

Automated Passenger Services (APS) permitting

Lead department	Department for Transport
Summary of proposal	This proposal is to introduce a permitting regime for Automated Passenger Services (APS) through secondary legislation
Submission type	Options Assessment – 19 th May 2025
Legislation type	Secondary legislation
Implementation date	Spring 2026
RPC reference	RPC-DFT-25053-OA(1)
Date of issue	26 th June 2025

RPC opinion

Rating	RPC opinion
Fit for purpose	<p>The assessment outlines the problem under consideration and the argument for intervention, which is focused on the need to improve clarity for businesses who may deploy APS. The assessment considers various long-list options, progressing two to the shortlist. The assessment could justify further why options have not been advanced. The assessment considers alternative options to regulation, justifying why these were not carried forward. The SaMBA provided is sufficient. The assessment includes a qualitative justification for the preferred way forward, but could benefit from a more detailed appraisal of the two shortlisted options. The scorecard is satisfactory, but could be improved by further consideration of the urban and rural impacts. The OA includes a satisfactory M&E plan, with a clear plan to collect data and a set of metrics to assess the policy.</p>

RPC summary

Category	Quality	RPC comments
Rationale	Green	The assessment outlines the problem under consideration and the argument for intervention, which is focused on the need to improve clarity for businesses who may deploy APS. The Department has also clearly set out its policy objectives.
Identification of options (including SaMBA)	Green	The assessment considers various long-list options, progressing two to the shortlist. The assessment could justify further why options have not been advanced. The assessment considers alternative options to regulation, justifying why these were not carried forward. The SaMBA provided is sufficient.
Justification for preferred way forward	Green	The assessment includes a qualitative justification for the preferred way forward. The assessment could benefit from a more detailed appraisal of the two shortlisted options.
Regulatory Scorecard	Satisfactory	The scorecard provides a satisfactory summary of expected impacts to businesses and individuals. A headline NPV figure has not been included due to insufficient monetisation. The scorecard could be improved by further consideration of the different urban and rural impact.
Monitoring and evaluation	Satisfactory	The assessment includes a satisfactory M&E plan, with a clear plan to collect data and a set of metrics used to assess the policy. The plan would benefit from including evaluation questions, a discussion of potential unintended consequences and external factors.

Summary of proposal

The Department for Transport (DfT) is responsible for policies associated with licensing for different means of carrying fare paying passengers. Currently this covers three routes: public service vehicles (local buses), taxis and private hire vehicles.

As the international deployment of Automated Passenger Services (APS) increases, these routes have been identified as inadequate by the Government to facilitate the deployment of APS in the UK. As a result, the Department intends to introduce a new permitting regime for APS to facilitate businesses deploying in the UK, managed at a national level.

The Department proposes two shortlisted options in this Options Assessment (OA), assessed against a 'Do nothing' counterfactual option:

- **Option 1** – Do nothing (counterfactual)
- **Option 3 (Preferred)** – Introduce an Automated Passenger Services (APS) permitting regime in Secondary Legislation, based on a flexible approach and utilising non-statutory guidance
- **Option 4** – Introduce a bespoke Automated Passenger Services (APS) permitting regime that is fully defined in Secondary Legislation

Option 3 is the Department's preferred option at this stage, however the Department intends to conduct a consultation on the policy.

Rationale

Problem under consideration

The Department's problem under consideration is based around the lack of regulatory regime for Automated Passenger Services (APS), with the current licensing system being unfit for these new technologies. Not having a regulatory regime could create uncertainty for businesses who plan to deploy APS in the future. There is also a risk that a bad-faith operator could chance a deployment without any licensing, placing the public at risk

The assessment does well to provide evidence to demonstrate the existing issues, using industry responses to a consultation conducted by the Law Commission, to show that a single national licensing system would be simpler for operators, reducing costs and bureaucracy. The OA would benefit from a greater discussion of how the current lack of regulation is disadvantageous to passengers, rather than mostly focussing on operators.

