



Traffic Commissioners  
for Great Britain

# Restricted operator licence holders: Level of financial resources

## Summary of Responses

November 2018

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## Part 1 - Introduction

- 1.1 The Traffic Commissioners for Great Britain are responsible for licensing and regulating commercial vehicle operators and regulating the conduct of professional drivers in the truck, bus and coach industries.
- 1.2 The traffic commissioners perform an important role as gatekeepers to those industries.
- 1.3 As part of their key strategic objectives, the commissioners aim to deliver a modern effective operator licence regime that ensures operators are fit to hold a licence whilst minimising the regulatory burden on compliant operators.
- 1.4 When assessing whether to grant an operator's licence, a traffic commissioner must be satisfied that an applicant meets the requirements to hold the type of licence for which they have applied and this obligation continues throughout the lifetime of a licence.
- 1.5 Demonstrating the availability of finance to support operations is a key part of operator licensing. It provides the traffic commissioner with reassurances that proper arrangements are in place to make sure vehicles operating under the licence are maintained properly and that other laws relating to the use of vehicles will be observed.
- 1.6 The level of finance required applies to all licence holders. Consistency of approach also helps to promote fair competition within the industry.
- 1.7 The level of finance required for holders of standard licences are set within European Regulation 1071/2009. The level is set at 9000 Euros for the first vehicle and at 5000 Euros for each additional vehicle. For GB operators these levels are converted into sterling on an annual basis according to the exchange rate of the Euro against the GBP on the first working day of October to take effect on 1 January in the following year.
- 1.8 The level of financial resources required by applicants or holders of restricted licences are set by the traffic commissioners. The levels are currently set at £3,100 for the first vehicle and £1,700 for each additional vehicle. These levels have not been amended since 2004.
- 1.9 The consultation sought the views of interested parties on whether the level for restricted applicants and licence holders should be amended and, if so, what evidence should be used to determine the revised figure. The consultation also sought comments on what impact any change may have on businesses that hold restricted licences.
- 1.10 The consultation also sought views on the preferred methodology for establishing levels of financial resources for restricted licence applicants and holders in the future.
- 1.11 The consultation ran from 11 June 2018 until 31 August 2018.

## Part 2 - Executive Summary

- 2.1 A total of 10 responses were received. The traffic commissioners are grateful for the time people took to reply.
- 2.2 The number of responses received by category of organisation are shown in the table below.

Organisation	Number of responses
Trade associations	2
Operator licence holders	4
Other	4

- 2.3 Nine consultees responded to some or all of the four questions posed by in the consultation. One response was not directly relevant to the consultation but was noted.
- 2.4 The table below summarises the responses to the four questions. A more detailed summary of responses to all of the questions is presented in Part 3.

Question 1	Yes	No	Unspecified
Do you agree that it is appropriate that the traffic commissioners consider the level of financial resources required for restricted licences?	3	0	7

Question 2	Preferred option by respondent
From the options identified in the consultation document, Please indicate your preferred option and set out the reasons why.	0
Do nothing	0
Increase by CPI (since 2004)	0
Increase by CPI (since 2013)	0
Increase by same % as standard licences (since 2014)	0
Increase by same % as RHA measure (since 2011)	1
Standardise to same amount as required by standard licence holders	7
Reduce	0
No preferred option stated	2

<b>Question 3</b>	<b>Positive</b>	<b>Negative</b>	<b>Not Applicable</b>
If the Traffic Commissioners choose to increase the level of financial resources required for restricted applicants and operators, Would it have an impact on your business? Please explain what impact it would have.	1	1	8

<b>Question 4</b>	<b>Agree</b>	<b>Disagree</b>	<b>Unspecified</b>
Do you agree that the traffic commissioners should reconsider the amount to satisfy the financial resources requirement for restricted operators every five years? If you do not agree, Please explain your reasons or indicate your preferred review option.	1	4	5

## Part 3 - Detailed Summary of Responses

**3.1 Question 1 - Do you agree that it is appropriate that the traffic commissioners consider the level of financial resources required for restricted licences?**

3.2 Only four of the respondents answered this question directly, three in the positive. However, five other respondents indicated a preference from those detailed in question two. It has been inferred from this that these respondents also consider it appropriate for the traffic commissioners to review the level of financial resources required.

3.3 One respondent put forward a view that compliance levels in the restricted licence sector would be affected by implementing other regulatory requirements, particularly professional competence. They recognise that such changes are not within the remit of the traffic commissioners but state that it would be wrong to change financial standing rates simply because it is the only direct lever that traffic commissioners are able to utilise.

**3.4 Question 2 - From the options identified in the consultation document, Please indicate your preferred option and set out the reasons why.**

- a) Do nothing
- b) Increase by CPI since 2004
- c) Increase by CPI since 2013
- d) Increase by same % increase as Standard licences since 2014
- e) Increase by same % as RHA measure since 2011
- f) Standardise to same amount required by SN holders
- g) Reduce

3.5 Seven of the respondents specified option f) as the preferred method.

3.6 A common theme in the responses was the view that maintenance costs are the same for every operator regardless of what kind of licence is held.

