order** **Contact for enquiries:** PSVAR@dft.gov.uk

Summary: Intervention and Options

RPC Opinion: N/A

Cost of Preferred (or more likely) Option (in 2019 prices)

Total Net Present Social Benefit	Business Net Present Benefit	Net cost to business per year	Business Impact Target Status
-0.39	-0.39	0.05	Non-qualifying provision

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

In 2019 DfT concluded there would be insufficient Public Service Vehicles Accessibility Regulations 2000 (PSVAR) compliant coaches for home-to-school (HTS) and rail replacement (RR) services after the compliance deadline of 31 December 2019. Short-term exemptions allowed services to run and give operators time to increase availability of compliant coaches, however numbers remained broadly static. Current exemptions expire on 30 June 2022 (RR) and 31 July 2022 (HTS). Without government intervention, there will be no incentive to encourage increased compliance and many essential HTS and RR services will stop running.

What are the policy objectives and the intended effects?

Our overarching goal is to make travel easier for disabled people through four policy objectives: 1) increase compliance with PSVAR, 2) ensure HTS and RR services continue, 3) reduce uncertainty for operators and commissioners of HTS and RR services, and 4) stop small and micro businesses (SMBs) going out of business. We will balance these objectives by introducing qualified, medium-term exemptions (MTEs) lasting until July 2026. These will require increasing compliance with PSVAR in full or in part over the exemption period to remain valid. This policy would deliver the objectives while reducing administrative burdens on operators and DfT caused by continuing with short-term exemptions.

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

0. Do Nothing: DVSA will enforce PSVAR from 1 August 2022 for HTS and 1 July 2022 for RR transport. Without exemptions, the coach sector will not be able to operate the majority of such services.

1. Use Administrative Orders to create MTEs (Preferred Option): Create and issue qualified MTEs, via Administrative Order (AO), lasting until 2026; allowing PSVAR to be reviewed by the end of 2023 and any recommendations to be implemented. The MTE compliance schedule will explicitly require increasing provision of PSVAR compliant coaches for HTS and RR services, in full or in part, over the exemption period. We are not amending or creating any primary or secondary legislation, but AOs are a qualifying regulatory provision with respect to section 22 of the Small Business, Enterprise and Employment Act 2015.

Will the policy be reviewed? It will be reviewed. **If applicable, set review date:** 08 2026

Is this measure likely to impact on international trade and investment?		No		
Are any of these organisations in scope?	**Micro** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)		**Traded:** N/A	**Non-traded:** NQ reduces GHG	

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: Vere de Navbihar Date: 28/03/2022

Summary: Analysis & Evidence — Policy Option 1

Description:

FULL ECONOMIC ASSESSMENT

Price Base Year 2019	PV Base Year 2022	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -58.4	**High:** 39.6	**Best Estimate:** -0.4

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant	Total Cost (Present Value)
Low	0.02	2.1	**18.7**
High	0.17	7.9	**72.5**
Best Estimate	0.07	3.2	**28.6**

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

The main costs are the high volumes of retrofitting coaches to ensure they are PSVAR compliant. Coach operators must ensure a growing proportion of their fleet is compliant in order to fully operate. Our best estimate is full retrofitting will cost £24.7m net of retrofitting costs in Do Nothing, and partial retrofitting will cost £3.9m net of retrofitting costs in the Do Nothing. Additionally, there is a small transition cost of applying for the Exemption, expected to be £0.07m

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

HTS and RR coach operators may pass on retrofitting costs, resulting in higher fares for users.

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant	Total Benefit (Present Value)
Low	0	1.5	**14.1**
High	0	6.4	**58.4**
Best Estimate	0	3.1	**28.2**

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

Compared with no exemption, there are additional operating profits from firms being able to operate 100% of their fleet until 2026, followed by a larger proportion of their fleet after 2026. We estimate this will deliver a net increase in coach operator profits of £28.2m

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

There are a number of significant non-monetised indirect benefits including: benefits to disabled travellers from greater accessibility to coach services; time saving benefits to parents from not having to transport children by car to school because coach services exist, resulting in decongestion and environmental benefits; and benefits from rail network operators for being able to access rail replacement coach services, allowing them to more easily plan rail engineering works.

Key assumptions/sensitivities/risks **Discount** 3.5

This analysis is high uncertainty, so sensitivity testing has been undertaken varying various assumptions including profit rates, retrofitting costs and administrative costs. There is considerable unquantifiable uncertainty on the lasting effect of COVID-19 on travel demand, as well as the ability of coach operator finances to increase compliance over the duration MTE. There is uncertainty about whether the combined cost of decarbonisation and PSVAR compliance may encourage some operators to exit the market rather than upgrade their fleet.

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			Score for Business Impact Target (qualifying provisions only) £m:
Costs: 3.3	**Benefits:** 3.3	**Net (Cost): 0.05**	0.2

Contents

1.0 Policy Rationale

1. The Policy Rationale section outlines the background and context to the policy issue explored, and how our proposed intervention will address it.

2. Our overarching goal is to make life easier and better for individuals who have accessibility issues when travelling. The Public Service Vehicles Accessibility Regulations 2000 (PSVAR) govern access for wheelchair users and other disabled people to buses and coaches.[1] PSVAR requires all vehicles that fall within their scope to be equipped with certain accessibility features. Compliance rates for local buses and long-distance coaches are high, but there are insufficient compliant coaches available for Rail Replacement (RR) and Home-to-School (HTS) services. From 2020, Ministers issued short--term exemptions (STEs) – which provided complete exemptions from PSVAR requirements – to ensure HTS and RR services could continue operating, with a clear expectation that operators would use the extra time to achieve compliance. The Driver and Vehicle Standards Agency (DVSA) were asked to suspend enforcement in the HTS sector while the STEs were in place.

3. Despite the clear signal, STEs have not stimulated a sufficient increase in the number of compliant vehicles in the HTS or RR sector. We consider that intervention is required to produce a solution that:

   a. encourages compliance with PSVAR so that more disabled people and disabled school children can travel alongside non-disabled passengers;

   b. ensures HTS and RR services continue;

   c. reduces uncertainty for operators and commissioners of HTS and RR services; and

   d. avoids small and micro business (SMB) operators going out of business.

4. We seek to balance these objectives by introducing medium-term Exemptions (MTEs) lasting from 1 July 2022 to 31 July 2026. MTEs have steps (or Periods) requiring an operator to progressively increase the compliance of their fleet to be either fully or partially compliant[2] with PSVAR by the start of 1 August 2025. MTEs would bridge the gap between now 2026, by which point the planned review of PSVAR will have concluded and any necessary post-review amendments implemented.

5. A glossary of terms for this impact assessment has been provided.

1.1 Policy background

6. The government is committed to improving transport for the user – including disabled passengers. As set out in the 2018 Inclusive Transport Strategy,[3] our ambition is of a fully accessible and inclusive transport system by 2030, with assistance if physical infrastructure remains a barrier. Since introduction, the PSVAR have required buses and coaches subject to them to meet minimum accessibility standards, with a deadline for compliance set by 2020. Responsibility for enforcement of PSVAR lies with the DVSA, and Office of the Traffic Commissioner.

7. We have seen high compliance amongst local buses and long-distance coaches leading to significant improvements for disabled passengers. However, there are significantly fewer compliant coaches available for HTS and RR services. Crucially, in 2019, DfT concluded the supply of

[1] https://www.legislation.gov.uk/uksi/2000/1970/contents/made - accessed 8 Febraury 2022

[2] "**Fully compliant**" refers to a coach which complies with all paragraphs of Schedules 1 and 3 of PSVAR 2000. Schedule 1 concerns facilities for wheelchair users, and Schedule 3 concerns other accessibility features. "**Partially compliant**" refers to a coach that, as a minimum, complies with PSVAR Schedule 3, paragraphs 2 (Floors and gangways), 3 (Seats), 4 (Steps, excluding sub-paragraphs 1d, 1e, 1f, and 5) and 5 (Handrails).

[3] https://www.gov.uk/government/publications/inclusive-transport-strategy- accessed 8 Febraury 2022

compliant coaches needed for HTS and RR services was insufficient and would continue to be well short of meeting demand. DfT had always been clear that HTS services were in scope of PSVAR. However, in 2019 the Office of Road and Rail received new legal advice that RR services were also in scope, a change from established position. The shortfall of compliant coaches is estimated to be in the region of 700 vehicles for RR and 6,000 for HTS (based on figures from a March 2020 Rail Delivery Group report).[4] Since the original deadline for compliance passed on 31 December 2019, some efforts have been made to improve coach sector compliance, however the ability of operators to invest in accessibility features has been stymied by the business impact of COVID-19.

8. This necessitated the introduction of 'Special Authorisations' as allowed by s178 of the Equality Act 2010; otherwise known as exemptions from PSVAR, in order to ensure continued operation of key HTS and RR services. Without exemptions, children and young people would not be able to travel to and from school or college in safety, nor would rail passengers be able to complete rail journeys during periods of planned and unplanned disruption. There would also be a significant impact on operators who rely on the income from running HTS services (and to a lesser extent, RR services), many of which are SMBs. Since November 2019, Ministers have granted STEs from PSVAR; these were qualified for RR services (offered for both planned and unplanned RR services), and for HTS (these were offered on an operator basis), giving full exemption from PSVAR requirements. Operators were clearly instructed to use the time granted by these STEs to improve compliance. However, we have seen little improvement in numbers of compliant vehicles for HTS. There have been some improvements in RR levels of compliance since 2019, however this is largely owing to the fact the rail industry has run a reduced timetable, and Train Operating Companies (TOCs) have been able to secure access to more compliant long-distance coaches that were not needed due to the impact of COVID-19 on the domestic tourism market. As COVID-19 become endemic, TOCs may not be able to rely on access to such compliant coaches.

9. Unlike the STEs that give full exemptions from PSVAR requirements, we propose that the MTEs require operators to increase the numbers of fully and partially compliant coaches in their fleet to the point that, by 1 August 2025, all their coaches are either fully, or partially compliant. The MTEs are intended to last until 31 July 2026. This would ensure coverage through the 2025/26 academic year and provide sufficient time to implement any potential changes flowing from a planned review of PSVAR. The review is due to be completed by the end of 2023, with implementation of any forthcoming amendments planned to be completed by 31 July 2026.

1.2 Problem under consideration

10. Despite government issuing short term exemptions, the HTS and RR sectors have not used this extra time to significantly increase their numbers of PSVAR compliant vehicles (aside from the impact of COVID-19 on the availability of more compliant vehicles). The current STEs are due to expire on 30 June 2022 (RR) and 31 July 2022 (HTS) respectively. Without further action from DfT, operators of such services would be at risk of DVSA enforcement from 1 July 2022 (RR) and 1 August 2022 (HTS). This would result in the majority of HTS and RR services not running due to a lack of available PSVAR compliant coaches, and could have knock on impacts if those coaches were also used for other services that needed PSVAR compliant coaches. This would have significant negative impacts on the travelling public, and on children's education with a disproportionate impact on rural areas where people are more reliant on HTS services. Many smaller operators in possession of non-compliant fleets (who rely on HTS work) could go bankrupt. Any operator who might attempt to undertake services with a non-compliant coach, may be committing a criminal offence (under the Equality Act 2010) and may face a fine not exceeding Level 4 on the standard scale (currently £2,500).[5] There is a clear desire from industry stakeholders,

[4] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html- accessed 8 Febraury 2022

[5] https://www.gov.uk/government/publications/accessible-buses-and-coaches/bus-and-coach-accessibility-and-the-public-service-vehicle-accessibility-regulations-2000- accessed 8 Febraury 2022

local authorities (including education authorities), and the Government to find a resolution which prevents this from happening, whilst encouraging compliance with PSVAR.

11. A solution is required which facilitates continuation of vital HTS and RR services, protects an important revenue stream for the coach sector, whilst also increasing the number of compliant coaches available for these services. Any exemption-based solution would need to have no material negative impact on the ability of disabled passengers to complete journeys.

Rationale for intervention

12. Intervention is required due to government failure through unintended consequences; failure to properly enforce compliance with PSVAR has led to a significant shortfall in the number of compliant coaches available for HTS and RR services. While buses and long-distance coaches have generally become compliant, coach operators who provide HTS and RR services generally have not or are not prepared to offer compliant vehicles for either HTS or RR services.

13. To avoid a situation where PSVAR was enforced and the majority of HTS services could not operate due to widespread non-compliance, the government decided in 2019 to provide STEs to the operators of HTS services. DVSA were subsequently asked to suspend enforcement of PSVAR across HTS transport to ensure that essential services could continue. These HTS STEs varied in duration and were intended to give the sector time to become more compliant, whilst also enabling DfT to develop a longer-term solution. Unfortunately, there were not significant increases in the number of compliant coaches during the first exemption period, and further rounds of STEs have been required. It is possible that STE policy, due to its inherently short-term focus, has given some in scope operators the impression that the Government's approach to dealing with PSVAR non-compliance is undecided. Subsequently, this may have induced complacency in operator attitude towards increasing compliance with PSVAR; contributing to the lack of progress from a compliant vehicle perspective. A longer-term intervention is required, which not only crystallises the Government's current position but also allows for the Review of PSVAR 2000 to be undertaken by conclusion of 2023. A continuation of STE policy and the associated administrative burdens would constrain Departmental resource which could otherwise be allocated to the Review.

14. Later in 2019, in a change from the established position, legal advice provided to the Office of Rail and Road found that RR services were also in scope of PSVAR. Consequently, RR service operators were invited to apply for separate STEs. The impact of the COVID-19 pandemic has meant that RR services have, temporarily, been able to provide a much higher proportion of compliant vehicles than before. This was due to reduced timetables for the rail network, and the ability of TOCs to lease more compliant vehicles from the domestic tourism sector (which has a surplus of vehicles owing to a pandemic-influenced downturn in trade). Aside from this, TOCs have made some progress on increasing the availability of compliant vehicles in response to expectations set out by the Minister for Rail and the requirements of their Accessible Travel Policies. However, this would still leave a significant shortfall of the number of coaches needed and subsequently, it can be expected that without intervention, the availability of compliant coaches for RR services will drop in the future as the impacts of the COVID-19 pandemic continue to recede.

15. With the latest short-term exemption (HTS4) due to expire 31 July 2022, the majority of coaches used for HTS are still not compliant, and RR services are unlikely to be able to continue accessing leased compliant coaches from the domestic tourism sector. Consequently, MTEs have been developed as a solution to facilitate continuation of HTS and RR services, whilst increasing the number of coaches compliant with PSVAR. This solution will also allow time for the review of PSVAR to be completed, and any potential amendments forthcoming to be made. To minimise the risk that by conclusion of the MTEs there is another situation where the government must consider offering further exemptions, MTEs will require operators to proportionally increase the number of compliant coaches available for HTS and RR services over the course of the exemption in order for it to remain valid.

Policy objective

16. Our overarching goal is to make life easier and better for individuals who have accessibility issues to travel. To achieve this, our policy objectives are:

    a. encourage compliance with PSVAR so that more disabled people and disabled school children can travel alongside non-disabled passengers

    b. ensure HTS and RR services continue

    c. reduce uncertainty for operators and commissioners of HTS and RR services, and

    d. avoid SMB operators going out of business

17. We seek to balance these objectives through the introduction of MTEs. These exemptions would last from 1 July 2022 to 31 July 2026, have steps (or Periods) aligned with school years to give greater certainty to commissioners of HTS services as to how many compliant vehicles they can expect to be able to access, and require an operator to progressively increase the compliance of their fleet to be either fully or partially compliant with PSVAR requirements by the end of the MTE.

18. In addition, this policy would eliminate the status quo requirement for DfT of processing and re-issuing a continuing series STEs from PSVAR. This is a resource intensive process for operators and DfT; and creates uncertainty for the operators and commissioners of HTS transport. Moving to a solution focused beyond the short-term, which MTEs represent, would free up valuable resources for all parties. From the perspective of industry, transitioning to a four-year solution would support operators in making better informed investment decisions, whilst giving manufacturers an extended period in which to retrofit vehicles with the required accessibility features. Moreover, the proposed MTEs will provide much desired continuity for the coach sector through to the review of PSVAR due to be complete by 2023, with potential amendments implemented before the MTEs expire in 2026.