Argument for intervention

The Department's case for intervention is based on the need to resolve existing market failures and the need to provide clarity and reassurance to the industry. The

assessment suggests that current regulation is causing inefficiency, which therefore will require a legislative change to correct. These inefficiencies include the stifling of innovation and high barriers to entry. The OA also provides a set of gaps or harm if the government fails to intervene, as well as international examples of similar policy problems resulting in regulatory intervention. The OA could be improved by providing a clearer explanation why the current regulatory regime constitutes market failure.

Objectives and theory of change

The Department has set out six policy objectives. These are: provide clarity, enable APS deployment, align with existing regimes, support innovative approaches, learn from pilot deployments and increase public understanding. The assessment does well to show how each of these objectives meets the SMART framework (Specific, Measurable, Achievable, Realistic, Time-limited), however it should have included a specific explanation of the timeframe for each of the objectives, as some objectives require learning and increased understanding that arises from deployment, and so may be achieved at later points than others. The OA also helpfully includes a logic model which sets out the process by which the policy objectives will be achieved as a result of the intervention.

Identification of options (inc. SaMBA)

Identification of options

The assessment considers seven potential interventions to form its long-list. These include a counterfactual ‘do nothing’ option, a non-regulatory option, and a set of potential regulatory options. These interventions have each been briefly summarised qualitatively and assessed against the policy objectives, with the Department using a coloured scoring system to demonstrate how they have performed against each objective.

The identification of the long-list could be improved by providing details on the process of developing a longlist of options, such as including evidence from engagement with external industry stakeholders or any other evidence that has informed the Department reaching these proposed options. The assessment does well to present the longlisted options in a clear and concise manner, however it would benefit from a more detailed summary of each of these options.

The assessment has discounted five of the proposed longlist interventions, with the remaining two progressing to the shortlist. These are Option 3, which would introduce an APS permitting regime in Secondary Legislation, based on a flexible approach and utilising non-statutory guidance, and Option 4 which would introduce a bespoke APS permitting regime that is fully defined in Secondary Legislation. These have been considered alongside the ‘do nothing’ baseline option.

This assessment does well to use its SMART objectives as Critical Success Factors CSFs in order to summarise and assess the longlisted options, and to allow for easier comparison. This assessment has been used to discount options and advance others to the shortlist. The assessment would benefit from setting out a fuller explanation for why discounted options are not suitable, including a discussion

of the potential risks and explanation of why options may not be feasible, as for some options there is little detail beyond the assessment against the objectives.

Consideration of alternatives to regulation

The OA has considered an alternative to regulation as one of the longlisted options, proposing to encourage operators to explore and make greater use of pre-existing licensing regimes. This would involve engagement with industry stakeholders and updating the Code of Practice, but not any legislative changes. The assessment provides a sufficient justification for discounting this option at the longlist stage and therefore pursuing regulatory change, explaining that this option does not address clarity for stakeholders or meet most of the policy objectives, with the option only achieving the 'alignment with existing licensing routes' objective.

SaMBA

The assessment includes an adequate SaMBA. The assessment estimates how many taxis and private hire vehicles are small and micro businesses, with 84% of drivers currently self-employed. This proposal is not set to introduce any new regulations on existing drivers; however they are set to experience an impact due to increased competition coming from APS. As this policy aims to mitigate potential safety risk for passengers, exempting small and micro business has not been considered. The Department does however consider a set of possible mitigations to reduce the impact on small and micro businesses.

The small and micro business impact has been assessed individually for each longlisted option, with a more detailed evaluation for the preferred option. This more detailed discussion does well to consider the possible impact on taxi and private hire operators, bus operators and drivers and manufacturers of autonomous vehicles. This could be improved by attempting to give an indication of the scale of costs faced by small and micro businesses already in the passenger services industry.

Justification for preferred way forward

Appraisal of the shortlisted options

The OA includes an assessment of each of the shortlisted options, considering options 3 and 4 jointly and setting out how each performs against a set of Critical Success Factors (CSFs) in order to determine the preferred way forward. These CSFs are potential achievability, strategic fit, value for money, supplier capacity and capability and potential affordability.

