

Road freight transport after EU exit: possible arrangements

Department for Transport

RPC rating: **fit for purpose**

Description of proposal

This IA covers secondary legislation following the Haulage Permit and Trailer Registration Act 2018. The legislation:

- (a) Allows existing permitting arrangements for international haulage to continue when the UK leaves the EU;
- (b) Defines criteria for issuing permits, should a limited supply of permits be over-subscribed; and
- (c) puts in place the necessary framework to deliver permit arrangements for road haulage both to and beyond the EU (if this is needed as a result of exit negotiations) but does not define those arrangements.

Accordingly, the present assessment examines the impacts of maintaining the existing permit frameworks and of managing the UK's bilateral arrangements beyond the EU, but does not examine the impact of putting in place a framework to replace the current system for accessing the EU for UK hauliers.

The criteria for issuing permits where demand exceeds supply are:

- (a) Permits will be issued only to vehicles that meet specific environmental standards;
- (b) Minimum numbers of permits will be allocated across sectors;
- (c) Within these constraints, permits will be allocated randomly¹, on the basis that:
 - a. The probability of receiving a permit will increase with the number of international journeys per permit made by the haulier (to encourage most efficient use of permits);

¹ An application will get a score based on the criteria that applies to all the permits within the application. *For each individual permit*, this score is then multiplied by a random factor so that each permit now has a different score. This means that those meeting the criteria are prioritised and permits are spread among a larger number of applicants; high scoring applicants are likely to get many of the permits they apply for, but not all.

- b. The probability of receiving a permit will increase with the proportion of the haulier's business that is based on international transport (to support hauliers who are more dependent on international transport);
- (d) The Secretary of State will have discretion to award a small number of permits in cases of emergency or special need.

Impacts of proposal

The Department argues that the direct costs of the scheme are limited to administrative costs associated with the permit scheme, and estimates administrative costs in three scenarios with different levels of demand for permits.

It also describes (but does not monetise) indirect costs as a result of an under-supply of permits in some scenarios, and briefly discusses impacts of supply chain disruption in these scenarios.

Familiarisation costs: The Department estimates familiarisation costs of £28 per operator for each of the two possible permit schemes, based on its experience of changes to other permitting schemes and on ASHE data with standard non-wage uplifts. It assumes that operators who do not apply for permits will not have to familiarise themselves with the scheme; given the specific nature of the scheme, this assumption seems reasonable. On this basis, it expects total one-off familiarisation costs to be between £6,500 and £230,000.

Costs of application: The Department assumes that applying for a set of permits will take around an hour, and that an operator will apply for all the permits it needs in a given year in a single application. It also assumes that the cost of a permit will be £133, as at present. On this basis, and using ASHE data with standard non-wage uplifts, it expects total application costs to be between £160,000 and £950,000 per annum. It explains that the cost of a permit is unlikely to change, given the detail of EU regulations, and that it has estimated an application time of one hour based on other permitting schemes.

Costs to government: The Department estimates the costs of establishing a permit scheme at £4.7 million, based on estimates supplied to the DVSA by possible contractors. It notes that these costs will be met by Government, rather than being passed through to businesses. It also notes that in the high-demand scenarios, there will be additional ongoing processing costs, which it expects will be passed to operators. It does not estimate these.

Benefits: The Department argues that there will be benefits to hauliers in any scenario, as a result of increased certainty around access to international markets (once the allocation of permits is known). It does not attempt to estimate these benefits, but provides some supporting evidence based on its consultation.

Quality of submission

As originally submitted, this impact assessment was not fit for purpose; following the RPC's Initial Review Notice, the revised assessment is fit for purpose.

The Department describes its proposed approach clearly, and provides a brief summary of its reasons for selecting the framework of criteria set out in the legislation and rejecting other criteria on which it has consulted

It has provided monetised estimates of some of the direct costs to business of the scheme, and argues on the basis of these that the measure is non-qualifying on the grounds that it is de minimis. It does not monetise the costs to business of not being able to obtain permits in the case where demand exceeds supply, on the grounds that it does not have sufficient data to do so, but does briefly describe these costs and the subsequent indirect impacts on other firms as a result of supply chain disruption. The RPC expects that these costs will be properly assessed in due course, when the results of EU exit negotiations are known.

The Department provides a Small and Micro Business Assessment (SaMBA), which sets out possible impacts on small and micro businesses; it also notes that some of its selected criteria may have disproportionate impacts on small and micro businesses, and discusses how the criteria have been chosen to balance impacts on different groups of businesses including providing help to small businesses. It does not, however, discuss how it might mitigate the impacts of its chosen approach on small businesses.

Similarly, it provides a limited competition assessment, noting that in the case where demand exceeds supply the criteria it has chosen to apply will have impacts on the ability of some operators – including smaller operators – to compete. It notes in particular that the scheme may create barriers to entry in future years, and states that it will review the criteria after the first year of operation with a view to reducing this risk.

Overall, the assessment is fit for the purposes of the business impact target, but would ideally have provided clearer and more detailed analysis of the impacts of the scheme, including the impacts of the chosen criteria in the case where demand for

permits exceeds supply and a discussion of the degree to which the scheme delivers a close approximation of an economically efficient allocation.

Should a permit regime be required for haulage to and within the EU, the RPC expects to see a proper set of estimates of the costs and benefits of the scheme, including market, efficiency and competition impacts.

Departmental assessment

Classification	Non-qualifying: de minimis
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RPC assessment

Classification	Non-qualifying: EU Exit
Small and micro business assessment	Sufficient at this stage
RPC rating (of initial submission)	Not fit for purpose

Regulatory Policy Committee