3.7 This view was expanded on by some of the respondents. One claimed that the requirement for different levels of finances between restricted and standard operators creates a two tier system which may be projected onto the maintenance/repairs system. A similar view was repeated by a franchised dealer and repairer, who said that in their experience some restricted operators do not put the same weight behind their operator's licence as standard operators. This is because they view it more as a 'tool for the job'. Another respondent stated that the lower financial requirement may encourage businesses to acquire a restricted licence rather than use the services of a standard national holder and suggested that this leads to the transport activity being run as a secondary concern, without the attention it requires.

- 3.8 Several respondents put forward a view that different levels for restricted and standard operators gives the restricted industry an unfair advantage. One asked for a single set of rules that are applicable to all operators.
- 3.9 One respondent put forward the view that the financial requirement makes no distinction for the size of vehicle, mileage or what drivers are paid. They go on to state that the requirement for an operator to show they consistently have enough money readily available is not the best guide to a business's ability to maintain its vehicles. They suggest that the requirement means that an operator has to have the money available but is not allowed to spend it.
- 3.10 One respondent stated their preference for option e) to increase the level by the RHA measure and for that figure to be increased annually by inflation so that operators are prepared for annual increases in running costs.
- 3.11 One trade body held the view that financial resources for restricted operators should not be assessed arbitrarily against an index but that a fresh assessment of the current costs of maintenance should be made. This was not the view expressed by all trade bodies.
- 3.12 It was also noted that the standard licence rates have not increased in the last decade as the legislation sets the amount in Euros and this has not changed from €9000 and €5000. It is the annual alignment with sterling that has changed the rates as a result of fluctuating exchange rates.
- 3.13 Question 3 - If the traffic commissioners choose to increase the level of financial resources required for restricted applicants and operators, Would it have an impact on your business? Please explain what impact it would have.**
- 3.14 Three respondents provided direct responses to this question.
- 3.15 One trade association commented that the traffic commissioners themselves have indicated that at the current levels, applicants for an operator's licence often struggle to meet financial requirements. They therefore note that an increase would leave some restricted operators unable to comply with the minimum statutory requirements.
- 3.16 Another respondent thought that increasing the levels to the same level as standard licences could potentially have a positive impact on their own businesses as it may help to make the "playing field more level".
- 3.17 One respondent stated that an increase in restricted licence finance requirements would have a negligible effect on their business as they operate on a standard licence. They go on to suggest that a number of their competitors that do operate on restricted licences currently benefit from reduced overall costs, in a small degree, due to the different levels of financial resources required to be demonstrated to the traffic commissioners.

- 3.18 Question 4 - Do you agree that the traffic commissioners should reconsider the amount to satisfy the financial resources requirement for restricted operators every five years? If you do not agree, Please explain your reasons or indicate your preferred review option.**
- 3.19 Five respondents directly addressed this question.
- 3.20 Three respondents suggested that if the rates were aligned with those for standard licences it should be reviewed on an annual basis along with the financial standing requirement for standard licences. One suggested that this would be an automatic process in line with the current procedure.
- 3.21 One respondent put forward the view that the requirement should increase with the rate of inflation so that operators are prepared for the annual increases in running costs.
- 3.22 One respondent stated the view that rather than increase the rate according to an index it would be reasonable to carry out a five yearly assessment of the actual maintenance costs and set the rate accordingly.

### **Other comments**

- 3.23 A number of respondents made comments on matters which were not part of the consultation. These are noted below.
- 3.24 One respondent stated that recent data showed the proportion of restricted operators being found to operate non-compliantly is greater than for standard national holders. They suggest that if a restricted operator had to employ a qualified transport managers, this would increase standards of fleets throughout the UK. The benefits to road safety and fair competition of introducing more consistent standards for restricted and standard operators were inferred by several respondents.
- 3.25 A trade association made a number of points related to non-compliance in the restricted sector and expressed the need for evidence to be shared so that a fuller debate could take place. They put forward a similar position on shortcomings in the restricted sector – that these can only be addressed by lifting compliance standards and that the requirement for professional competence is key to this. They indicated support for regulatory reform if evidence exists that there is a compliance risk in the restricted sector.
- 3.26 The same respondent also stated that any review of the rates for restricted licence holders should be without prejudice to any potential review of rates for standard licence holders as a result of the UK leaving the EU.



## Part 4 – Senior Traffic Commissioner’s Comments

- 4.1 As part of the consultation, the traffic commissioners actively sought evidence from restricted operators, specifically in the sectors most likely to hold operator licences. The consultation was promoted to specialist trade publications, calling on operators in the farming, construction, manufacturing, food and drink, waste/recycling, wholesale and removals sectors to participate and comment on the impact of any changes.
- 4.2 The traffic commissioners acknowledge the responses from a number of standard licence holders who set out their preferred option to align the rates across the different types of licence. The Senior Traffic Commissioner wishes to reiterate that the purpose of financial standing for standard licences extends beyond that for restricted licence holders, as set out in the original [consultation document](#).
- 4.3 The consultation has not provided the evidence anticipated, particularly from restricted licence holders and about the potential impact(s) on them. The traffic commissioners also acknowledge the wider issues facing the industry at this time.
- 4.4 The traffic commissioners have concluded that it would not be appropriate to proceed to a final decision but that they need to undertake further engagement with stakeholders in the restricted licence sector, as well as seeking the views of the Department for Transport.