

## **Immigration Act 2016: check on taxi and private hire vehicle licence applications**

**Home Office**

**RPC rating: validated**

### **Description of proposal**

The measure requires licensing authorities to undertake immigration status checks as part of the application process for taxi and private hire vehicle (PHV) licences. This is intended to prevent drivers, who do not have the right to work in the UK, from holding a taxi or PHV licence. Currently, a significant proportion of drivers of taxis and PHVs are self-employed and, therefore, not subject to existing 'right to work' checks carried out by employers. The measure mandates immigration status checks by licensing authorities.

### **Impacts of proposal**

To assess the impacts of the measure, the department consulted a number of stakeholders, including the *Institute of Licensing* (IoL) and *Transport for London*, and conducted a survey of UK licensing authorities during October 2015. Of 370 UK licensing authorities, 149 responded, covering 76 per cent of licences issued. Based on this evidence, the IA identifies a number of small costs to business, including familiarisation costs for applicants, ongoing costs of new licence applicants providing additional information, travel costs incurred during 'face to face' document checks and additional administrative costs for applicants retaining copies of relevant documents for their own purposes.

#### Familiarisation costs

The IA estimates that it would take two minutes each for applicants to familiarise themselves with 200 words of updated guidance associated with the checks, based on reading speed information from *Readingsoft*. This estimate includes an allowance for applicants whose first language may not be English. The department has estimated the resulting cost to business by multiplying this time by the wage rate of a driver or operator and by the current volume of licences (figures obtained from sources including the Department for Transport Taxi and PHV statistics for 2015 indicate that approximately 350,000 drivers operate in the UK). The wage rates used for this calculation are taken from the Annual Survey of Hours and Earnings for 2014, adjusted for non-wage labour costs. Applying a growth rate to extrapolate the

level of future applications (based on the average growth of applications between 2007 and 2015), the IA estimates that private sector familiarisation costs would total £0.2 million in present value terms over 10 years.

The department has used survey evidence to estimate whether the following costs are applicable, as some licensing authorities have indicated that they already have the proposed requirements in place.

### Processing costs

The IA explains that there will be an ongoing cost to business of providing additional information for the proposed immigration status checks. This involves the time taken to provide documentary evidence demonstrating a right to work in the UK. The cost to business has been estimated using the central assumption that it would take an applicant six minutes to provide this information, derived through consultation with the licensing authorities, the Local Government Association and the IoL. Multiplying the cost of this time by the volume of licences, and applying this to survey statistics on the proportion of authorities that consider there to be a cost involved, provides a total processing cost for businesses of £0.2 million over 10 years in present value terms.

### Other costs

The IA estimates the administrative cost that applicants may incur when making copies of original documents for their own records during immigration checks. The department has used the cost of photocopying as a proxy, assumed to be 10p per copy from an external provider, which is multiplied by the proportion of licensing authorities responding that additional photocopying costs will be incurred. Applying this to the current and expected volume of driver and operator licences over the 10-year period, these administrative costs are estimated to be £0.01 million over 10 years in present value terms.

The IA also explains that there would be costs to business resulting from licensing authorities requiring applicants to attend document checks in person to verify their identity. The department has used survey evidence to identify the proportion of applicants affected by this cost. Applying this proportion to travel time cost values from the Department for Transport, and a proxy for the average travel time to a local authority office in a town centre (estimated to be seven minutes in the central scenario), provides a total travel cost of £0.2 million over 10 years in present value terms.

Aggregating these costs, the IA estimates the total cost to business of the measure to be £0.5 million in the central scenario (within a range of £0.2 - £1.3 million), which translates as an equivalent annual net direct cost to business (EANDCB) of £0.06 million.

## Quality of submission

The department has used evidence gained through consultation and a survey of UK licensing authorities to inform the assumptions used in estimating costs to drivers and operators as a result of the measure. The department has also provided sensitivity analysis and a range of estimates for each cost category to show the effect on business when altering assumptions relating to travel times and reading speeds. The department has presented a proportionate level of analysis to enable validation of an EANDCB of £0.1 million, which remains the same (in rounded terms) when using the high scenario for each ongoing cost to business. Despite this, there are some areas where the IA could be improved.

*Familiarisation costs.* The department has assumed that all applicants are likely to familiarise themselves with updated guidance associated with additional information requests. However, responses from licensing authorities indicated that '*the time taken to familiarise private sector applicants would be close to zero*' (page 13), on the basis that many already have these requirements in place. The IA would benefit from incorporating this evidence in its analysis, taking into account where licensing authorities have explicitly indicated that they do not expect additional familiarisation for applicants.

*Travel costs.* To assess the travel costs incurred by applicants in attending face-to-face document checks, the department has used a central journey time of seven minutes. The IA would benefit from considering how representative this is of the average time that may be taken by licence applicants, and whether there is additional information on the distance between those applying and the 370 UK licensing authorities. However, using the travel cost provided in the high scenario does not alter the measure's overall rounded EANDCB figure.

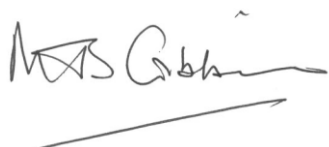
*Other assumptions.* The IA could be improved through further explanation to support some of the other assumptions used in its calculations. For instance, the department has made an assumption of the price of photocopying to estimate the overall administrative cost to businesses, presenting this as “...an illustrative guide to potential copying costs” (page 15). The IA would benefit from including reference to the source of the figures used for this, or further justification of how this cost assumption has been arrived at. In addition, the IA could be improved by explaining whether applicants making copies of identity documents may be voluntary given that checks would not need to be repeated in the majority of cases.

### Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.06 million
Business net present value	-£0.5 million
Societal net present value	-£0.6 million

### RPC assessment<sup>1</sup>

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated	£0.1 million
Business impact target score	£0.5 million
Small and micro business assessment	Not required - low cost regulation



**Michael Gibbons CBE**, Chairman

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