19. The proposed approach is reliant upon the ability of DVSA to enforce the MTE compliance terms throughout the exemption period. DVSA is responsible for identifying and investigating non-compliance with PSVAR. Inspection activity takes several forms, including targeted and ad hoc roadside checks, visits to operator premises, intelligence led investigations and activity focused on particular aspects of the legal requirements. In response to identified non-compliance, DVSA can take several enforcement actions, including requiring that the use of individual vehicles is suspended until defects are rectified, and reporting cases to The Office of the Traffic Commissioner for potential further action. Since DfT began issuing STEs from PSVAR in late 2019, owing to the high non-compliance within HTS transport, we asked DVSA to suspend enforcement of PSVAR across this sector to ensure that essential services were protected. We propose, however, to lift this request once MTEs have been granted; and to ask that enforcement is undertaken on the basis of exemptions held by individual operators and the terms on which they will be issued. We would anticipate DVSA potentially seeking confirmation from operators holding MTEs that relevant terms are being complied with and, where they are not, taking appropriate enforcement action. We consider it important to demonstrate that enforcement action will be taken in response to evidenced non-compliance, in order to encourage compliance, both with the terms of exemptions and where relevant, with PSVAR itself.

20. DVSA have assured DfT that they have the appropriate resourcing to handle a staggered, progressive approach to increasing compliance. This will provide a deterrence effect and encourage operators to obey the terms of their MTE. In the event that DVSA was overwhelmed by unforeseen circumstances, this could potentially slow the desired rate of progressive compliance with PSVAR over the MTE period as the deterrence effect would be weakened.

2.0 Options considered

21. This section provides an in-depth explanation of the Do Nothing (where no exemptions are provided at all) and the Do Something (where medium-term exemptions that increase full and partial PSVAR compliance are issued) policy options, and the relative effects of both towards achieving the policy objective. The reality of the Do Nothing option, in terms of allowing existing exemptions to expire and the DVSA to enforce PSVAR, is that none of the policy objectives are achieved. There are stark differences expected in terms of the impact of the two policy options. Through considering the effects and impacts of both in further detail, this section will identify these differences, and crucially, the effectiveness of both towards achieving the policy objective as set out in Section 1.0.

2.1 DfT engagement on draft proposals

22. The Department for Transport (DfT) has engaged with key stakeholders, principally the Confederation for Passenger Transport (CPT) and UK Coach Operators Association (UKCOA), on how to improve the volume of Public Service Vehicles Accessibility Regulations 2000 (PSVAR) compliant coaches used for home-to-school (HTS) and rail replacement (RR) services. And, we had some discussions with the Disabled Passenger Transport Advisory Committee on this issue.

2.2 Option 0: Do nothing (Baseline)

Description

23. Under Option 0 no intervention would be made, resulting in Driver and Vehicles Standards Agency (DVSA) enforcement of PSVAR upon expiry of existing short-term exemptions (STEs) in July 2022 (HTS) and June 2022 (RR) respectively.

Effect

24. To do nothing will mean any operator who wishes to continue running HTS or RR services would be legally required to use a PSVAR compliant coach. Any coach within scope of PSVAR would need to be compliant with the regulations, or risk committing a criminal offence (under the Equality Act 2010) and could face a fine not exceeding Level 4 on the standard scale (currently £2,500). The risk of being caught makes it likely that non-compliant vehicles will be withdrawn from service by the operator or refused by the commissioners of HTS and RR services.

Impacts

25. This option will result in a severe shortage of coaches available to operate HTS and RR services, since non-compliant coaches will no longer be covered by an exemption from PSVAR. Users of HTS transport will have to source their own alternative transport arrangements for a high volume of journeys. This could result in a significant increase in the numbers of children being driven to school, which in turn could worsen traffic congestion, air quality, and carbon emissions. It is likely that many small and micro business (SMB) coach operators, and operators reliant on HTS/RR work who largely have non-compliant fleets will suffer; with most SMBs likely to experience disproportionate loss of revenue consequent of retrofitting vehicles to become compliant. Moreover, this is before considering revenue lost by SMB operators due to having vehicles out of action being retrofitted. In the case of planned RR services, if a train operating company (TOC) cannot procure enough compliant vehicles, then they would have to issue do-not-travel notices or refuse a blockade for engineering works. For unplanned emergency RR services, the same process would occur, and the TOC would be expected to provide alternative transport if compliant coaches or buses cannot be obtained.

Effectiveness of achieving policy objective

26. Option 0 will have no positive effect towards the policy objective. Any increase in the number of compliant coaches available for HTS and RR services is likely to be minimal due to the financial constraints faced by the coach industry. In addition,any operators which might want to remain within the HTS and RR sectors would need to have the financial ability to invest at very such short-notice in order to maintain continuation of existing services. Many critical HTS services, particularly those in rural areas whereby older non-compliant HTS vehicles are more common, will cease running due to a dearth of compliant vehicles. SMBs reliant on providing HTS work, and without ability to invest in becoming compliant,will likely go out of business as non-compliant vehicles will not be commissioned for those services. This will bear a knock-on effect on commissioners of HTS and RR transport, who will struggle to source enough coaches to meet demand. TOCs will also struggled to source adequate numbers of compliant coaches.

2.3 Option 1: Use Administrative Orders to create MTEs (Preferred Option)

Description

27. We have extended the current STE for HTS (known as HTS4) to 31 July 2022 to cover the remainder of the 2021/22 academic year, and now propose issuing qualified medium-term exemptions (MTEs) running to 31 July 2026. The opportunity to apply for MTEs, delivered using Administrative Orders, would be provided to operators of HTS and RR services in Spring 2022. Successful applicants will be required to make the number of the vehicles that they use for HTS and RR either partially or fully compliant with PSVAR requirements in increasing steps every 12 months. Operators would be banded by size, with proportional but increasing levels of compliance expected by conclusion of the MTEs. The schedule of compliance can be found at **Policy Annex**. Subject to this IA being cleared in a timely manner, we believe that MTEs can be issued to all operators of RR and mixed RR/HTS services before 30 June 2022 and by 31 July 2022 for HTS only services. Should the IA not be cleared in time for applications to be invited and MTEs issued, we would need to issue new rounds of short-term exemptions for both RR and HTS to allow sufficient space for this.

28. Operators, regardless of their in-scope HTS and/or RR fleet size, that obtain an MTE will need to ensure that all their coaches achieve either full or partial compliance with PSVAR by the start of last step of the exemption (1 August 2025).

    a. Full compliance in this context means meeting the all the requirements of PSVAR Schedules 1 and 3, and

    b. partial compliance is, in the case of MTEs, defined as compliance with all of PSVAR2000 Schedule 3, paragraphs 2 (floors and gangways), 3 (seats), and 5 (handrails) along with all of paragraph 4 (steps) excluding sub-paragraphs (1d, 1e, 1f, and 5).

29. We have established bands based on the size of the in-scope fleet, and the exact number of vehicles (or fleet percentage) dependent on the size of an operator's in-scope fleet (**see Policy Annex**). Through development of the compliance schedule with CPT, UKCOA, and DfT economists, MTEs will significantly increase the level of compliance with PSVAR across the HTS and RR sectors. This increase will be delivered by the MTE compliance schedule in two ways: first, all vehicles covered by an exemption will need to be to be at least partially compliant by its conclusion (**see Policy Annex** for partial compliance definition). Second, in order for an MTE to remain valid for the next period, the compliance expectations for that coming period must be met. Therefore, if an operator wishes for vehicles in their fleet to remain covered by an exemption (a necessity for continuation of services) they must meet the gradually increasing compliance expectations. When supported by DVSA inspection activity, and subsequent enforcement action as required, it is expected that the MTE compliance schedule will deliver an increase in compliance with PSVAR across the HTS and RR sectors. Crucially, however, this increase will be delivered at a sustainable

rate for an industry heavily impacted COVID-19, whilst ensuring continuation of vital HTS and RR services.

30. Operators will apply for a particular band of exemption terms depending on the size of their fleet. If an operator purchases more vehicles and moves ‘up’ to a new band, they will need to apply for a new MTE and surrender the one they had been previously issued. Upon successful application for a specific MTE band, an operator will be issued with a certificate. DVSA would conduct inspections to check compliance against both the band and the expected level of compliance at the time of the inspection. If an operator was found to have not complied (for example, they had claimed for the wrong band or had not achieved the expected level of compliance) they could be liable for a fine should DVSA choose to enforce.

Effect

31. With immediate continuation of HTS and RR services guaranteed by full in-scope fleet exemptions for all operators over the first Period (1 July 2022 to 31 July 2023), operators will have time to plan how they meet the progressive exemption terms over the course of the MTE beyond this point.

32. The MTE bands are designed to offer smaller operators more time to reach stipulated levels of partial or full compliance. Larger operators would be required to achieve a proportionately higher level of compliance and to do so more quickly (see the compliance schedule at the **Policy Annex**). Over the course of the MTE, at intervals of 12 months, the percentage of an operator's fleet covered by an exemption would decrease and by the start of the fourth period (1 August 2025) and we would expect all vehicles to be either fully compliant or partially compliant with PSVAR requirements.

33. DVSA inspection and enforcement activity would act as deterrent against not intending to meet the MTE compliance schedule terms.

34. Providing operators with exemptions defined by clear compliance expectations until 1 August 2026 will deliver much needed continuity and confidence for the operators and commissioners of HTS and RR services. This would help prevent the negative impacts on the travelling public and school goers that would come if such services stopped. The proposed duration of the MTEs defines a clear path to a more compliant coach sector, and one in which all operators can continue to benefit from HTS and RR service revenue. When compared with STEs, MTEs establish the Government’s position over an extended period. By its nature, a short-term approach creates uncertainty; something which could have factored into the complacency shown by the industry towards becoming more compliant with PSVAR. Comparatively, the introduction of MTEs supported by effective DVSA inspection activity should encourage compliance across both the HTS and RR sectors.

Impacts

35. A direct impact of the preferred policy option will bea considerable uptake in work for the coach retrofitting industry, and for some coach manufacturers whereby an operator might have financial capacity to purchase a compliant vehicle.

36. Whilst there may be some financial strain felt by small and medium sized operators when they come to invest in accessibility features as stipulated by the MTE, the exemption bands and rate of required compliance within them are designed as such to mitigate this impact to an acceptable level. The compliance schedule was developed with key stakeholder input, and advice from DfT economists, and will deliver a sustainable increase in the number of compliant vehicles used for HTS and RR services. DfT will continue to maintain regular contact with industry trade bodies, principally the CPT and UKCOA, to ensure this is the case.

Effectiveness of achieving policy objective

37. Option 1 would achieve the outlined policy objective and sub-criteria. It represents the most effective option to ensure continuation of vital HTS and RR services whilst progressively increasing the number of fully and partially PSVAR compliant vehicles available for them. This is explicitly evident when compared with the Do Nothing option. The progressive increase in compliance expectations over one-year steps, aligned with academic years, will give operators the time to plan how to meet the requirements of the MTE. Moreover, it will also provide commissioners of HTS and RR services with the continuity indicative of a four-year exemption, as opposed to one year or less. DfT is confident that these qualified MTEs represent the most pragmatic approach towards achieving the policy objective in full.

38. The same outcome of qualified MTEs could be delivered using secondary legislation. However, this would necessitate multiple rounds of STEs to provide the time required for developing the secondary legislation and securing its passage through Parliament. This would inhibit DfT's efforts to increase the volume of compliant coaches for HTS and RR services in the short-term. Consequently, this sub-option was dismissed early in the policy development process, and therefore has not been monetised.

3.0 Costs and Benefits

39. The following section provides a summary of the expected costs and benefits of the Do Something (where medium-term exemptions increase full and partial compliance) option relative to the Do Nothing option (where no exemptions would be issued). This will ensure the most robust comparison of the two policy options.

40. Under Do Something, firms experience short term costs from partially and fully retrofitting up-front. However, this enables them to operate 100% of their fleet until 2026. After 2026, when we assume[6] PSVAR will be fully enforced with no further action, firms have a larger proportion of the fleet they can operate due to this up-front retrofitting. This generates benefits net of Do Nothing.

41. Under Do Nothing, PSVAR is expected to be fully enforced from July 2022, meaning that only fully compliant coaches can operate. A low amount of retrofitting (based on an estimate of historic retrofitting capacity) is expected to occur as the HTS and RR fleet slowly becomes more compliant. This means that the proportion of the fleet that can operate profitably slowly grows.

42. The costs and benefits of Do Something are fully explained alongside the costs and benefits of Do Nothing.

43. All prices are 2019 unless otherwise specified.

3.1 Summary of costs and benefits

Monetised Costs

- Retrofitting HTS and RR coaches to ensure full compliance in line with the requirements of the medium-term exemption (MTE) (direct - annual)
- Retrofitting HTS and RR coaches to ensure partial compliance in line with the requirements of the MTE (direct - annual)[7]
- Administrative cost to HTS and RR coach operators of making a MTE application (direct - transition)

Monetised Benefits

- The MTE is expected to increased revenue for coach operators running HTS and RR services by permitting them to run all coaches to the end of 31 July 2026, subject to meeting the minimum compliance level. The baseline of no MTE would mean a reversion to the extant PSVAR requirements from 1 July 2022 (RR) and 1 August 2022 (HTS), meaning that only the compliant vehicles could operate, resulting in lower revenue (direct - annual).

Non - monetised Benefits

- The greater operation of HTS coaches resulting from the MTE will mean lower congestion and other external costs relative to the Do Nothing scenario (indirect – annual).
- The greater operation of HTS coaches resulting from the MTE will mean fewer adults have to spend time transporting children to school relative to the Do Nothing scenario (indirect – annual)

[6] This is an assumption used for modelling only and should not be seen as an attempt to pre-judge the outcome of the PSVAR Review.

[7] Partial compliance means a vehicle is not fully compliant, but as a minimum, complies with PSVAR Schedule 3, paragraphs 2 (Floors and gangways), 3 (Seats), 4 (Steps, excluding sub-paragraphs 1d, 1e, 1f, and 5) and 5 (Handrails).

- The greater operation of RR services will mean a greater ease by which planned rail engineering works can be undertake (indirect – annual)
- The greater operation of PSVAR compliant HTS and RR services will mean improved mobility for disabled travellers (indirect – annual)

Non - monetised Costs

- There is a possibility that costs of retrofitting could be passed onto on coach users.

3.2 Direct Costs

Do Something - Transition Costs

44. As part of the application process for an MTE, each operator will be obliged to file an MTE form to permit their non-compliant vehicles to operate during the MTE period. Given the MTE is a novel exemption used in the HTS and RR sectors, it is not clear how long it would take an operator to file. However, from examining a previous STE form which contained 25 questions and asked operators about the size of their fleet, the operator's name, number of coaches and number of coaches used in HTS, it is clear that the form would not take a substantial time. We have used a conservative assumption of a central estimate of two hours of administrative time per operator, with a low and high case of one and three hours to file the form. According to the Office for National Statistics (ONS)[8], the mean wage for "Office administrative, office support and other business activities" was £17.56 an hour. Additionally, there are employment costs estimated to be 26.5%[9] of nominal wages, bringing the hourly employment cost to £22.21. The number of operators can be estimated through a central case of 1,600 operators. This is based off a low estimate of 700 operators provided by Zemo[10], and a high estimate of 2,500 operators from CPT[11]. All estimates are likely to be high as this covers all operators, rather than HTS and RR operators. This generates a one-off (undiscounted) cost of:

Table 1: Transition costs for firms applying for an MTE under 'Do Something'			
Scenario	**Low**	**Central**	**High**
Hours per firm	1	2	3
Cost per firm	£22.21	£44.42	£66.63
Number of firms	700	1,600	2,500
Total cost to operators	**£15,549**	**£71,083**	**£166,601**

[8] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/datasets/industry4digitsic2007ashetable16- accessed 8 Febraury 2022

[9] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1007447/tag-unit-a-4-1.pdf - accessed 8 Febraury 2022

[10] https://www.zemo.org.uk/assets/reports/LowCVP%20Coach%20report%202020%20web%20version%20V2.pdf- accessed 8 Febraury 2022

[11] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf- accessed 8 Febraury 2022

Do Nothing – Transition costs

45. Under Do Nothing there is no MTE application, so there are no transition costs.

Background to estimates - Ongoing costs

46. As a condition of receiving an MTE, operators are obliged to meet growing levels of full and partial PSVAR compliance throughout the duration of the MTE (see **Policy Annex**). These requirements increase each year from 2023, but differ based on operator size. In order to become fully PSVAR compliant, an operator will have to fully retrofit a number of their non- compliant vehicles each year in order to meet the compliance requirements. CPT estimates the cost of fully retrofitting a non-compliant coach is £25,000 - £40,000[12]. See **Policy Annex** for a definition of full compliance. The majority of these costs would likely be incurred from installing a wheelchair lift. Comparative estimates from the Society of Motor Manufacturers and Traders (SMMT) suggest that the cost of achieving full compliance ranges between £20,000 - £30,000[13]. Additionally, operators may choose to buy a compliant PSVAR coach rather than a non-compliant coach at the end of an old coach's natural life. CPT estimate the difference in price to be £30,000[14].