The assessment discusses how Option 3 offers a more flexible approach, and therefore can be implemented faster. This increases the achievability of the policy, as well as increasing the chance of deployment from commercial APS operators as it reduces the delay in implementing a licensing regime. The OA also argues that Option 3 meets the Department's strategic goals, however it should provide more detail as to how it meets these goals. As a result, Option 3 performs better than Option 4 over 3 of the CSFs, and so is the Department's preferred option. The OA would be improved by expanding the qualitative discussion of both how each option

performs against the policy objectives and CSFs, as well as more description explaining the Department's conclusion that Option 3 is preferred to Option 4.

The level of analysis conducted by DfT is sufficient at this stage. However, the appraisal of the two shortlisted options could be significantly expanded. This could include a qualitative discussion of how the policies perform against the objectives beyond the table provided, a consideration of the non-monetised impacts of each of the options to show why one is preferred to the other, and extending the monetised analysis of Option 3 seen later in the OA to Option 4, allowing for a more straightforward comparison between the two options.

Selection of the preferred option

Overall, the assessment of the two options against the CSFs is a reasonable level of analysis at this stage ahead of consultation. Whilst the OA could provide more detail on why Option 3 has been preferred to Option 4, the Department has sufficiently demonstrated using these CSFs why this is the case. The Department should commit to conducting further analysis of the options at a later stage, following consultation.

Regulatory Scorecard

Part A

The scorecard has been used to provide an indication of the impact of the preferred options, with a positive impact expected on overall welfare. This is based on the positive impact of the improved quality and variety of passenger services bringing benefits that outweigh the initial capital costs and impact on existing businesses. This has been largely based on a discussion of non-monetised impacts, with some having monetised figures, such as familiarisation costs for businesses, admin costs to government and increased fees for businesses. Due to the limited analysis of all the identified impacts a headline Net Present Value (NPV) has not been provided, though an indication based on the monetised impacts has been provided. This estimate is -£2.1m (2024 prices, 2026 pv year), however the Department expects the non-monetised benefits will outweigh this.

The Department expects that there will be a positive impact on businesses. This is despite the Equivalent Annual Net Direct Cost to Business (EANDCB) being estimated at £0.1m (2024 prices, 2026 pv base), over a 10-year appraisal period. As before, the non-monetised benefits are expected to be greater than the costs estimated. The key business impacts are expected to be increased profits as a result of APS deployment, positive innovation benefits and initial costs such as familiarisation costs. The OA could also have considered the capital and maintenance costs incurred by firms after deployment. The OA includes a brief assessment of household impacts, with few significant impacts expected. The key impact on households identified by the Department is increased consumer surplus for passengers, as a result of an improved service.

The Department considers the distributional effects of the scheme, noting that early pilots will likely take place in urban areas, preventing rural areas from experiencing the benefits. Given this likely disparity in early deployment between urban and rural areas, and the international examples of APS deployment which focus on urban areas the Department should reconsider its conclusion that there will be no adverse distributional impacts of the scheme.

Part B

The assessment usefully considers the potential impact on the business environment for the proposed intervention, describing how the APS regime would improve the ease of doing business in the UK. The OA also considers the potential innovation and competition impacts of the policy, with the Department expecting a beneficial impact. The Department could consider if the flexible approach taken forward limits the clarity to businesses at this stage.

The scorecard also includes a summary of the international considerations of the policy, with a positive expected impact as a result of attracting international investment from businesses already operating APS in other countries. The assessment briefly summarises the environmental impact, with minimal impacts expected. The Department should justify further why it anticipates APS permitting to result in an increase in vehicle sharing.

Monitoring and evaluation

The assessment includes a satisfactory plan for monitoring and evaluation, committing to a review of the policy before the implementation of the AV Act in late 2027, with subsequent reviews occurring on an annual basis. The Department has outlined how it plans on collecting data through engaging with organisations who deployed APS, alongside other industry stakeholders who did not use the scheme.

The OA also outlines the metrics it intends to use to review the policy, with the number of organisations deploying and the scale of this deployment being the Department's key considerations. The plan would benefit from explaining how the Department intends to assess the impact on passengers in areas such as safety and satisfaction, beyond using feedback from operators. The M&E plan could also be improved by discussing how it plans to use the monitoring metrics specifically to assess the policy objectives. The plan would also benefit from including a set of potential evaluation questions, as well as a discussion of potential unintended consequences and the effect of external factors.

Regulatory Policy Committee

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