Regulatory Policy Committee

# Road works: the future of lane rental Department for Transport

## RPC rating: Fit for purpose

The impact assessment (IA) is now fit for purpose as a result of the department's response to the RPC's initial review. As first submitted, the IA was not fit for purpose.

## Description of proposal

Currently, there are around 2.5 million road works carried out in England each year, which cause significant disruption and delay to road users, and are estimated to cost more than £4 billion each year. In addition, delays increase the likelihood of an accident and lead to greater carbon emissions and pollution. The impact of road works on road users and wider society is considerably higher for works carried out on the busiest roads at the busiest times.

Transport for London (TfL) and Kent County Council have been operating pilot lane rental schemes on parts of their road networks, to test the effectiveness of such schemes as a way of reducing the congestion caused by street and road works. Lane rental involves charging the businesses that carry out road works for the time during which their works occupy the road. The charges are applied to a small set of very busy streets, and are highest for the busiest streets at the busiest times. The pilot lane rental schemes impose a charge of up to £2,500 for each day their roads are occupied by the works, and will run until March 2019.

The Department has consulted upon a range of options including continuing with these pilot schemes only, broadening the approach to allow use of lane rental schemes by other local authorities, and using a "super-permit" scheme to implement lane rental via existing systems. It now proposes to broaden the approach, allowing other local authorities to seek the Secretary of State's approval for lane rental schemes of their own.

## Impacts of proposal

The Department expects, based on consultation responses, that under the preferred option around 30 local authorities (grouped into eight integrated transport areas) will apply to implement lane rental schemes. The main impacts will fall upon:

- these authorities (who will incur administrative costs, but will receive rental payments; these must be paid into an innovation fund aimed at reducing congestion);

- utility companies and highways authorities (normally effectively the relevant local authority) (who are likely to carry out works subject to lane rentals); and

- road users (who should experience reduced congestion and improved journey times.

For local authorities outside London, the Department estimates one-off administrative costs as a result of applying for and setting up schemes at £7.62 million, based on the costs incurred by Kent for the pilot scheme and the likely numbers of applicants set out above. Setup costs for Kent and TfL are excluded from this value, as they have already been accounted for in the earlier IA for the pilot scheme.

It also estimates on-going administrative costs for local authorities at £2.19 million per annum, on-going fees for lane rental at £9.54 million per annum (offset by innovation fund income from lane rental fees of £18.64 million accruing to local authorities and £5.5 million to TfL), and on-going costs of moving works to avoid lane rental charges at £6.5 million, in total.

For utility companies, the Department estimates on-going fees for lane rental at £9.2 million per annum, and on-going costs of moving works to avoid lane rental charges at £15.9 million per annum.

All estimates for authorities other than TfL, including London boroughs that plan to establish their own schemes on non-TfL roads, are based on the modelling used by Kent when first setting up its scheme, scaled using population and traffic flow data for other local authorities. Following the RPC's initial review notice (IRN), the assumptions fed into the Kent model have been updated based on the actual experiences of the pilot schemes and on information provided at consultation – for example, the typical costs of a works day for utility companies are based on information from the National Joint Utilities Group.

For the TfL scheme, the Department uses TfL's modelling with parameters updated based on the results of the TfL pilot. This model estimates on-going costs to local authorities and utility companies based only on TfL's scheme and roads. .

For road users outside London, the Department estimates savings as a result of reduced congestion totalling £205.89 million per annum; £110.68 million of these accrue to businesses and civil society organisations, and £95.21 million to other road users. These estimates are calculated using Kent's models, with appropriate assumptions around traffic flows and populations for other local authorities. They include time savings as a result of shorter journeys, carbon savings, benefits arising as a result of increased reliability of estimated journey times, and reductions in the number of accidents near roadworks (which are more common at busy times).

For the TfL scheme, the Department estimates total benefits of £142.9 million, using TfL's earlier models. These estimates include time savings as a result of shorter journeys and benefits arising as a result of increased reliability; they do not include carbon savings or accident reductions. They are also not apportioned between businesses and other road users.

Following the Regulatory Policy Committee's (RPC's) IRN and further discussion with the Better Regulation Executive (BRE) and RPC, the Department now treats reductions in business travel time as a result of reduced congestion as direct, but treats increased reliability of travel to work, reductions in accidents, and carbon savings as indirect.

The Department does not monetise the possible improvements created as a result of the use of innovation fund monies, but notes that such improvements are among the objectives of the scheme.

## Quality of submission

The Department has clearly explained the rationale for its approach, and has set out and monetised the key costs and benefits associated with its preferred option and its alternatives. On the basis of this monetisation, it has selected the option with the highest net present value (NPV). It has also set out its options clearly, with a separate summary sheet for each to aid decision-makers; the clarity of the whole could have been improved by signposting more clearly how the various detailed costs are combined for each of the options.

The Department's approach to monetisation relies heavily on the models produced by Kent and by TfL in support of their pilot schemes; following the RPC's IRN, it has updated these models to take into account the experiences of the two pilot schemes (especially with respect to behavioural changes) and the results of its consultation. It has also used the Kent models to estimate costs and benefits for London boroughs taking up the scheme, which could not be estimated based on the TfL models. The IA could be improved by explaining more clearly which aspects of local areas are taken into account in modelling, and how.

At consultation stage, the Department did not present an EANDCB; following the RPC's IRN and some further discussions with the RPC and BRE, it now treats reductions in business travel time as a result of reduced congestion as direct, but treats increased reliability of travel to work, reductions in accidents, and carbon savings as indirect. This may well be an appropriate approach, but it is also possible that further impacts of reductions in congestion can be treated as direct; before an EANDCB can be validated, the Department must discuss and agree its approach with the RPC. Overall, the Department presents reasonable estimates of the broad costs and benefits of the preferred policy option and we are pleased to see such a clear attempt to estimate the wider societal benefits that are the intended result of the policy. We also note the Department's continuing efforts to improve such estimates. The EANDCB of the policy has been calculated clearly and consistently at this stage, subject to confirming the treatment of impacts of congestion.

Following the RPC's IRN, the small and micro business assessment now explains that all the businesses that will bear the direct costs of the measure are utility companies, none of which are small. It also explains that where small businesses act as subcontractors, the costs of lane rentals will still be borne by the prime contractor, which will be a large business. The Department notes that some proportion of the benefits due to reduced congestion will accrue to small and micro businesses, but does not calculate this proportion on the grounds that it does not have the necessary data to make the calculation. Overall, however, it notes that the measure should be net beneficial to small and micro businesses, as they will receive direct benefits but no direct costs.

Finally, the RPC is pleased to see the Department's commitment to a review of the expanded scheme.

**Departmental assessment**

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| Classification | Qualifying regulatory provision (IN) under the rules for the 2015-17 BIT. |
| Equivalent annual net direct cost to business (EANDCB) | To be confirmed |
| Business impact target score | To be confirmed |
| Business net present value | £866.76 million |
| Overall net present value | £1671.3 million |

**RPC assessment**

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| Classification | Under the framework rules for the 2015-17 parliament:<br>qualifying regulatory provision (OUT) |
| Small and micro business assessment | Sufficient |
| RPC rating (of initial submission) | Not fit for purpose |

**Anthony Browne,** Chair