47. As such, the cost of acquiring a PSVAR compliant coach, either through retrofitting an old coach or buying a coach that is PSVAR compliant, is estimated to be £30,000, with a range of £20,000 - £40,000.

48. To become partially compliant, a coach must be compliant with Schedule 3 paragraphs 2 - 5 inclusive, except paragraph 4 (steps), sub-paragraphs (1d, 1e, 1f, and 5). A key element that many HTS and RR coaches are lacking to become partially compliant is the installation of a colour contrasting handrail.

49. Coaches that are partially compliant, but for the installation of a colour contrasting handrail, are referred to as '*near partially compliant*'. UKCOA estimate that the cost of installing a colour-contrasting handrail is between £500 – £1,200. This provides a central estimate of £850[15].

50. Any coach that is neither fully, nor partially, nor near partially compliant is referred to as '*non-compliant*'.

51. There are two datasets available that provide a mix of information on the state of full compliance, partial compliance, near compliance and non-compliance. The first is submitted information from HTS coach operators in 2021 for a short-term exemption (STE) application. This dataset provides operator by operator information on the number of fully compliant coaches they current held, how many they had planned to buy by 31 March 2022, the number of HTS coaches they expected to own by 31 March 2022 and the number of HTS coaches that were fully compliant or partially compliant with Schedule 1 and Schedule 3 respectively of PSVAR. There were issues with this dataset. Firstly, 24 operators had to be dropped, since they claimed to have more partially compliant HTS coaches than HTS coaches of any compliance level. Secondly, the estimates of partially compliant coaches are likely to be a substantial underestimate. As per the Glossary, a partially compliant coach needs to be be compliant with the majority of paragraphs from Schedule 3, but has no requirement for compliance with Schedule 1. As'partial compliance' with Schedule 1 or 3 was not defined in the STE application, we could only be certain that coaches that were fully compliant with

[12] Cost estimates submitted via email from CPT on 22 December 2021, collected through stakeholder consultation.

[13] Cost estimates submitted via internal paper from SMMT shared with DfT on 7 January 2022. Data collected through stakeholder consultation.

[14] Cost estimates submitted via email from CPT on 22 December 2021. This is based off CPT observing the differences in prices of seven similar second hand PSVAR compliant and non-compliant coaches from https://www.route-one.net/ - accessed 8 Febraury 2022. As such, there is some uncertainty about this estimate.

[15] Cost estimates supplied via email from UKCOA on 7 January 2022. UKCOA estimate this cost range through consulation with their members. The central estimate of £850 was estimated by DfT as a midpoint of the range.

Schedule 3 were partially compliant. By taking a conservative approach to compliance estimation, a coach could have been fully compliant with Schedule 1 and nearly completely compliant with Schedule 3, but it stillwould have not met the threshold to count as partially compliant, since we could not be certain it complied with the necessary requirements of Schedule 3 as laid out in the Policy Annex . Additionally, there were no estimates of 'near partial compliance' (see Glossary), so any coach that could not prove to be at least partially compliant was classified as non-compliant. The result was likely an overestimate of the non-compliant coaches.

52. The second estimates come from UKCOA. After explaining our definition of partial and full compliance, they provided an estimate that 10% of HTS and RR coaches were fully compliant, 20% were partially compliant, 60% were near partially compliant and the remaining 10% were non-compliant[16].

53. The main issue with this set is that there was no operator by operator breakdown provided, only the high level estimates of fleet compliance. Given the application of the MTE means that different sized operators have different compliance requirements, it is necessary to input these high-level estimates into an assessment of operator size. Aside form the information provided by the STE, there is limited information provided on operator by operator size. Some estimates have been made by the CPT, but these estimates are for different operator size classes than the ones seen in **Policy Annex.**[17]As such, the best estimate of operator sizes that is applicable to the MTE is the data from the STE applications. There are then two different methods that could be used to calculate the current composition of fleet compliance.

UKCOA based data approach – high cost - high benefit sensitivity

54. Taking the STE data on the number of coaches each operator expects to possess by 31 March 2022 only, we drop all the data from the dataset on the number of fully compliant coaches and partially compliant coaches each operator has, leaving just the number of HTS coaches each operator is estimated to own. Each operator is assumed to have 10% of its fleet fully compliant, 20% partially compliant, 60% near partially compliant and 10% non-compliant. The advantage of this method is that it is simple and consistent. The disadvantage is that it drops useful data (for example, number of fully compliant coaches per operator) and assumes that all operators have the same 'average' proportion of compliant-non compliant breakdown. By assuming the same rate of initial compliance, there is a risk that the number of coaches to be retrofitted is underestimated, since it discounts the possibility that there are many outlier operators within the average compliance rate who have no current compliance who would have to make a substantial increase in the number of compliant coaches. As such, another more bespoke method was devised.

STE based data approach – low/central cost – low/central benefit sensitivity

55. Like the UKCOA data approach, this uses the coach operator data from the STE applications. However, it takes the recorded number of fully compliant coaches by 31 March 2022 as stated in the STE, and then estimates number of partially, near partially and non-compliant coaches per operator given that the STE data has inaccurate data on partial compliance, and no data on near partial compliance. Using the UKCOA data split for not fully compliant coaches, the remaining not fully compliant coaches are estimated per operator by the following proportions: two-ninths is estimated to be partially compliant, six-ninths are near partially compliant and one-ninth is estimated to be non-compliant.[18]

[16] Compliance estimates supplied via email from UKCOA on 7 January 2022. Full compliance estimates come from a survey of UKCOA members. Partial compliance and near partial compliance estimates from UKCOA come from their conusultation with manufacturers.

[17] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf- accessed 8 Febraury 2022

[18] In UKCOA data, 90% of coaches are not fully compliant. Of these, 20% are partially compliant, 60% near partially and 10% are non-compliant. This split is applied to the remaining coaches.

56. There are risks with this estimate. Firstly, this only reduces the risk of using 'average' proportion compliance rates, since there is still a blanket average compliance rate applied to partial, near partial and non-compliance rate. Additionally, it assumes that the number of fully compliant coaches operators stated they planned to buy by 31 March 2022 actually occurred.

57. On balance, the risks of using the STE based dataset for the central estimate are lower than the UKCOA based data. This is because less data has been estimated, and it is more likely to produce an accurate estimate of the full compliance rate operator by operator than the top-down estimates. Additionally, the UKCOA estimates are based off a survey of its membership, and consultations with manufacturers. The number of respondents to the survey is estimated to be considerably smaller than the number of operators who filed an STE[19]. UKCOA have also stated that these estimates are very high uncertainty[20]. The STE applications were made from 464 operators (after dropping 24), so is likely to be a more representative sample. There remain a small risk that the STE sample is unrepresentative of the wider HTS and RR population. There is an additional risk that the number of fully compliant coaches may be underestimated, since an operator with only fully compliant coaches would have no need to apply for an STE. However, the use of the STE based dataset yields a considerably higher proportion of fully compliant coaches than the UKCOA based approach (30% versus 10%). As such, the UKCOA dataset is used for a high cost case sensitivity, based on the fact that more coaches will have to fully retrofit in this scenario.

Extrapolating the samples to make population estimates

58. Both approaches are ultimately derived from the STE sample. Including coaches planned to be procured, there are 5,295 coaches in the sample, meaning that the sample has to be extrapolated. The STE sample contains information from HTS coaches only. It is assumed this is also representative of RR coach operator compliance and fleet size, since we have no other detailed information on RR fleet size and compliance.

59. There are several reasons why the STE sample may not have covered the entire HTS fleet. Operators with an entirely compliant fleet would have had no need to apply for an exemption from PSAVR. Additionally, as the STE was only for 8 months, an operator that usually ran HTS services may have decided to switch to other coach sectors (such as a greater focus on rail replacement, day trips or tourism), meaning they didn't have to apply for a HTS exemption. If an operator for that 8 months only ran services which were out of scope due to there being no paying customers, the operator would not have had to apply for an exemption. Additionally, new HTS coaches may have entered the sector since the STE period expired. Finally, we cannot discount the possibility that there were non – fully compliant coaches operating without an STE. As stated in the Policy Rationale, the DVSA was asked to suspend enforcement in the HTS sector while the STEs were in place. As such, some operators may not have seen the need to apply. With DVSA enforcing the MTE, this is much less likely to happen.

60. An issue with sampling HTS vehicles is that HTS vehicles might be out of scope of the regulations if they have no paying customers. CPT have stated that one third (5,000 out of 15,000) HTS vehicles may be out-of-scope for this reason[21]. These out of scope vehicles may have been included in the sample, because operators applying for an STE were required to note information on all of their coaches, not just in-scope. Additionally, there is no reason to think that an out of scope coach may be more or less compliant than an in-scope coach, since until now PSVAR requirements had not been enforced. As such, one-third of the HTS sample, taken proportionally across all operators and from all levels of compliance, is assumed to be out-of-scope and run regardless of compliance requirements.

[19] The UKCOA website lists 67 operators as members (https://www.uk-coa.co.uk/the-association/our-members/ - accessed 8 Febraury 2022)

[20] Information on data certainty received by email from UKCOA on 7 January.

[21] Non – paying HTS coaches estimates supplied via email by CPT on 23 December , collected through stakeholder consultation.

61. The CPT have provided estimated to us there are 15,000 coaches that provide HTS services[22]. However, before adding a separate estimate of how many RR coaches there are, it is noted that this may lead to double counting since many coaches will perform services both in HTS and in RR.[23] As such, while it is estimated that there are 15,000 HTS coaches, the number of additional RR coaches is conservatively calculated from 3% of coach sector revenue derived from RR activities,[24] and the estimate that there are 32,500 coaches operating overall.[25] Taking revenue earning as a proxy for operations, (3% of 32,500 coaches being 975), implying the total number of HTS and RR coaches is around 15,975. While the number of RR coaches may seem small, this is, if anything, overestimating the numbers of HTS and RR coaches given that there is likely crossover between RR and HTS activities, as well as the estimated proportion of HTS and RR coaches as a proportion of total coaches (49%) far exceeding the revenue the two sectors collectively earn (19%).[26] With an estimate of 15,975 coaches across HTS and RR, the compliance requirements from the sample are scaled up by 15,975 divided by 5,295 (302%). See Table 2a for the extrapolated compliance estimates of the HTS and RR population.

62. Table 2a provides a breakdown of the extrapolated sample of 5,295 into levels of full, partial, near partial and non compliance of the fleet population for both the low/central cost and high-cost estimates. Table 2b provides a breakdown of the extrapolated population in both the scenarios into full compliance and out-of-scope levels. Table 2a provides information on how close the fleet is to being made fully compliant, whereas 2b provides information on what proportion of the fleet could operate if PSVAR was enforced. Whereas in table 2a all row items sum to the fleet total, this is not the same with table 2b. Because coaches may be both fully compliant and out of scope, there is a risk of double counting. As such, the total estimates are counted by deducting *the number of fully compliant coaches that are out of scope.*

Table 2a – Breakdown of compliance status of HTS and RR fleet estimate		
Population estimates	**Low/central cost (% total)**	**High cost (% total)**
Fully compliant (1)	4,800 (30)	1,598(10)
Partially compliant (2)	2,483 (16)	3,195 (20)
Near partially compliant (3)	7,450 (47)	9,585 (60)
Non compliant (4)	1,242 (8)	1,598 (10)
Total (5)	**15,975 (100)**	**15,976** [27] **(100)**

Table 2b – Breakdown of compliance status of HTS and RR fleet estimate		
Scope or compliance status	**Low/central cost**	**High cost**
Number of out of scope coaches (1)	5,000	5,000
Number of fully compliant coaches (2)	4,800	1,598
Number of fully compliant coaches that are out of scope [28] (3)	1,502	500
Number of fully compliant or out of scope [29] (4)	**8,298**	**6,098**
Proportion of fleet fully compliant or out of scope[30]	**52%**	**38%**

[22] Number of HTS coaches estimates supplied via email by CPT on 23 December , collected through stakeholder consultation.

[2323] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html- accessed 8 Febraury 2022

[24] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf- accessed 8 Febraury 2022

[25] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html- accessed 8 Febraury 2022. 32,500 is the central estimate of RDG's estimate there are between 30,000 – 35,000 coaches operating

[26] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf- accessed 8 Febraury 2022

[27] Rounding errors means the high cost scenario fleet totals 15,976 coaches, rather than 15,975

[28] Proportionate to the rest of the sample, in the low/central cost case approximately 30% of out of scope coaches are assumed to be fully compliant, and in the high cost case 10% of out of scope vehicles are assumed to be fully compliant.

[29] Because some coaches may be both fully compliant and out of scope, calculating the number of coaches that are fully compliant or out of scope by adding full compliance to out of scope would overestimate the total by double-counting. As such, we deduct the number of estimated coaches that are fully compliant and out of scope. Row is calculated by (1) + (2) – (3) = (4)

[30] Proportion of the estimated 15,975 HTS and RR coaches that is either fully compliant or is out of scope of enforcement

Do Something – Ongoing Costs

63. After the MTE expires, PSVAR will be enforced according to the outcome of a Policy Review, expected to conclude 2023. As the outcome of the Review is not yet known, for the purpose of quantifying costs and benefits of the MTE it is assumed that PSVAR is fully enforced from 1 August 2026 onwards. As such, only PSVAR fully compliant or out-of-scope HTS and RR coaches will be able to operate from this date. *This is the most conservative scenario possible and shouldn't be viewed as pre-judging the outcome of the review.* Currently, RDG estimate that 100 coaches can be retrofitted annually.[31] Therefore, in the absence of further exemptions, it is assumed that the industry reverts to retrofitting 100 coaches annually.. However, during the MTE period (2022 - 2025) under the Do Something scenario, retrofitters can use the schedule in the **Policy Annex** to provide a clear guide to what retrofitting demand there will be, allowing them to invest and expand appropriately. This assumption is uncertain, and relies on an assumption that retrofitting firms will recognise the future scheduled demands for retrofitting, and be able to considerably expand production in order to meet this retrofitting demand. Table 3 demonstrates the expected full retrofitting requirements in the central/low cost scenario (assuming there are currently around 4,800 fully compliant coaches running HTS and RR services) and in the high cost scenario (assuming there are currently around 1,598 fully-compliant coaches running HTS and RR services)[32]. This is calculated by taking the estimated compliance levels of coaches belonging to each individual operator in the STE application, and then calculating how many coaches that operator would need to have fully or partially retrofitted each year of the MTE to comply with its terms (see **Policy Annex)**. The amount of retrofits is summed across all operators in the STE, and then extrapolated[33]. The retrofitting costs are derived assuming £20,000 for a full retrofit in the low case, £30,000 in the central case and £40,000 in the high case[34]. Table 4 likewise shows the partial compliance requirements. In the central/low scenario 7,450 coaches are assumed to be 'near partially compliant' in the population, compared with 9,585 in the high cost case in the population[35]. Additionally, in the high cost case a handrail installation cost is assumed to be £1,200, compared with £850 in the central case and £500 in the low case[36]. The considerable ramp-up of retrofitting required, potentially thirteen times the historic retrofitting requirement, is a high uncertainty assumption. However, this could be achievable under the MTE as requirements for retrofitting peak at the end of the MTE, giving retrofitting firms the maximum time to prepare for rising demand.

