

---

## **Introduction of SharePoint facility for train driver licensing**

### **Department for Transport – Office for Rail and Road (ORR)**

### **RPC rating: fit for purpose**

#### **Description of proposal**

The proposal will introduce an online system for handling and processing applications for train driving licences. Previously, a paper-based system was in place. This required the ORR to spend significant administrative and time resource on entering train drivers' data into ORR's driver licensing database.

Following consultation with industry on the proposed change, ORR carried out a pilot test of the new system with two businesses. Additionally, to date, five train operating companies are now using the web-based system. ORR has interviewed all of these firms in order to evaluate the new service. This evidence underpins the cost-benefit analysis of the measure.

The proposal does not mandate the use of the online licensing scheme. Businesses are still able to use the paper-based system, however, it is anticipated that many firms will move to the new driver licensing system. ORR states that many firms viewed the change as beneficial.

#### **Impacts of proposal**

The cost to business of the proposal relates to familiarisation with the web-based system. The assessment states that the proposal will affect all 37 train industry businesses that employ train drivers. This figure is derived from ORR's licensing and safety certification records. ORR notes that driver licensing is dealt with by, at most, two people in each firm, based on evidence from the early adopters of the scheme. The wage rate of these employees is estimated to be £23.85 per hour, based on ASHE data of managerial grades in the rail sector. ORR estimates that it will take 15 hours for the individuals to familiarise themselves with the new scheme, again based on evidence from the early adopters. Combining these figures, the total cost of familiarisation in year one is estimated to be £3,578. The ORR assumes that there will be increasing uptake of the online system in future years. It assumes that five new businesses will use the online system each year, up until year 8. From years 8

to 10, it assumes that three new businesses will use the online system each year. This results in a total familiarisation cost to business, across ten years, of £31,482.

The direct benefit to business of the proposal is the time saving associated with using the new, more efficient, online system. Based on evidence from current users, the ORR estimates the time taken to submit an application using the paper-based system and web-based system. For the paper-based system, it is estimated to be 20 minutes per licence. For the web-based system, the time taken is estimated to be two minutes. The ORR then estimates the number of new licence applications it expects to receive over the next ten years. In year 1, this is assumed to be 3,050. In years 2 and 3, this is assumed to be 3,250 per year. The number of applications is expected to be significant in the first few years of the policy, due to the deadline for full licensing in October 2018. In years 4-10, the number of applications is assumed to be 300 per year. The total number of new licence applications is, therefore, assumed to be 11,650. These figures are based on the DfT-ORR Rail Value for Money Study. ORR then adjusts these figures to reflect the likely gradual uptake of the web-based system. The assessment states that the online scheme will result in a saving to business of 2,250 hours in total. Using the wage rate as stated above, the total benefit to rail businesses is estimated at £53,841.

The RPC verifies the estimated equivalent annual net direct cost to business (EANDCB) of £0.0 million. This will be a qualifying regulatory provision that will score under the business impact target.

## Quality of submission

ORR absorbed the costs of implementing the new system through savings in other regulatory activities, such that industry did not experience additional costs as a result of the introduction of the measure. ORR therefore does not score the cost of the new system, of £100,000, against the BIT. This approach is incorrect. To quote the RPC case histories (section 7.1): *'any increase in costs that are stated as 'absorbed' by regulators should also normally be treated as a direct cost to business. This reflects that, in the counterfactual, the costs to business would be lower because it should be assumed that the regulator's efficiency savings would have been passed to them (in the form of a reduction in fees/charges).'* Thus the opportunity cost of the loss of other ORR services or the foregone reduction in the safety levy should have been included in the EANDCB. As the one-off cost would not appear to affect the EANDCB when rounded, the RPC has not issued an initial review notice. For future submissions, ORR must assess absorbed costs correctly.

The ORR classifies the measure as a qualifying regulatory provision, rather than a non-qualifying regulatory provision (EU). The assessment would benefit from

consideration of whether providing for an online system simply represents a new minimum implementation of the underlying EU requirements, taking account of technological developments. If so, the measure is potentially non-qualifying.

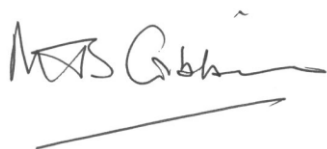
The RPC notes that there has been significant improvement in the quality of ORR's assessments. The analysis contained within this submission is well evidenced and the ORR has made good use of consultation evidence.

### Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.0 million
Business net present value	£0.02 million
Societal net present value	£0.02 million

### RPC assessment

Classification	Qualifying regulatory provision
EANDCB – RPC validated <sup>1</sup>	£0.0 million
Business Impact Target (BIT) Score <sup>1</sup>	£0.0 million
Small and micro business assessment	Not required



**Michael Gibbons CBE**, Chairman

<sup>1</sup> For reporting purposes, the RPC validates EANDCB and BIT score figures to the nearest £100,000.