[31] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html (p23) - accessed 8 Febraury 2022

[32] See Table 2a and *Background to estimates – Ongoing costs* for an explanation of how the estimates of fleet compliance were derived

[33] See *Extrapolating the samples to make population estimates* fo more information.

[34] CPT provided by email a cost estimate for full retrofitting between £25,000 - £40,000 on 22 December 2921. CPT provided by email a cost estimate difference betweena non-compliant and compliant coach of £30,000 on 22 December 2021. SMMT shared an internal paper with DfT with the cost estimate of full retrofitting of £20,000 - £30,000 on 7 January 2021. See *Background to estimates – Ongoing costs for more information.*

[35] See Table 2a and *Background to estimates – Ongoing costs* for an explanation of how the estimates of fleet compliance were derived

[36] See *Background to estimates.* Cost estimates supplied via email from UKCOA on 7 January 2022. UKCOA estimate this cost range through consulation with their members. The central estimate of £850 was estimated by DfT as a midpoint of the range.

Table 3: On-going costs under the Do Something scenario – full compliance					
Policy year	**Estimated number of coaches requiring full retrofitting per year (low/central)**	**Estimated number of coaches requiring full retrofitting per year (high)**	**Cost (£ millions) Low Case**	**Cost (£ millions) Central Case**	**Cost (£ millions) High Case**
2022	0	0	0	0	0
2023	14	113	0.3	0.4	4.5
2024	322	758	6.4	9.7	30.3
2025	973	1,336	19.5	29.2	53.4
2026	100	100	2.0	3.0	4.0
2027	100	100	2.0	3.0	4.0
2028	100	100	2.0	3.0	4.0
2029	100	100	2.0	3.0	4.0
2030	100	100	2.0	3.0	4.0
2031	100	100	2.0	3.0	4.0

Table 4: On-going costs under the Do Something scenario – partial compliance					
Policy year	**Estimated number of coaches requiring handrails retrofitted per year (low/central)**	**Estimated number of coaches requiring handrails retrofitted per year (high)**	**Cost (£ m) Low Case**	**Cost (£ m) Central Case**	**Cost (£ m) High case**
2022	0	0	0	0	0
2023	1,390	1,084	0.7	1.2	1.3
2024	2,094	2,530	1.0	1.8	3.0
2025	1,382[37]	2,394	0.7	1.2	2.9
2026	0	0	0	0	0
2027	0	0	0	0	0
2028	0	0	0	0	0
2029	0	0	0	0	0
2030	0	0	0	0	0
2031	0	0	0	0	0

Do Nothing – Ongoing Costs

64. If no exemption is enacted, then only within-scope PSVAR (2000) fully compliant coaches can operate from 1 July 2022 (RR) and 1 August 2022 (HTS) alongside all out of scope coaches. Additionally, with no policy certainty, it is assumed that industry reverts to the current retrofitting capacity of 100 a year. This is because under Do Nothing there is no policy certainty granted. With no expectation of future retrofitting demand the retrofitting capacity industry cannot plan to expand, so retrofitting remains at the historic level.. This is the most pessimistic assumption, since if a higher retrofitting capacity was assumed outside of the MTE, the net benefits of Do Something would rise (see Non-quantified analytical uncertainties). The assumed number of coaches retrofitted per year under the Do Nothing option can be found in Table 5. As PSVAR adherence requires full retrofitting, there is no handrail installation, only full retrofitting, at a cost between £20,000 - £40,000[38].

[37] A total of 4,866 handrails are added, meaning a total of 4,866 coaches that were near partially compliant are partially compliant by 2026.

[38] CPT provided by email a cost estimate for full retrofitting between £25,000 - £40,000 on 22 December 2921. CPT provided by email a cost estimate difference betweena non-compliant and compliant coach of £30,000 on 22 December 2021. SMMT shared an internal paper with DfT with the cost estimate of full retrofitting of £20,000 - £30,000 on 7 January 2021. See *Background to estimates – Ongoing costs for more information.*

Table 5: On-going costs under the Do Nothing scenario				
Policy year (1 July – 30 June)	**Assumed number of coaches fully retrofitted per year**	**Cost (£ m) Low**	**Cost (£ m) Central**	**Cost (£ m) High**
2022	100	2.0	3.0	4.0
2023	100	2.0	3.0	4.0
2024	100	2.0	3.0	4.0
2025	100	2.0	3.0	4.0
2026	100	2.0	3.0	4.0
2027	100	2.0	3.0	4.0
2028	100	2.0	3.0	4.0
2029	100	2.0	3.0	4.0
2030	100	2.0	3.0	4.0
2031	100	2.0	3.0	4.0

65. The following level of fleet *operation* in the Do Nothing and Do Something scenarios is outlined in Table 6:

Table 6: Percentage of HTS – RR fleet operating under Do Something and Do Nothing				
Policy year	**Do Something (central/low cost)**	**Do Something (high cost)**	**Do Nothing (central/low cost)**	**Do Nothing (high cost)**
2022	100%	100%	52%	38%
2023	100%	100%	53%	39%
2024	100%	100%	53%	39%
2025	100%	100%	54%	40%
2026[39]	64%	57%	54%	41%
2027	61%	53%	55%	41%
2028	62%	54%	56%	42%
2029	63%	54%	56%	43%
2030	63%	55%	57%	43%
2031	64%	56%	58%	44%

3.3 Direct Benefits

Do Something – Direct Benefits

66. Under the MTE, HTS and RR operators are permitted to profitably operate up to 31 July 2026 provided they meet the minimum compliance requirements of their in-scope fleet as set out in the **Policy Annex**. After the MTE expires, under the assumption that PSVAR is fully enforced, we assume here that only fully compliant and out-of-scope coaches will continue to run. We estimate the revenue for the HTS and RR coach sector to be around £627m per year, given that the UK coach sector generates revenue of around £3.3bn[40] (a figure confirmed with CPT through further engagement)[41] and the HTS and RR account for around 19% of total revenue.[42]

[39] The policy years run 1 July – 30 June, so the exemption covers 1/12th of the 2026 policy year. For one month under Do Something scenarios, 100% of HTS and RR coaches are operating. The presented proportion of the fleet operating is a weighted average of the month where 100% of the fleet operates, and the following 11 months where 61%/52% of the fleet operates in the central/high cost scenarios respectively.

[40] https://www.cpt-uk.org/media/c4rn1hbn/spending-review-2020-submission-cpt-coach-final.pdf- accessed 8 Febraury 2022

[41] Confirmation provided by email from CPT, received 8 December 2021.

[42] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf- accessed 8 Febraury 2022

67. However, the benefit that coach operators gain from operating HTS and RR coaches is not the sector revenue. This is because the operators incur costs from operating such as fuel, depreciation, upkeep, maintenance, and wages. Instead, the benefit firms gain from operating HTS and RR services is the operating profit, i.e. the opportunity cost to the firm owners of not operating. However, no figures are available for operating profitability for HTS and RR services, so this has been estimated.

68. Examining financial accounts of large coach operators reveals varying profit rates. For example, from 2016 – 2020 National Express reported a return on capital of between -2.6% to 12.4% from 2016 – 2020[43]. However, engagement with CPT have revealed that the operating profit of HTS and RR services is likely to be low[44]. Firstly, the available profit data is from large operators; smaller operators may have lower profit margins. Secondly, in the aftermath of the post-COVID era, demand for travel may be lower, meaning that RR profits could be lower, and it is unclear how rapidly demand will rebound. Thirdly and most crucially, the profitability of HTS services is low. HTS operations provide consistent demand and employment for coach operators, and permit coach operators to continue operating during low tourist season. During the summer, many HTS coach operators will then use the coaches for tourism related activities, which generate higher revenues and profits. Coach operators are therefore often willing to run HTS service at very low profits, generating a larger proportion of profits by running other services between school pick up and drop off.

69. CPT have therefore agreed that a collective profit rate of 2% for HTS and RR operations would be a best estimate. Assuming a 2% profit rate, the £627m of HTS and RR revenue yields a profit of £12.54m a year to HTS and RR operators. When 100% of coaches are operating, we assume that HTS and RR coach operators will earn around £12.54m of benefits/profits and that profits would fall proportionately based on the percentage of coaches operating. It is likely that this profit estimation is an underestimate of the realised profitability, since operating on HTS services allows for coaches to operate in the more profitable summer season. This is because by operating HTS services, operators can maintain their coaches' roadworthiness, and keep coach drivers employed over a year. By doing this, both the vehicles and the drivers will be available for the profitable summer months. Hence our estimate for the benefit to coach operators from MTE is likely to represent an underestimate.

70. Table 8 reports estimated annual profits from coach operators running HTS and RR services in the Do Something scenario. This has been estimated based on taking the forecast high/central/low forecast for the % of coaches operating by year as reported in Table 7. These derive from the MTE permitting 100% of the fleet to operate until 2026, followed by only out of scope or fully PSVAR compliant coaches. As there is a different assumption of initial full compliance between the low/central benefit and high benefit scenario, there is a different level of full retrofitting (see Table 3). This leads to different levels of fleet operation between the low/central benefit scenario and the high benefit scenario. The profit per year of £12.75m in 2022 has been uplifted each year by forecast GDP growth[45]. Additionally, a sensitivity of low profit margins of 1% and high profit margins at 3% has been introduced for the low and high benefit scenarios respectively.

71. An issue with this method of appraisal is the short time frame to appraise benefits. Do Something leaves the HTS and RR fleet considerably more PSVAR compliant than Do Nothing. Under the assumption of full PSVAR enforcement in 2026 and beyond, this means Do Something accrues net benefits relative to Do Nothing for every year after 2026. Prior to 2026, Do Something incurs

[43] https://www.nationalexpressgroup.com/investors/investment-case/financial-overview/- accessed 8 Febraury 2022

[44] Estimates for HTS and RR profitability provided by email by CPT on 23 December

[45] GDP growth forecast is taken from the TAG databook Annual Parameters - https://www.gov.uk/government/publications/tag-data-book - accessed 8 February 2022

significant up-front cost relative to Do Nothing. After 2026, both options incur the same costs. With an appraisal timeframe beyond 2031, the net direct benefits to businesses would only grow.

72. An additional issue is the conservative assumption that after 2026, PSVAR is fully enforced under Do Something. This is the most conservative assumption – any relaxation of this assumption would mean a higher proportion of the fleet can operate under Do Something after 2026, leading to a larger level of benefits of Do Something relative to Do Nothing.

Table 7: Benefits to HTS and RR firms from profitably operating under Do Something			
Policy year (1 July – 30 June)	**Proportion of fleet operating (high benefit)[46]**	**Proportion of fleet operating (low / central benefit)**	**Sector revenue growth (%)[47]**
2022	100%	100%	5.95
2023	100%	100%	2.08
2024	100%	100%	1.33
2025	100%	100%	1.62
2026[48]	57%	64%	1.69
2027	53%	61%	1.74
2028	54%	62%	1.73
2029	54%	63%	1.70
2030	55%	63%	1.66
2031	56%	64%	1.62

Table 8: Benefits to HTS and RR firms from profitably operating under Do Something			
Policy year (1 July – 30 June)	**Benefits (£ m) - Low[49]**	**Benefits (£ m) - Central**	**Benefits (£ m) - High**
2022	6.38	12.75	19.13
2023	6.51	13.02	19.53
2024	6.60	13.19	19.79
2025	6.70	13.41	20.11
2026	4.36	8.73	11.56
2027	4.26	8.51	11.07
2028	4.37	8.75	11.40
2029	4.49	8.99	11.73
2030	4.61	9.23	12.06
2031	4.74	9.47	12.39

Do Nothing – Direct Benefits

73. Under Do Nothing, only HTS and RR coaches that are fully PSVAR compliant or are out of scope can profitably operate from 1 July 2022 (RR) and 1 August 2022 (HTS). In the low/central benefit

[46] Proportion of fleet operating under Do Something (low/central and high scenarios) is based on full compliance with the terms of the MTE during the MTE, and DfT estimates on the additional fully compliant vehicles added to the fleet. See Table 3 for more information on the addition of fully compliant coaches under Do Something. As there are 15,975 coaches estimated in the fleet (see *Extrapolating the samples to make population estimates)* , a 1% rise in proportion of fleet operating implies there are approximately 160 additional fully compliant coaches. After 2025, only fully compliant or out of scope coaches can operate, resulting in a fall of proportion of fleet operating. See Table 2b for more information on the proportion of full compliance or out of scope coaches in 2022.

[47] Sector revenue is estimated to grow in line with GDP growth. This forecast is taken from the TAG databook Annual Parameters - https://www.gov.uk/government/publications/tag-data-book - accessed 8 February 2022

[48] The policy years run 1 July – 30 June, so the exemption covers 1/12th of the 2026 policy year. For one month under Do Something scenarios, 100% of HTS and RR coaches are operating. The presented proportion of the fleet operating is a weighted average of the month where 100% of the fleet operates, and the following 11 months where 61%/52% of the fleet operates in the central/high cost scenarios respectively.

[49] Information on how benefits are calculated under Do Something for the low, medium and high scenarios can be found in the section Do Something – Direct Benefits

scenario (see Table 2b), this is forecast to be 52% of vehicles. In the high benefit scenario, this is forecast to be 38% of coaches, subsequently rising each following year assuming 100 vehicles are retrofitted per year (see Table 9). This leads to the following benefits form 'Do Nothing'. Profit rate is varied to 1% under the low benefit scenario, 2% under the central benefit scenario and 3% under the high benefit scenario. The benefits can be found in Table 10.

Table 9: Benefits to HTS - RR firms from profitably operating under Do Nothing			
Policy year (1 July – 30 June)	**Proportion of fleet operating (high benefit)[50]**	**Proportion of fleet operating (low / central)**	**Sector revenue growth (%)[51]**
2022	38%	52%	5.95
2023	39%	53%	2.08
2024	39%	53%	1.33
2025	40%	54%	1.62
2026	41%	54%	1.69
2027	41%	55%	1.74
2028	42%	56%	1.73
2029	43%	56%	1.70
2030	43%	57%	1.66
2031	44%	58%	1.62

Table 10: Benefits to HTS and RR firms from profitably operating under Do Nothing			
Policy year (1 July – 30 June)	**Benefits (£ m) - Low**	**Benefits (£ m) - Central**	**Benefits (£ m) - High**
2022	3.31	6.62	7.30
2023	3.42	6.84	7.58
2024	3.51	7.02	7.80
2025	3.61	7.21	8.05
2026	3.71	7.42	8.32
2027	3.82	7.64	8.59
2028	3.93	7.86	8.87
2029	4.04	8.08	9.16
2030	4.15	8.31	9.45
2031	4.27	8.53	9.74

Non-quantified analytical uncertainties

74. Costs of retrofitting could rise due to the high demand for retrofitting under the Do Something scenario. While we have modelled for a cost of retrofitting that could vary between £20,000 - £40,000[52], it is not known whether this would cover this uncertainty.

75. The quantity of retrofitting under Do Nothing and after 2026 under Do Something is uncertain. In both circumstances, we have assumed a reversion to 100 retrofits a year, as this is the historic

[50] Proportion of fleet operating under Do Nothing (low/central and high scenarios) is based on a full enforcement of PSVAR from 2022, meaning only fully compliant or out of scope coaches can operate. See Table 5 for more information on the addition of fully compliant coaches under Do Nothing. As there are 15,975 coaches estimated in the fleet (see *Extrapolating the samples to make population estimates)* , a 1% rise in proportion of fleet operating implies there are approximately 160 additional fully compliant coaches. See Table 2b for more information on the proportion of full compliance or out of scope coaches in 2022.

[51] Sector revenue is estimated to grow in line with GDP growth. This forecast is taken from the TAG databook: sheet 'Annual Parameters' Annual Parameters - https://www.gov.uk/government/publications/tag-data-book - accessed 8 February 2022

[52] Cost estimates submitted via email from CPT on 22 December 2021, collected through stakeholder consultation. Cost estimate of price differential between compliant and non – compliant coach is based off CPT observing the differences in prices of seven similar second hand PSVAR compliant and non-compliant coaches from https://www.route-one.net/ - accessed 8 Febraury 2022. Cost estimates submitted via internal paper from SMMT shared with DfT on 7 January 2022. Data collected through stakeholder consultation. See *Background to estimates - Ongoing costs* for more information

retrofitting capacity[53]. If this figure were higher, there would be an increase in the net benefits of Do Something. This is because it would raise the number of retrofits of Do Nothing, towards the number of retrofits conducted under Do Something. As such, the cost profiles of Do Nothing and Do Something would converge. However, the benefits of Do Something would remain higher, since the MTE permits 100% fleet operation until 2026, whereas this does not happen under Do Nothing.

76. There are no estimates for the cost of making a non-compliant coach partially compliant, so it is assumed that all non-compliant coaches will have to be made *fully* compliant, as the cost of this is known. In reality, some operators would choose to make their coaches partially compliant to comply with the MTE rather than fully compliant, since this would be cheaper. This is likely to overestimate the costs imposed on firms, but increase the benefits by raising the number of fully compliant coaches after 2026. It has not been estimated how many coaches this would apply to, but this adds an additional uncertainty onto the costs and benefits of Do Something.

77. Furthermore, costs are likely to be overestimated for Do Something and Do Nothing because the cost of making a partially compliant coach fully compliant is not known. As such, the cost of making a partially compliant fully compliant is estimated to be the same as the cost of fully retrofitting a vehicle, even though a partially compliant coach would likely contain some of the equipment already required to be fully compliant. In the low/central cost case, 16% of coaches are initially partially compliant[54] . By 2026, in the Do Nothing scenario 16% of coaches are still partially compliant because no partially compliant coaches have been added to the fleet. However, in the Do Something case, by 2026 all near-partially compliant coaches are now partially compliant (see Table 4), meaning that there are 4,866 more partially compliant coaches than in the Do Nothing scenario. These coaches all had to acquire a colour contrasting handrail, but then have to pay the cost of full retrofitting to become fully compliant. As such, compared to Do Nothing, these coaches are modelled to pay an additional cost to become fully compliant (the additional cost of a colour contrasting handrail). Therefore the costs of Do Something are likely overestimated.

Business Impact Target Calculations

78. For Option 1 (Do Something), all administrative and retrofitting costs net of expected direct costs under Do Nothing have been quantified. Costs and benefits to DfT and the licensing authorities have not been included.

79. The equivalised annual net direct costs to business (EANDCB) for Option 1 for all years at 2020 present value at 2019 price is £0.04m and the Business Impact Target (BIT) score is 0.2.[55]

80. Given the EANDCB represents the annual expected net cost to HTS and RR operators over Do Nothing, score suggests that Do Something imposes nearly zero net cost to firms directly impacted by this extension (i.e. HTS and RR coach operators).

81. As such, in line with the Better Regulation Framework DfT has self-certified this policy as 'de minimis'. This means these small net impacts are not counted towards the Business Impact Target, nor is this EANDCB and BIT Score verified by the Regulatory Policy Committee. This system is in place where the net impacts are assessed to be below £5m EANDCB.

82. Despite this, a full assessment of the costs and benefits has been carried out to inform decision making and transparently set out the evidence base on which the decision has been made.

[53] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html (p23) - accessed 8 Febraury 2022

[54] See Table 2a for a breakdown of the initial compliance levels estimated by cost scenario.

[55] BIT represents the EANDCB costs over five years or the period a regulation is enforced (whichever is longer).

Indirect Costs and Benefits

83. There are several sources of indirect benefits resulting from the MTE. Indirect benefits or costs are benefits/costs not incurred by the main affected parties (HTS and RR coaches), but are felt by others. For benefits, the greater operation of HTS coaches resulting from the MTE will mean lower congestion and other external costs, as well as more adults' time saved. The greater operation of RR services will mean a greater ease by which planned rail engineering works can be undertaken. Additionally, there will be improved mobility for disabled travellers. There is a possibility that costs of retrofitting could be passed onto on coach users.

Environmental and pure time benefits

84. There are expected to be considerable indirect social benefits to the MTE under Do Something relative to Do Nothing. One benefit is that it's expected that fewer parents will drive their children to school in with the MTE. The greater relative use of cars under Do Nothing will have two substantial impacts, firstly on adults' time and secondly on external impacts resulting from higher car use including worsening traffic congestion, air quality and carbon emissions. These have not been monetised, but have been assessed qualitatively.

85. The Do Something option will accrue substantial benefits to adults' time, since if there is not a coach to take children to school, then parents will have to take them to school. The average duration of journey to school is 19 minutes for a child,[56] although this is likely longer for someone who has to take a coach. Therefore 38 minutes a day (accounting for trips to and from school), 190 days a year[57] are required of an adult's time, which a non-working commuting adult values at £6.97 per hour[58] The number of cars required to transport the children can be estimated as follows: if 4%[59] of 8.9m[60] schoolchildren require HTS transportation, then approximately 314,000 children require HTS services. The average car for education purposes to school contains 2.01 people in 2019,[61] implying an average of 1.01 passengers (children). If a typical coach takes 45 passengers,[62] then 44.6 cars would be required to transport the children, requiring 44.6 adults' time per coach.

86. The estimated number of additional parents requiring to drive their children to school compared to 2021 can be seen in Tables 11 and 12. However, this could be an overestimate of the number of adults required to drive children to school. This would be the case if each HTS coach is able to run more services than in 2021 (which would have a similar effect to there being more HTS coaches), or equivalently if not all the non-compliant HTS coaches were in use in 2021 on a typical school day, meaning that if some stopped running there would be no difference to service.

Table 11: Number of HTS coaches and additional cars required under Do Something (low/central cost)

Policy year (1 July – 30 June)	Proportion of fleet operating[63]	Number of HTS coaches	Number of additional adults required to drive their children to school on a typical school day (compared to 2021)
2022	100%	15,000	-
2023	100%	15,000	-
2024	100%	15,000	-

[56] https://www.ethnicity-facts-figures.service.gov.uk/culture-and-community/transport/travel-to-school/latest#by-ethnicity-over-time-type-of-transport - accessed 8 February 2022

[57] https://commonslibrary.parliament.uk/research-briefings/sn07148/ - accessed 8 February 2022

[58] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1007443/tag-unit-A1.3.pdf - accessed 8 February 2022

[59] https://www.gov.uk/government/statistical-data-sets/nts06-age-gender-and-modal-breakdown (NT0613 - 2019) - accessed 8 February 2022

[60] https://explore-education-statistics.service.gov.uk/find-statistics/school-pupils-and-their-characteristics - accessed 8 February 2022

[61] https://www.gov.uk/government/statistical-data-sets/nts09-vehicle-mileage-and-occupancy - accessed 8 February 2022

[62] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf - accessed 8 February 2022

[63] See Table 6 and *Do Nothing – Ongoing costs* for a full explanation about how the proportion of fleet operation is derived.

2025	100%	15,000	-
2026	64%	9,615	239,906
2027	61%	9,220	257,532
2028	62%	9,314	253,348
2029	63%	9,408	249,165
2030	63%	9,502	244,981
2031	64%	9,595	240,798

Table 12: Number of HTS coaches and additional cars required under Do Nothing (low/central cost)

Policy year (1 July – 30 June)	Proportion of fleet operating[64]	Number of HTS coaches	Number of additional adults required to drive their children to school on a typical school day (compared to 2021)
2022	52%	7,791	321,182
2023	53%	7,885	316,998
2024	53%	7,979	312,815
2025	54%	8,073	308,631
2026	54%	8,167	304,448
2027	55%	8,261	300,264
2028	56%	8,355	296,081
2029	56%	8,449	291,897
2030	57%	8,542	287,714
2031	58%	8,636	283,530

87. It can be seen by 2022 that while there are estimated to be around 7,209 more coaches running under the Do Something scenario, there are also 321,182 fewer parents driving their children to school.

88. The significantly higher number of cars running has implications for traffic, pollution and carbon emissions. TAG A5.4.2 records marginal external values of public service vehicles and cars; a car produces one fifth of greenhouse gas emissions (£, 2019 values) and over a third of the congestion value of a coach. As 44.6 cars are needed to substitute a single HTS coach, it is clear that the external costs from 44.6 cars will significantly outweigh the costs from the coach they replace.

Benefits from improved accessibility

89. In addition, there are unquantified benefits from improved mobility for those with accessibility issues. As the MTE encourages PSVAR compliance, more people with accessibility issues will be able to use a HTS coach or a RR coach under the Do Something scenario option than under Do Nothing. It is not known how many would now travel by coach given an accessible coach service exists, but the Family Resources Survey (2018/19) estimates that 44% of pensioners, 19% of working-age adults, and 8% of children report a physical or mental disability. Specifically, 21% of children with disabilities report a mobility issue, compared with 40% of working age adults and two-thirds of pensioners[65]. By being able to use RR coach services, disabled people may feel more confident travelling knowing that if there is an unexpected problem with a train, a coach service will take them to their destination, rather than having to wait for a private hire vehicle to take them. If disabled children can use a HTS coach service where they could not before and they had to take a car, this may save parents' time and money from not having to take them to school.

[64] See Table 6 and *Do Nothing – Ongoing costs* for a full explanation about how the proportion of fleet operation is derived.

[65] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/874507/family-resources-survey-2018-19.pdf - accessed 8 February 2022

90. Additionally, there are the unquantified social benefits of those with mobility issues taking the same mode of transport as those without mobility issues. There may benefits from disabled children being able to mix socially with their non-disabled peers on HTS coaches. This may result from improved wellbeing of the disabled children from social interactions, as well as greater understanding by able-bodied HTS customers of the challenges faced by disabled users.

Benefits to rail operators

91. Planned rail engineering works require a blockade of parts of the rail network (so that trains do not run giving space and time for work to be undertaken) and thus train operating companies (TOCs) are required to secure alternative travel options for affected passengers (noting some passengers will choose not to travel at all) and use RR coach services.[66] In the event of the Do Nothing option, some rail replacement coaches will not be able to operate due to non-compliance, meaning that TOCs may need to refuse the blockade (i.e. refuse to allow Network Rail to undertake engineering works), and some planned rail engineering works may have to be postponed or cancelled if the TOCs cannot access sufficient PSVAR-compliant coaches. As such, the costs of undertaking improvement works for rail network managers may rise if there are fewer opportunities for rail operators to transport customers via coach, meaning that in the long-term rail travel quality could decline relative to the preferred Do Something option of introducing MTEs. As such, Do Something represents a substantial unquantifiable benefit to rail network managers rail operators and passengers.

Indirect costs

92. Depending upon the level of competitiveness of a local coach market, some operators may be able to pass on the costs of retrofitting in the form of higher fares. This may lead to higher costs to coach users in the form of higher fares. In a more competitive market, this is less likely to happen. The estimated low expected rate of profits across the HTS and RR sectors would indicate that the HTS sector is a competitive one.In the HTS coach market, HTS service contracts are agreed with educational authorities and set fares. The length of these contracts may vary from term-to-term to multi-year. In the event of a longer contract, the fare pass-on after retrofitting may be delayed compared to HTS operators which have shorter length contracts. Because of these uncertainties in both how much pass on and when, these costs to users have not been quantified, but are noted as possible indirect costs.

3.4 Sensitivity Analysis

93. As noted in the previous section, there is considerable uncertainty around many assumptions. In this section, these assumptions are adjusted simultaneously to estimate upper and lower bounds for the EANDCB – a measure of the annual net direct cost to business of the MTE over the period 2022-31.

94. Within the Analytical Annex, low, central and high assumptions are listed. In the scenario where maximum direct costs and minimum direct benefits to business are assumed, all the scenarios are imputed into the model as the central case scenario. The resulting calculation of EANDCB is £6.33m.[67] (i.e. a net cost to the HTS and RR coach sector of £6.33m a year relative to Do Nothing) The resulting BIT score is 31.6. This is mainly driven by the differences in number of vehicles that need to be fully retrofitted, as well as a reduction in the profit rate of coaches from 2% to 1%.

95. In the ‘low’ case scenario the lowest cost and highest benefit scenarios are used. This generates an EANDCB of -£4.30m (i.e. a net benefit to the HTS and RR coach sector of £4.3m a year relative to

[66] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html accessed 8 February 2022

[67] In summary, this assumes 1% profit rate, highest possible retrofitting costs, the lower estimate of initial fully compliant coaches, and the highest administrative cost to file an exemption - accessed 8 February 2022

Do Nothing) and a BIT score of -21.5[68]. This is largely driven by the lower cost of full retrofitting, as well a 3% profit rate used and the assumption of a higher number of vehicles that need to be fully retrofitted.

96. Overall, we expect the MTE to deliver a net benefit to society. The best estimate of direct impacts on business shows only a marginal cost, with the upfront cost of retrofitting balanced out by allowing more of the fleet to be operable after 2026. If the appraisal period were to be extended there would be a larger direct benefit to businesses demonstrated. Furthermore, we expect the MTE to deliver substantial unquantified benefits to society by substantially reducing the number of cars on the road up to 2026, increasing the ease of enacting planned rail engineering works and mitigating unplanned rail disruptions, as well as increasing ease of accessibility for disabled people on HTS and RR services.

[68] In summary, this assumes 3% profit rate, lowest possible retrofitting costs, the higher estimate of initial fully compliant coaches, and the lowest administrative cost to file an exemption - accessed 8 February 2022

4.0 Risks and unintended consequences

97. Alongside the risks outlined in the modelling, there are numerous policy risks. While we do not expect this policy to be hard to enforce, there may be unintended consequences resulting from operators not being willing or able to comply with requirements laid out in the medium-term exemptions (MTEs) to increase full and partial compliance. The risks will be most felt by operators at the smallest end of each compliance band. There are additional risks including the risk the retrofitting industry cannot manage to sufficiently increase its capacity, the risk that the combination of compliance with both the Public Services Vehicles Accessibility Regulations 2000 (PSVAR) and other environmental regulation removes operators from the industry, and the risk that coach operators only take non-paying customers. As set out in the PIR plan (see Section 6), we plan to monitor all these risks and take action to reduce the stringency of the MTE compliance terms only if absolutely necessary.

98. All the modelling assumptions that underpin the specific cost/benefit estimates are indicated alongside the relevant discussion in Section 3.

99. All cost/benefit estimates that rely on uncertain assumptions have had sensitivity analysis conducted in the form of a range. This has been indicated in the relevant sections of the assessment.

4.1 Risks and unintended consequences explained

100. We do not anticipate that this policy will be hard to enforce. The Driver and Vehicles Standards Agency (DVSA) is responsible for identifying and investigating non-compliance with PSVAR, as with other associated accessibility legislation. DVSA will conduct inspections and enforce as necessary based on the terms of individual operator's MTE. Data collected throughout the application process will be shared with DVSA to assist with enforcement. A significantfactor which might inhibit DVSA's ability to enforce would be resourcing. However, upon engaging with DVSA, the Department for Transport (DfT) were assured that the staggered, progressive approach to increasing compliance would enable them to verify compliance with the MTE terms; and take enforcement action where required.

101. On agent behaviour, the effect of this policy is to encourage a compliance with PSVAR in full or in part within the Home-to-School (HTS) and Rail Replacement (RR) coach sectors, while avoiding a shut-down of HTS and RR services and sectors. Given that coach operators financially cannot afford to risk enforcement action, it is expected that they will comply with the terms of their respective MTEs and increase compliance with PSVAR over the exemption period, satisfying the policy objectives. However, there may be issues with firms wanting to comply with the terms of the MTE, but not financially able to if the firm does not have access to sufficient capital to enable retrofitting. An unintended consequence could be that rather than coaches being retrofitted, they are simply scrapped if not profitable to operate (although given that older vehicles are likely to produce greater amounts of carbon emission and to be less fuel efficient, this may also be viewed as an unintended benefit from the point of view of limiting greenhouse gases). As there are long-term benefits to compliance compared with Do Nothing, we do not believe operators would wish to do this but may only be compelled to if they have insufficient capital to retrofit. That is why we have made compliance requirements for smaller operators less severe and spread the growing compliance requirements over four years.

102. The first risk to this policy is that there will be insufficient capacity in the retrofitting industry to ensure that all the operators who need to update their fleet according to the MTE compliance

schedule will be able to. In 2020 the Rail Delivery Group (RDG)[69] estimated that there was only capacity to retrofit 100 coaches a year. According to the requirements of the MTEs, coach operators may be collectively obliged to fully retrofit up to 1,336 coaches in a given year. However, RDG's retrofitting estimates are pre-Covid-19 and have not been tested by DfT. There may be reasons to think that the 100 estimate of capacity is an underestimate of future capacity. This is because previously coach operators have had little incentive to retrofit. With expected rising demand, supply would likely increase as well. Likewise, the MTE provides a clear signal that higher demand for retrofitting is to be expected, allowing for retrofitting suppliers the chance to expand their operations. Furthermore, the expected rise in demand for retrofitting is gradual, rather than immediate, with retrofitting demand expected to peak in 2026, there will be time for the retrofitting industry to expand to meet expected demand. The publishing of the compliance schedule and this De Minimis Assessment will mean that the retrofitting industry should be able to anticipate that demand will steadily rise, and therefore adjust their supply capacity to meet this.

103. An additional risk to the policy is that of coach operators having the capital and liquidity to meet the expense of retrofitting. Estimates from the Confederation of Passenger Transport (CPT) and the Society of Motor Manufacturers and Traders (SMMT) suggest that the cost of making a coach fully PSVAR compliant is approximately £20,000 - £30,000 (central estimate £25,000), and that the differential cost of purchasing a new fully PSVAR compliant coach would be approximately £30,000 over and above the cost of buying a new coach that was not compliant[70]. This significant expense could be challenging for operators to meet, particularly operators at the lower end of a given compliance band, who may not have access to funds to the same that the largest operators in a compliance band do.

104. Furthermore, there are additional regulatory requirements that have coincided with this requirement. Many urban Local Authorities (LAs) are implementing Clean Air Zones (CAZs) which, depending upon the category of CAZ, may require the coach to meet Euro 6 emission standards in order to avoid having to pay a charge. The RDG[71] estimate the retrofitting cost to ensure Euro 6 compliance may be between £15,000-£20,000. As such, operators who require a Euro 6 vehicle and PSVAR compliance may face a very substantial bill. While these costs are substantial, there are significant mitigating factors. Firstly, coach operators have been aware that these costs will be required in the future for up to 21 years (i.e., since the implementation of PSVAR in 2000). As such, operators should have made long-term financial planning for these regulations to be enforced within their budgeting. Secondly, while some operators may be required to pay to meet Euro 6 standards, the geographical area of CAZs will be relatively small, meaning that most HTS services will not be impeded by this.

105. Relating to the financial burden of PSVAR compliance is the impact of COVID-19 on the finances of coach operators. COVID-19 has significantly weakened coach operators' finances. While schemes such as the Coronavirus Business Interruption Loan Scheme, the Coronavirus Large Business Interruption Loan Scheme and the Coronavirus Job Retention Scheme have mitigated some of the challenges that firms face, operators still face long-term uncertainty about the challenges posed by COVID-19. With children unlikely to return to home schooling, it may appear that coach operators in the HTS sector will be removed from this uncertainty. Unfortunately, because many HTS coach operators also provide services in the tourism and events sectors, it is likely that their finances will be weakened by ongoing COVID-19 uncertainty[72].

---

[69] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html - accessed 8 February 2022

[70]. Cost estimates submitted via email from CPT on 22 December 2021, collected through stakeholder consultation. Cost estimate of price differential between compliant and non – compliant coach is based off CPT observing the differences in prices of seven similar second hand PSVAR compliant and non-compliant coaches from https://www.route-one.net/ - accessed 8 Febraury 2022. Cost estimates submitted via internal paper from SMMT shared with DfT on 7 January 2022. Data collected through stakeholder consultation. See *Background to estimates - Ongoing costs* for more information

[71] https://www.raildeliverygroup.com/about-us/publications/171-2020-03-psvar-pathway-to-compliance/file.html - accessed 8 February 2022

[72] Ibid.

106. A further risk may be that to avoid paying retrofitting costs, operators may try and move their vehicles out of scope. This would be done if operators started refusing any paying HTS passengers for a particular coach. However, this move would be unlikely. As there is not expected to be a significant increase in the number of potential no paying HTS customers, refusing paying HTS customers would simply mean reducing the revenue of HTS services. Given the low profit margins of HTS services, this would likely mean that some HTS services would operate at growing losses, meaning that the HTS service could stop running altogether.

107. An additional risk to the policy may be that operators do not believe that DfT will enforce this MTE, if they assume that DfT has an overriding concern to maintain HTS and RR coach operations. However, we have made it clear through the MTE that there will be no blanket exemption, and there will be achievable compliance requirements for operators to make. Enforcement of these requirements will be undertaken by the DVSA.

108. A possible unintended consequence may be that if there are more compliant coach services, there will be lower demand for HTS taxi services. This may lead to the withdrawing of HTS taxi services, and paradoxically make transport less convenient for parents if they cannot rely on door to door services. However, there may still be demand for taxis operating door to coach stop services, which may maintain demand for taxi services and keep this option open for parents.

109. Given the uncertainty of the impact of COVID-19, we still deem it reasonable to implement MTEs to ensure growing compliance, since the main objective is to ensure that people with accessibility issues can use public service vehicles safely. Given the constraints on our mobility since the start of the Pandemic, it is at least as important now to ensure that in the future everyone can access coaches. As such, we do not deem it reasonable to weaken the compliance schedule, although we recognise the impact that the schedule may have may of greater magnitude due to the uncertainty of demand that coach operators may face. As such, we will want to monitor for the risks of operators accepting only non-paying customers, or operators not being able to afford retrofitting and environmental obligations.

110. The previously specified risks will be monitored through periodic engagement with relevant stakeholders, recording relevant quantitative and qualitative data against the key research questions. Risks related to retrofitting and operator finances will be gauged through engagement with the SMMT, CPT, and UKCOA. The resources associated with, and general efficacy of inspection and enforcement activity will be discussed periodically with the DVSA. For further detail on how data will be monitored, and risks and unintended consequences detected, please see section 6.0 (PIR).

5.0 Wider impacts

111. The following section, by addressing each of the relevant wider impact tests, shows how we have considered the expected effects of the preferred Do Something policy option – where qualified exemptions from Public Service Vehicles Accessibility Regulations 2000 (PSVAR) that increase numbers of partially and fully PSVAR compliant coaches are issued – against Do Nothing (where no exemptions are given). The range of wider impacts identified will serve to support the preferred option of using Administrative Orders to implement medium-term exemptions (MTEs) for the home-to-school (HTS) and rail replacement (RR) coach sectors.

5.1 Innovation Test

112. The innovation test considers the potential impact of the preferred policy option on innovation. In completing this section, we have considered the likely relationship of the proposal towards innovation within the coach sector.

113. Overall, we believe that there is a limited relationship between the preferred policy option and its effects on innovation. When considering the behavioural and economic impacts of this policy, and the sub-criteria used to define them, the threshold for "moderate consideration" of the policy option's impact on innovation is met (as opposed to "advanced consideration"). In addition to consideration shown for the present impact of the preferred policy option upon innovation, consideration has also been given to how innovation might affect accessibility regulation in the future.

114. In terms of behavioural impacts, it could be considered that MTEs might inhibit innovation of new accessibility features for their duration. PSVAR stipulates a specific set of accessibility features required to be provided by public service vehicles which lie within scope of the regulations. By creating MTEs which are defined by these accessibility features, it could be argued that this policy discourages innovators of such features. However, the extent to which this argument bears relevance is limited by the nature in which this policy only applies to the HTS and RR sectors. Ultimately, this policy does nothing to prevent innovation of new or existing accessibility features, nor will it stop such innovations from being built into future accessibility regulations.

115. From an economic impacts perspective, whilst not creating a new market, the MTE compliance schedule will result in an increase in trade for the coach retrofitting market. There could also be a shift in focus towards purchasing compliant vehicles, however the ability of the coach industry to make such investments is limited. This notion is exacerbated by COVID-19.

116. Organisational innovation regarding standardised coach specifications, specifically concerning size, dimensions, safety, and accessibility features could influence how we engage with PSVAR in the future. Writing PSVAR into future vehicle standards would ensure that all coaches conform with the regulations at their inception; potentially negating any future requirement for exemptions from them. The Future of Transport Regulatory Review: Modernising Vehicle Standards could have provided a medium through which to achieve this.[73] However, as PSVAR is due to be reviewed by conclusion of 2023, it would be premature to pursue this opportunity. In summary, this policy is unlikely to have any notable impact upon innovation for its duration. However, from the perspective of future innovation, as PSVAR is reviewed and potential amendments are made by 2026, consideration will be given to the idea outlined and how it might be achieved.

[73] https://www.gov.uk/government/consultations/future-of-transport-regulatory-review-modernising-vehicle-standards - accessed 8 February 2022

5.2 Small and Micro Business Assessment

117. The purpose of this assessment is to examine the likely impacts of the preferred 'Do Something' policy option of offering MTEs that increase full and partial PSVAR compliance, towards Small and Micro Businesses (SMBs), and to what extent the proposal would affect SMBs in a different way to larger businesses. Note that all prices are 2019 unless otherwise specified.

118. In summary, this exemption is necessary for small and micro-sized coach operators. Forcing compliance in 2022 is likely to disproportionately impact SMBs who are least able to absorb the capital investment costs for becoming PSVAR (2000) compliant. As such, the preferred policy option disproportionately benefits SMBs. In addition, an MTE is more advantageous to small and micro sized operators than rolling STEs, as an example, because it means firms only incur a one-off non-scalable administrative cost. Additionally, the MTE minimises the costs for small and micro-sized operators by setting less stringent compliance conditions for smaller operators.

119. While it is not known exactly what proportion of market share is within scope of our preferred 'Do Something' policy option to offer MTEs that increase levels of partial and full PSVAR compliance, it can be estimated by using the number of coaches affected. We have estimated that there are 15,975 coaches in the HTS and RR sectors,[74] but 5,000 of these are non-fare charging (out of scope), and thus out of scope of PSVAR and the MTE offer[75]. Subsequently, if measuring market share by the number of coaches, it can be estimated that 69% (10,975 out of 15,975) of the HTS and RR sector is in scope of the 'Do Something' policy option.

120. It is not known what exact number of businesses in the HTS and RR coach sectors count as small (10-49 full-time equivalent (FTE)), or micro (1-9 FTE) sized. A proxy could be to use the number of coaches used by the operator. Advice from CPT suggests that many smaller businesses will operate on the basis of 1 FTE per coach. The Confederation of Passenger Transport (CPT) informed the Department that of their members, 60% have between one and nine coaches, 38% have between 10 and 49, and 2% have more than 50. Additional evidence from the CPT (2020) suggests that 66% of operators have 15 or fewer vehicles, 22% have 16-35, 8% have 36-60 and 4% have more than 61 vehicles.[76] However, this is not specific to HTS and RR sectors; moreover, it does not provide information on the number of people employed by the coach operator, since larger operators may have a significant number of non-driving administrative staff. On this basis, it may be possible to say that around 60% of coach operators are micro businesses. Additional evidence from the Office for National Statistics for SIC 4939 ("Other passenger land transport n.e.c") states that 75% of firms in this sector are micro, and 20% are small.[77] It can be concluded that the majority of firms in scope are small or micro-sized.

121. Through the preferred Do-Something policy option of qualified MTEs, we are reducing the impacts on the small and micro firms. It is recognised that some costs are non-scalable. The cost of applying for an exemption is expected to be on a per business basis, and similar for a large or small business. However, the administrative cost of applying for an exemption is not expected to be large and is significantly lower cost than the alternative of full compliance. In our high-cost scenario, this would incur a one-off cost of three hours of administrative work per firm. Additionally, part of the purpose of the MTE is to minimise the risk of having to repeatedly apply for a short-term exemption, which would have to be applied for annually, and therefore would incur a proportionately larger cumulative cost to small and micro businesses.

[74] See*Extrapolating the samples to make population estimates* for more information on the derivation of the 15,975 HTS and RR coaches estimate..

[75] Non – paying HTS coaches estimates supplied via email by CPT on 23 December , collected through stakeholder consultation. See *Extrapolating the samples to make population estimates* for more information

[76] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf - accessed 8 February 2022

[77] https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/ukbusinessactivitysizeandlocation - accessed 8 February 2022

122. A more substantial concern for small and micro businesses in the HTS and RR sectors is the cost forthcoming from retrofitting coaches to meet partial and full compliance terms outlined in the MTE. These are not administrative costs, so are scalable, but it is recognised that smaller operators may find it harder to finance (or source financing for) these costs. In pursuit of mitigation, these operators have lower, more gradual compliance requirements over the MTE period than larger operators. Noting the compliance schedule in the **Policy Annex**, operators with 1 to 5 vehicles are not expected to have any fully compliant coaches until August 2025. Meanwhile, larger operators with at least 30 vehicles in scope would require 15% full compliance by August 2023, 25% by August 2024, and 35% by August 2025As such, and in line with feedback from CPT and the UK Coach Owners Association (UKCOA), we expect the compliance requirements to be manageable for most small and micro operators. For investment and general planning purposes, the MTE compliance schedule clearly provides operators with details of the compliance expectations they must achieve (in order for the MTE to remain valid) until 1 August 2026. Short-term exemptions (STEs), which give complete exemptions from PSVAR requirements, would not provide this certainty, nor would they permit a gradual tightening of requirements which ensures increased compliance with PSVAR over the exemption period. Exempting small and micro businesses from the scope of PSVAR, and subsequently from being able to apply for MTEs would be counterproductive. This is because MTEs are shielding operators from more costly full compliance with PSVAR, at the point of current HTS and RR exemptions expiring on 31 July and 30 June 2022 respectively.

123. An assessment has been made into the cost of retrofitting by size of operator, and by average operator for a given coach size. The STE application shows that of the 5,295 coaches in the sample, 35% of the 5,295 coaches (1,862) are held by operators with 9 or fewer coaches, 48% (2,544) held by operators with 10-29 coaches, and 17% (889) held by operators with thirty or more coaches. The expected full retrofitting cost (where the overwhelming costs of compliance lie) can be split proportionally between these firm classes. In addition, the STE application sample shows that of the 464 coach operators in the STE sample, 71% of coach operators (328) own nine or fewer coaches, 26% (122) have ten to twenty-nine coaches and three per cent (14) have more than thirty coaches. Based on this, and with the assumption that there are 1,600 coach operators in HTS and RR, we can estimate there are 1,131 coach operators with nine or fewer coaches, 421 with 10 to 29, and 48 with 30 or more.

124. Table 13 extrapolates out the full retrofitting requirements found in the STE sample, using operator size information, to provide an estimate of full retrofitting requirements by operator size. Before 2026, the retrofitting requirements are forecast by adding up the forecast retrofitting requiremenets per operator in the STE sample. Post 2026, as it is estimated there will be 100 retrofits a year across the population, the retrofits are proportionately divided by class based on the proportion of coaches they are expected to hold in 31 March 2022. Table 14 shows an estimate of full retrofitting cost, by operator size class, based off the retrofitting requirements stated in Table 13. All estimates are assuming the central cost scenario (starting with 8,298 coaches either fully compliant or out of scope – see Table 2b). Table 15 shows the expected cost per operator by operator class size.

Table 13: Number of coaches requiring full retrofitsby operator size in the Do Something Scenario – population (central cost)

Operator size	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
<9	0	0	32	245	35	35	35	35	35	35
10-29	0	0	213	319	48	48	48	48	48	48
>30	0	14	76	225	17	17	17	17	17	17
Sum	0	14	322	973	100	100	100	100	100	100

Table 14: Cost of full retrofits by operator size in the Do Something scenario (£ m) – population (central cost)										
Operator size	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
<9	0.0	0.0	1.0	7.4	1.1	1.1	1.1	1.1	1.1	1.1
10-29	0.0	0.0	6.4	9.6	1.4	1.4	1.4	1.4	1.4	1.4
>30	0.0	0.4	2.3	6.8	0.5	0.5	0.5	0.5	0.5	0.5
Sum	0.0	0.4	9.7	29.6	3.0	3.0	3.0	3.0	3.0	3.0

Table 15: Average cost of full retrofits requirement per operator in the Do Something scenario (£ m) – population (central cost) Note – all figures rounded to 2 d.p.										
Operator size	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**
<9	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
10-29	0.00	0.00	0.02	0.02	0.00	0.00	0.00	0.00	0.00	0.00
>30	0.00	0.01	0.05	0.14	0.01	0.01	0.01	0.01	0.01	0.01

125. The expected retrofit cost for operators holding nine or fewer coaches is not expected to exceed £10,000 per firm in a given year, and likely is not expected to exceed £25,000 for operators with 10 to 29 coaches. Ultimately, since 2000 the coach industry has known that the deadline for compliance with PSVAR was by 1 January 2020, with enforcement action originally expected from this point onwards. As such, while we recognise that smaller operators may take more time to comply, there are no plans to change the compliance schedule from that outlined in the **Policy Annex** since they have been aware of the original policy intent for several years.

5.3 Trade Impact

126. Consideration of trade impact is intended to explore possible impacts of the preferred policy option upon UK trade and investment, with particular reference to international trade negotiations.[78]

127. Following engagement with the Department for International Trade, it is not expected that either of the Do Nothing or preferred policy option would impact the government's trade agreement negotiations or impose non-tariff barriers to trade.

128. The preferred policy option will stimulate an increase in domestic trade for the retrofitting sector (which is likely to be comprised of specialist SMBs), with MTE requirements encouraging a steady increase in demand for accessibility features over the course of the four-year period. There may also be a more marginal increase in demand for purchasing new, fully PSVAR compliant coaches (particularly if, as has been expressed by coach sector representatives, it will either be technically impossible or economically unviable to retrofit some older vehicles). It is expected that existing supply chains used for the procurement of PSVAR accessibility features are robust enough to manage the increase in demand for these goods.

129. The ability of businesses to trade within the UK, both foreign and domestic, will not change as a result of the preferred policy. It does not constitute a technical regulation which introduces new product specifications. In addition, no new import regulations are created, nor is this policy based upon any international trade standard.

130. As a sum of the above, the preferred policy option should not be considered as a measure which is restrictive to trade in any sense. Further consideration will be given to possible impacts on

[78] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/916918/better-regulation-guidance.pdf - accessed 8 February 2022

government trade agreement negotiations, and trade conventions, later this year as the review of PSVAR is undertaken.

5.4 Family Test

131. This purpose of this test is to consider the potential impact of the MTE on the family. When referring to "the family" in this section, we have taken its meaning from the broad set of definitions included in the government's guidance.[79]

132. In appraising the potential impacts of MTEs from PSVAR on the family, we have considered the following questions in the round:

    a. What kinds of impacts might the policy have on family formation?

    b. What kind of impact will the policy have on families going through key transitions such as becoming parents, getting married, fostering or adopting, bereavement, redundancy, new caring responsibilities or the onset of a long-term health condition?

    c. What impacts will the policy have on all family members' ability to play a full role in family life, including with respect to parenting and other caring responsibilities?

    d. How does the policy impact families before, during and after couple separation?

    e. How does the policy impact those families most at risk of deterioration of relationship quality and breakdown?

133. As set out in the summary sections of this main Impact Assessment document, a key objective of the preferred policy to introduce MTEs is to improve PSVAR compliance in part or in full so that a greater number of disabled passengers can access HTS and RR services. The gradual approach to compliance proposed in our schedule is likely to mean that its intended effects will accrue incrementally. However, by avoiding unintended consequences of HTS and RR services being withdrawn altogether (another key policy objective), we expect to at least maintain current service levels, and therefore maintain connectivity for users who will be most affected. These have been identified as follows:

    a. Disabled children using in-scope HTS services and any accompanying adults (parents, guardians, or carers); and

    b. Disabled passengers of all ages using RR services, and their families and friends who are either travelling with them, living with them, visiting them, or whom they are visiting.

134. It is possible that by increasing the volume of HTS and RR PSVAR compliant coaches, operators will be improving accessibility for other services which they may provide (i.e., new stock or existing vehicles which have been retrofitted to comply with PSVAR may also be used for non-HTS or RR services). Therefore, improving accessibility in this way will increase opportunities for greater contact by those families who are more dependent on public transport. In the case of RR services, improved accessibility could be particularly important for those families for whom mobility issues create a barrier for older or disabled members to visit each other frequently or at all. In the case of HTS services, disabled children who wish to travel with their schoolmates would benefit from increased access; this may also provide some respite for their parents, guardians, or carers.

135. Quantifying the impact of introducing MTEs on families would not be easy, given that they require a gradual increase in full and partial compliance over a four-year period. It would be particularly hard to anticipate the impact of the proposal upon those currently suffering deterioration of relationship quality and breakdown. One on hand, as compliance increases, we would expect to see some improvement where lack of compliant HTS and/or RR service is a causative factor. On the other

[79] https://www.gov.uk/government/publications/family-test-assessing-the-impact-of-policies-on-families/the-family-test - accessed 8 February 2022

hand, were the majority of HTS or even some RR services not able to continue running because of a lack of compliant coaches (the Do Nothing option), this would likely add additional strain.

136. It is likely that any impact on the provision of coaches for HTS and RR services, whether compliant or non-compliant, will have greater effect on those without access to alternative transport such as private cars or taxis (although it should be noted that local authorities and train operating companies are obliged to provide alternative accessible arrangements in the case of HTS and RR respectively, even if arrangements for the former are not always free of charge). In the case of RR services, the withdrawal of services is likely to have a particular impact on those involved with family formation, or with couple separation or divorce. With regards to the latter, a lack of HTS provision, resulting in couples taking children (disabled or otherwise) to and from school without a coach could be a causative or aggravating factor in a divorce or separation.

137. In conclusion, whilst it is not easy to quantify the possible effects of the preferred 'Do Something' policy option on family life, we consider that the effects are likely to be positive but moderate resulting from the improvement in connectivity for disabled coach users.

5.5 Health Impact Assessment

138. The Health Impact Assessment explores the possible positive and negative impacts of this proposal on heath in accordance the government's published guidance on this subject.[80]

139. The preferred 'Do-Something' policy option will maintain continuity of crucial HTS and RR services. Children being able to continue accessing their educational institution without disruption is a core policy objective. Education is critical to the development of positive health trends, both mental and physical, and consequently a significant feature of healthy wellbeing.[81] Moreover, increasing the availability of PSVAR compliant coaches will fundamentally improve the opportunities disabled children have to travel to an educational institution with their peers, should they wish to do so which may help reduce isolation and loneliness.

140. The disruption caused by an RR service being inaccessible to a disabled person could certainly have a negative effect on health, mental health, and wellbeing. This would be particularly applicable if this effectively denied a person with accessibility requirements access to a much-needed educational institution, healthcare, or a sport/leisure facility. The preferred policy option of introducing MTEs would mitigate that risk through increasing the provision of compliant coaches; ensuring those with accessibility requirements can travel without fear of such consequences.

141. In terms of indirect health impacts relating to social, economic, or environmental living conditions, without continuation of HTS (and to a lesser extent RR) services there would be a significant increase in use of personal motor vehicles. Such an increase could have a negative impact upon air quality and traffic congestion. Subsequently, through the preservation of HTS services, this policy proposal is expected to deliver indirect health benefits by preventing a worsening in air quality from avoiding more car trips. Furthermore, a core part of this policy proposal is to ensure SMBs do not go out of business, either through loss of HTS revenue or unsustainable investment in accessibility features. Prevention of these outcomes can only be perceived as a positive indirect health impact, from a socio-economic perspective.

142. The preferred policy option will not cause a change in demand for access to health and social care services, nor have an impact on global health. Consequently, specific consideration has not been given to these parts of the health impact assessment beyond what is written above.

[80] https://www.gov.uk/government/publications/health-impact-assessment-of-government-policy - accessed 8 February 2022

[81] https://www.gov.uk/government/publications/education-schooling-and-health/education-schooling-and-health-summary - accessed 8 February 2022

5.6 Human Rights Impact

143. When considering the possible impact of our proposal on human rights we have made particular reference to the Human Rights Act 1998 (HRA).

144. The preferred 'Do Something' policy option bears no impact on the HRA Schedule 1, Part 2, Article 2 right to education,[82] and whilst the Do Nothing option does not explicitly deny the right to education, it could be considered prohibitive if a child exclusively reliant on HTS transport no longer has access to it.

145. Regarding the Do Nothing scenario and RR, if no alternative form of accessible transport was provided by a train operating company (TOC) in the case of a non-compliant coach; this scenario could be considered to contravene the HRA Schedule 1, Part 1, Article 14 prohibition of discrimination.[83] It should be noted that such a situation is unlikely, as TOCs are mandated to prevent such scenarios.

146. Further in-depth consideration shall be given to Human Rights as part of the Public Sector Equality Duty[84] within a separate Equalities Impact Assessment, which is being developed for publication.

5.7 Rural Proofing

147. In considering rural proofing, we have looked at the possible impact of the preferred 'Do Something' option on rural areas. This is in accordance with the government's guidance which aims to establish if there is a disproportionate impact on rural areas.[85]

148. During policy development, engagement with the Association of Transport Co-ordinating Officers (ATCO), who bring together local authority transport officers, reinforced DfT understanding on the importance of HTS transport in rural areas. This is particularly obvious when juxtaposed with urbanised areas, which tend to have more extensive transport networks and alternatives. A disproportionate effect would be felt by rural areas if the Do Nothing option played out, given a reliance on HTS services to ensure access to educational institutions which are often not within the statutory walking distance. A fundamental part of rural proofing the preferred policy approach is placing continuation of HTS and RR services at the core of its objective.

149. Through engagement with CPT and the UK Coach Owners Association (UKCOA), DfT has determined HTS sector work is proportionately more important to rural businesses compared with urban ones. The majority of HTS operators are regionally based, serving local economies, and fall into the SMB category (as established by the SaMBA). Without the work provided from these two sectors, in particular HTS, there would be a negative impact upon rural businesses, and employment. Following engagement with CPT and UKCOA on this concern, particular attention has been given to ensuring the MTE compliance schedule (at **Policy Annex)** and wider policy will avoid placing SMB operators, of which the majority operate outside of urban areas, under unsustainable financial strain.

150. It has been considered if this policy will impact certain rural socio-economic groups or demographics more than others. The preferred policy option generally affects younger rural demographics in the case of HTS transport, whilst RR services can be expected to have an equal impact across all users

[82] https://www.legislation.gov.uk/ukpga/1998/42/schedule/1/part/II/chapter/2 - accessed 8 February 2022

[83] https://www.legislation.gov.uk/ukpga/1998/42/schedule/1/part/I/chapter/12 - accessed 8 February 2022

[84] https://www.legislation.gov.uk/ukpga/2010/15/section/149 - accessed 8 February 2022

[85] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/600450/rural-proofing-guidance.pdf - accessed 8 February 2022

of rail transport. The same scope can be considered for the Do Nothing option, however with significantly more negative effects.

5.8 Competition Assessment

151. This section explores the possible impacts of the preferred policy option on competition. n considering the competition impact we have considered the following questions, in accordance with the Competition and Marketing Authority's guidance.[86]
    a. Will the measure directly or indirectly limit the range of suppliers?
    b. Will the measure limit the ability of supplier to compete?
    c. Will the measure limit suppliers' incentives to compete vigorously?
    d. Will the measure limit the choices and information available to consumers?

152. The competition impact of issuing MTEs is expected to be minimal. It is not anticipated that this proposal will significantly affect the supply or demand for coach services that fall within its scope.

153. As set out at Paragraph 11, our overarching goal is to make travel easier for individuals who have accessibility issues. One of the four objectives of our preferred policy option is to encourage a gradual increase in compliance with PSVAR in HTS and RR sectors. This is intended to remedy a low level of compliance towards PSVAR by the coach sector. However, our proposal has been designed to consider the poor financial health of that sector (which has been exacerbated as a result of the COVID-19 pandemic). We aim to ensure that in encouraging greater levels of compliance we avoid unintended consequences where service providers are forced either to withdraw HTS and RR services or cease trading completely if they lack the resources to retrofit existing coaches or purchase new ones.

154. We are extremely mindful of any risks, however small, of the preferred 'Do Something' policy option resulting in significant financial burdens for existing coach operators and the attendant risk to competition. We have therefore tested our approach carefully to mitigate against such risks.

155. Given that the coach sector is largely comprised of Small and Medium Enterprises, the compliance schedule for MTE has been developed through an iterative process including engagement with leading coach trade body representatives, CPT and UKCOA, to ensure that concerns regarding financial pressures have been properly considered and reflected in policy design. As a result, the proposed compliance schedule allows for coach operators – depending on the number of in-scope vehicles in their fleets – to pursue a gradual regime of compliance so that an increasing percentage of their stock is required to become compliant by 1 August 2025. For example, operators with between 1 and 5 vehicles in scope of the emptions would be required to have only 1 vehicle fully compliant by 1 August 2025 with the remainder of their fleet partially compliant. Those with the largest number of in-scope vehicles (30 or more) would be required to have a minimum of 35% fully compliant by the same date. These requirements are most likely to uphold the need for increased compliance whilst avoiding limiting the range of suppliers or the ability of suppliers to compete.

156. In reaching this position (which has been agreed by Ministers) we have listened and responded to stakeholder concerns regarding unintended consequences with reference to the following parts of the sector:

    a. Small and micro businesses; and

    b. Operators of larger fleets with a high proportion of vehicles in scope of the framework

[86] https://www.gov.uk/government/publications/competition-impact-assessment-guidelines-for-policymakers - accessed 8 February 2022

157. In both cases, it is possible that a particular operator might be the sole or a major service provider in a given area, including rural areas with sparse alternative provision for HTS or RR services – possibly taxis (who may not have the capacity to cover the gap in service provision). It is unlikely given the current financial climate that new entrants to the market (with sufficient financial backing to provide compliant vehicles required) could be found, at least in the short-term. However, it should be emphasised that these issues are only likely to accrue to those operators whose business is wholly or largely dependent on HTS or RR service provision, and do not wholly or partly comply with PSVAR. We will continue to engage with coach industry representatives throughout the MTE period and monitor carefully its effects upon operators and their ability to comply with the policy and to maintain services.

158. Demand for HTS services which are in scope is likely to be considerably inelastic unless there is a significant increase in local school populations. Similarly, as RR services tend to be commissioned on weekends or bank holidays with fewer passengers expected (and it is likely that a number of potential passengers will avoid RR services if possible), it is unlikely that there will be significant changes in the level of demand. Given the current and medium-term financial state of the coach sector, it is therefore unlikely that this proposal will affect the level of competition, and even less so the possibilities for vigorous competition for these services.

159. In conclusion, given the scope of preferred policy option to introduce MTEs and the types of services and customers involved, we do not believe that our proposal will impact significantly on the range of service providers or the ability to compete (rigorously or otherwise). Both supply and demand for services is likely to remain inelastic. Consequently, the level of choice and information available to consumers is unlikely to be significantly affected.

160. In the longer term, the government has, in the 2021 National Disability Strategy[87], committed to a review of PSVAR by the end of 2023, which is expected to take a wide remit towards examining the effectiveness of the regulations to reflect the way the needs and expectations of disabled people are likely to have changed in the last 20 years. As part of that review, we will be engaging widely, including with the coach sector and consumer groups, and it is likely that the effectiveness of the PSVAR exemptions regime will be raised in those discussions.

161. We also anticipate that there will be other, wider, factors which may have a more significant impact on competition, such as decarbonisation, the ageing population and other challenges facing government and society.

5.9 Greenhouse Gases Impact Test/Wider Environmental

162. This test considers the possible environmental impacts of the preferred 'Do Something' policy option in accordance with the government's guidance on this subject.[88]

163. Implementing MTEs (Do Something) is expected to yield environmental benefits relative to the Do Nothing option. The Do Nothing option would see a significant volume of HTS coach services stop running due to high non-compliance with PSVAR. Subsequently, there would be a notable increase in the use of personal motor vehicles (or private hire or taxi services) to transport children to their place of education. This would result in a negative impact upon air quality, and an increase in carbon emissions produced. There would be a similar, but much more nominal impact forthcoming from the effect to RR services. Consequently, the preferred option of do-something can be said to have relative positive environmental benefits.

[87] https://www.gov.uk/government/publications/national-disability-strategy - accessed 8 February 2022

[88] https://www.gov.uk/guidance/assessing-environmental-impact-guidance - accessed 8 February 2022

164. For further indirect environmental impacts analysis, please refer to the indirect costs and benefits in Section 3

6.0 Post implementation review

1. **Review status:** Please classify with an 'x' and provide any explanations below.

	Sunset clause		Other review clause		Political commitment	X	Other reason		No plan to review

The PIR will begin at expiry of the medium-term exemptions (MTEs) in August 2026. However, it should be noted that review of the overarching regulations, the Public Vehicles Service Accessibility Regulations 2000, will begin later in 2022. This review, and any potential amendments forthcoming could necessitate a change in exemptions policy.

2. **Expected review date** (month and year, xx/xx):

0	8	/	2	6

Five years from when the Regulations come into force

N.B.: as mentioned in section 1, the review date is contingent upon conclusion of the review of PSVAR, the overarching regulations. 08/26 would be the earliest date a PIR would begin.

3. **Rationale for PIR approach:**

Circle the level of evidence and resourcing that will be adopted for this PIR (see Guidance for Conducting PIRs):

Describe the rationale for the evidence that will be sought and the level of resources that will be used to collect it.

- **Will the level of evidence and resourcing be low, medium or high? (See Guidance for Conducting PIRs)**

Low. Considering the policy is not amending or introducing new regulations, and simply offers qualified exemptions from the existing Public Service Vehicles Accessibility Regulations 2000 (PSVAR) which require increasing levels of full and partial compliance over time), we deem a low level of PIR evidence and resourcing to be proportionate. Furthermore, the EANDCB value is expected to sit on or slightly above the £5m de minimis threshold, which warrants a low evidence level.

In addition, as the overall policy on the accessibility of public service vehicles will be subject to the committed review of the current regulatory regime by the end of the 2023, and any necessary regulatory changes planned to be brought in before the MTEs expire, a low level of evidence and resourcing has been deemed appropriate.

- **What forms of monitoring data will be collected?**

The policy team will engage with operators, and the trade bodies which represent them, on a periodic basis. We will collect relevant qualitative and quantitative data on the consequences of meeting compliance expectations (which must be done for MTEs to remain valid). Summaries of these meetings will be kept by DfT officials to inform the future PIR. These meetings will also serve to sense check the policy's success, in addition to identifying any risks or unintended consequences. DfT maintains regular contact with trade bodies, and other affected stakeholders such as local authorities and disability stakeholders. For the purpose of enforcement, critical data (e.g., the number and identity of an operator's vehicles covered by an MTE) will also be collected through the MTE application form and shared with DVSA to inform compliance inspection and potential enforcement action. Inspection data collected by the DVSA will be shared periodically with DfT to inform on increasing compliance progress. As such, policy officials will monitor the exemptions impact through these channels.

- **What evaluation approaches will be used? (e.g. impact, process, economic)**

Impact and process evaluation.

- **How will stakeholder views be collected? (e.g. feedback mechanisms, consultations, research)**

Periodic engagement with industry stakeholders through existing channels of communication.

Rationale for not conducting a PIR:

N/A.

Key Objectives, Research Questions and Evidence collection plans			
Key objectives of the regulation(s)	**Key research questions to measure success of objective**	**Existing evidence/data**	**Any plans to collect primary data to answer questions?**
Our overarching goal is to make travel easier for individuals who have accessibility issues. Thus, our four policy objectives are as follows: 1. Encourage compliance with PSVAR so that more disabled people and disabled school children can travel alongside non-disabled passengers; 2. Ensure critical HTS and RR services do not cease operating and thus avoid negative impacts on the travelling public and school goers; 3. Reduce uncertainty for operators and commissioners of HTS and RR services. We seek to achieve this through the introduction of MTEs, and 4. Avoid SMB operators going out of business. We seek to balance these objectives through the introduction of MTEs. These exemptions would last from July 2022 to July 2026. Operators must progressively increase the compliance of their fleet for the exemption to remain valid.	Have any businesses been adversely financially impacted by the investment required to meet the exemption terms? Have operators achieved the increase in compliance stipulated by their exemption band? Have any HTS operators stopped charging fares since introduction of the MTEs? How confident have operators felt over the course of the MTEs that they: 1. can maintain their HTS and/or RR service obligations, and 2. that they are meeting the compliance expectations set out in their MTE terms? Has the introduction of MTEs improved the ability of commissioners of HTS and RR services to plan them?	Some quantitative and qualitative data acquired through engagement with industry. DfT has some existing data on the number of compliant coaches and the wider the HTS and RR sectors. However, it is inconsistent – particularly on the former. Through the application process for these MTEs, we will be able to gather more accurate data.	No.

Analytical Annex: Table of Uncertain Assumptions

Item	Low	Best	High	Source and uncertainty reason
HTS and RR profit rate (benefit)	1%	2%	3%	There is no data available on the profit rate of HTS home to school (HTS) and rail replacement (RR) operations. The Confederation of Passenger Transport (CPT) advise that profits on HTS, the main revenue earner of HTS and RR activities, may be very low and much lower than tourist related coach activities[89]. An agreed best estimate of 2% profit for HTS and RR was advised, with one percentage point error applied as a sensitivity. In order to test the worst-case scenario for operators, a 1% profit rate has been ascribed to low (benefit) scenario and 3% to the high (benefit) scenario
Retrofitting to full compliance cost	£20,000	£30,000	£40,000	CPT and the Society of Motor Manufacturers and Traders (SMMT) estimate the cost of retrofitting a non-compliant coach is £20,000 - £30,000 (central estimate £25,000 , all prices £ 2019). Additionally, operators may choose to buy a compliant PSVAR coach rather than a non-compliant coach at the end of an old coach's natural life. CPT estimate the difference in price to be £30,000. As such, the cost of acquiring a PSVAR compliant coach, either through retrofitting an old coach or buying a coach that is PSVAR compliant, is estimated to be £30,000[90].
Number of coach operators in HTS - RR	700	1,600	2,500	There is no data for number of operators in only HTS and RR. CPT estimate that there are 2,500 operators across the UK coach sector[91], and Zemo estimate there are 700 operators[92]. The central estimate is the mid-point.
Administrative hours required for exemption application	1	2	3	From examining a previous Short Term Exemption form which contained 25 questions and asked operators about the size of their fleet, the operator name, number of coaches and number of coaches used in HTS, it is clear that the MTE form would not take a substantial time. We have used a conservative assumption of a central estimate of two hours of administrative time per operator, with a low and high case of one and three hours to file the form.
Cost of installing colour-contrasting handrail	£500	£850	£1,200	Advice from UK Coach Operators Association (UKCOA) states that the cost estimate of a colour contrasting Handrail is £500 - £1,200. We have provided a central point estimate of £850[93].

[89] Estimates for HTS and RR profitability provided by email by CPT on 23 December. See *Do Something – Direct benefits* for more information.

[90] Cost estimates submitted via email from CPT on 22 December 2021, collected through stakeholder consultation. Cost estimate of price differential between compliant and non – compliant coach is based off CPT observing the differences in prices of seven similar second hand PSVAR compliant and non-compliant coaches from https://www.route-one.net/ - accessed 8 Febraury 2022. Cost estimates submitted via internal paper from SMMT shared with DfT on 7 January 2022. Data collected through stakeholder consultation. See *Background to estimates - Ongoing costs* for more information

[91] https://www.cpt-uk.org/media/5qiagic1/coach-strategy-full-strategy-document.pdf- accessed 8 Febraury 2022

[92] https://www.zemo.org.uk/assets/reports/LowCVP%20Coach%20report%202020%20web%20version%20V2.pdf- accessed 8 Febraury 2022

[93] Cost estimates supplied via email from UKCOA on 7 January 2022. UKCOA estimate this cost range through consulation with their members. The central estimate of £850 was estimated by DfT as a midpoint of the range.

Initial number of fully compliant coaches in population	4,800	4,800	1,598	The central and low cost scenarios extrapolate the sample, estimating there would be 4,800 fully compliant coaches in a coach sector of 32,500. Using the UKCOA assumption of only 10% of the HTS and RR coach sector being fully compliant, there are 1,598 fully compliant coaches (out of a sector of 15,975)[94].
Initial number of partially compliant coaches in population	2,483	2,483	3,195	The central and low cost scenarios assume that two – ninths of each firm's non fully compliant coaches are partially compliant (based on UKCOA data that 90% of coaches are not fully compliant, but 20% are partially compliant), However, the high cost case takes the UKCOA data as a whole and assumes that 20% of a firm's coaches are near partially compliant[95].
Initial number of near partially compliant coaches in population	7,450	7,450	9,585	The central and low cost scenarios assume that six – ninths of each firm's non fully compliant coaches are near partially (adding colour contrasting handrail means partial compliance achieved) compliant. This is based on UKCOA data that 90% of coaches are not fully compliant, but 60% are near partially compliant. However, the high cost case takes the UKCOA data as a whole and assumes that 60% of a firm's coaches are near - partially compliant[96].
Initial number of non-compliant coaches in population	1,242	1,242	1,598	The central and low cost scenarios assume that one – ninth of each firm's non fully compliant coaches are non – compliant (based on UKCOA data that 90% of coaches are not fully compliant, but 10% are non-compliant). However, the high cost case takes the UKCOA data as a whole and assumes that 10% of a firm's coaches are non-compliant[97].

[94] See Table 2a and *Extrappolating the samples to make population estimates* for more information.

[95] Ibid

[96] Ibid

[97] Ibid

Policy Annex: proposed compliance schedule

Exemptions will be offered for 'in scope' coaches which are subject to the requirements of the Public Service Vehicles Accessibility Regulations 2000 (PSVAR) and being used to provide:

a) Home-to-school (HTS) services which can be used only by pupils or staff at a Primary, Secondary or Further Education establishment served, or passengers travelling in a supervisory role; and

b) Pre-planned and ad hoc rail replacement (RR) services.

Explanatory notes for the proposed compliance schedule

"*Fleet*" refers to the total number of in scope vehicles, i.e., used for either home-to-school or rail replacement services. Vehicles not used for either should not be counted. HTS services with no paying customers are not in scope of PSVAR 2000.

"*Fully compliant*" means that a vehicle complies with all paragraphs of Schedules 1 and 3 of PSVAR 2000. Schedule 1 concerns facilities for wheelchair users, and Schedule 3 concerns other accessibility features.

Numbers of vehicles*:* when calculated by percentage, should always be rounded up the nearest whole number even when less than 0.5 – for example, a band D operator with 34 vehicles would be expected to have six fully compliant vehicles by the start of Period 2 (15% of 34 = 5.1), nine by the start of Period 3 (25% of 34 = 8.5), and twelve by the start of Period 4 (35% of 34 =11.9).

Note 1: a rough analysis of applications for HTS exemptions in summer 2021 suggests that:

- 63% of applicants had nine or fewer vehicles,
- 32% had between 10-29 vehicles, and
- 5% had 30 or more vehicles.

Note 2: Dates indicated below are for both HTS and RR MTEs. In practice, this means from 1 July 2022, the extended HTS4 extensions would be superseded by the MTEs. RR exemptions are due to expire 30 June 2022.

Medium-term exemptions from PSVAR: compliance schedule						
Numbers of vehicles, when calculated by percentage, should always be rounded up *even when less than 0.5.* For example, a value of 0.3 vehicles would round up to 1 vehicle.						
***Excludes compliance with Schedule 3, paragraph 4 (steps), sub-paragraphs (1d, 1e, 1f, and 5).**						
Band	**Fleet size**	**Period 1**	**Period 2**	**Period 3**	**Period 4**	**New PSVAR regime in place**
		1 Jul 22 to 31 Jul 23	**1 Aug 23 to 31 Jul 24**	**1 Aug 24 to 31 Jul 25**	**1 Aug 25 to 31 Jul 26**	**1 Aug 26 onwards**
A	1 to 5	Entire fleet exempt	by 1 Aug 23 - at least 25% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 24 - at least 50% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 25 **- at least 1 vehicle fully compliant** - remainder of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	*Compliance with new regulations to be determined during the planned PSVAR review, and post review implementation period*
B	6 to 9	Entire fleet exempt	by 1 Aug 23 - at least 25% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 24 **- at least 1 vehicle fully compliant** - at least 50% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 25 **- at least 2 vehicles fully compliant** - remainder of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	*Compliance with new regulations to be determined during the planned PSVAR review, and post review implementation period*
C	10 to 29	Entire fleet exempt	by 1 Aug 23 - at least 25% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 24 **- at least 15% of fleet fully compliant** - at least 50% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 25 **- at least 25% of fleet fully compliant** - remainder of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	*Compliance with new regulations to be determined during the planned PSVAR review, and post review implementation period*
D	30 plus	Entire fleet exempt	by 1 Aug 23 **- at least 15% of fleet fully compliant** - at least 25% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 24 **- at least 25% of fleet fully compliant** - at least 50% of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	by 1 Aug 25 **- at least 35% of fleet fully compliant** - remainder of fleet compliant with Schedule 3 paragraphs 2-5 inclusive*	*Compliance with new regulations to be determined during the planned PSVAR review, and post review implementation period*

Notes:

Fully compliant - refers to a vehicle that is fully compliant with PSVAR2000 requirements, defined as all of Schedule 1 and Schedule 3.

Fleet – refers to vehicles an operator uses for Rail Replacement and/or Home to School services that are in the scope of PSVAR2000.

Operators may work ahead of the periods – for example they could achieve the requirements of Period 3 in Period 1 if they so choose.

Glossary

This glossary explains the policy-specific terms used in this document.

Term	Definition
Home-to-School services (HTS).	Services providing transport for children and young people between their homes and school or college.
Exemptions	Formally called “Special Authorisations”, we propose they will exempt relevant services from the PSVAR for a period of four years.
Full compliance	A vehicle that complies with all paragraphs of Schedules 1 and 3 of PSVAR 2000. Schedule 1 concerns facilities for wheelchair users, and Schedule 3 concerns other accessibility features.
Medium-term exemptions (MTEs)	The medium-term exemptions which we propose to issue to operators of home-to-school and rail replacement services, as distinct from the rolling exemptions which have been offered to date.
Partial compliance	A vehicle is not fully compliant, but as a minimum, complies with PSVAR Schedule 3, paragraphs 2 (Floors and gangways), 3 (Seats), 4 (Steps, excluding sub-paragraphs 1d, 1e, 1f, and 5) and 5 (Handrails).
Near partial compliance	An advisory term used within this IA (only for the purpose of analysis) to describe coaches that would be partially compliant if they added a colour contrasting hand-rail to meet the requirements of Schedule 3, paragraph 5.
Non-compliant	For the purpose of analysis, a non-compliant coach is one that is not at least near partially compliant.
Public Service Vehicles Accessibility Regulations 2000 (PSVAR)	Regulations introduced in 2000 which require vehicles within scope to meet a set of accessibility requirements, and from which we propose to issue medium-term exemptions. Different sectors of the bus and coach industry were given varying compliance deadlines. The original deadline for compliance for the HTS sector was 1 January 2020. Due to issuance of STEs, current HTS and RR exemptions from PSVAR expire on 31 July and 30 June 2022 respectively.
Rail replacement services (RR).	Services providing alternative transport for railway passengers during periods of planned or unplanned disruption.
Short-term exemptions (STEs)	Complete exemptions from PSVAR given to the HTS and RR sectors that ran for a varying lengths of time.