Final stage Impact Assessment

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Contact for enquiries:	LTCLegislation@dft.gov.uk
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1. Summary of proposal

The Government recognises the importance of critical transport infrastructure such as roads and the contribution of connectivity to economic growth.[1] The Highways (Financing) Bill aims to support the delivery of the Government's commitments on transport infrastructure and leverage private sector investment.

Regulated Asset Base (RAB) models have been used in the UK for decades to finance and regulate essential infrastructure, helping to balance user protection with stable, long-term returns for investors. They are commonly applied in sectors such as water, energy, airports and telecommunications, and have been adapted for some large, capital-intensive projects.

In simple terms, a RAB model is a framework where an independent economic regulator sets the rules for a company to recover efficient costs and earn an allowed return over time, in exchange for meeting service and performance requirements.

While this approach is established in other parts of government and the regulated utilities landscape, it is not currently available for the operation of England's Trunk Roads. New primary legislation is needed to enable a private company to operate as a regulated highway authority on England's trunk road network, to levy and retain road user charges, and for a regulator to oversee such arrangements.

1.1 RAB model overview

- An independent regulator issues a licence accompanied by a regulatory regime, and sets clear rules about how much money the private company can make from the project based on their investments and an allowed rate of return.
- The company is allowed to recover its costs and earn a fair return through a regulated revenue stream. For example this can be through charges paid by customers in sectors like water or energy, or charges paid by other market participants for use of regulated networks.
- The regulator monitors performance and efficiency, such as service quality, reliability and delivery performance, and can require changes or apply penalties if standards are not met.

1.2 The RAB Model for roads investment

By utilising a RAB model in the roads sector, the UK government can achieve its objectives of improving infrastructure, reducing congestion, and supporting economic growth through efficient and sustainable investment. Current legislation, however, does not allow private companies to operate as regulated highway authority in the roads sector, impose road user charges (RUCs), or retain revenue. Nor does it empower any regulator to oversee such arrangements. For this reason, new primary legislation is needed. As an overview, the framework would enable:

- A private company would be given a licence to build, operate, and maintain a new road asset or upgrading an existing one.
- The licensed company would invest its own capital up front to finance the delivery of the asset.
- The licensed company would be entitled to recover efficiently incurred costs and earn an allowed return through a regulated charging and revenue framework (for example, via road user charges), subject to the licence terms. New legislation is required to enable the company to set and collect charges and to operate as the highway authority for that asset.
- An independent economic regulator would make sure the company can recover its costs and make a fair return but also protect drivers from being overcharged.
- The licence would set out requirements for safety, quality and performance, and the regulator would monitor compliance and enforce those requirements where necessary.
- The licenced company would be designated as a Litter Authority for the specified asset, with the power to enforce against littering under a civil route.

[1] HM Government (2025). UK Infrastructure: A 10-Year Strategy.

Specifically, this legislation will comprise of three main components outlined below. Further detail on the scope of legislation and other instruments can be found in section 6:

1. The establishment of an independent economic regulator
   This legislation would establish the Office for Rail and Road (ORR) as the independent economic regulator for Regulated Asset Base schemes in road sector. The ORR would therefore be responsible for:
   - Issuing a monitoring licence for private operators authorised to design, construct, operate, maintain, and improve specified highways
   - Regulating designated road infrastructure assets owned and operated by the licensee
   - Enforcing compliance, including the imposition of financial penalties for breaches of licence conditions
   - Overseeing allowed revenue and pricing structures to protect users from excessive charges, particularly where operators have monopoly power.

2. The designation of a regulated private sector company as a Highways Authority
   This legislation would create a new category of highway authority status for regulated private companies allowing them to:
   - Construct, operate, own and maintain new highway capacity on England's Trunk[2] network.
   - Take over existing highways connected to the new infrastructure
   - Operate under a regulatory licence

3. Enabling Road User Charging by the private sector company
   This legislation would grant powers to the licenced operator to:
   - Levy charges for road use
   - Set and collect revenue
   - Apply charges to new and existing highways where the latter are operated in connection with the new infrastructure

In addition, the legislation may include provisions for financial assistance, similar to the Government Support Package (GSP) found in previous RAB arrangements, and Special Administration Regime (SAR). These measures would provide protection against specified low-probability high-impact risks that private investors cannot reasonably bear or price sensibly. The inclusion of a SAR within the Economic Regulatory Regime (ERR) serves the public interest by ensuring continuity of essential services if a company became insolvent, by allowing the road to continue operating in a transition period rather than entering standard administration.

1.3 Rationale

Introducing a RAB model for roads provides the Government with an alternative funding, financing and delivery route, alongside public finance, which it can choose to utilise for projects in the future. The RAB model will enable private sector investment into England's Trunk whilst implementing a regulatory regime to mitigate any potential abuse of market power and ensure desired road user benefits are delivered.

Economic regulation is essential in a RAB model for private road delivery to mitigate the risks associated with monopoly power and information asymmetry. Without regulatory oversight, the natural monopoly of roads could lead to reduced competition and higher costs for users, resulting in excessive charges and diminished benefits. Additionally, private operators may not be transparent about pricing, service standards, or revenue use, leading to unfair charges and a lack of clarity on service quality. This erodes public trust and reduces the willingness to pay, ultimately undermining efficient infrastructure use and future investment.

Fiscal constraints can limit the government's ability to respond quickly to urgent infrastructure needs or to take advantage of new opportunities. Where government is the sole funder, it also bears the full exposure to cost overruns, delays, and unforeseen expenses. By contrast, regulated private delivery can, for designated

[2] A trunk road is a road owned and operated by the Secretary of State for Transport. Trunk roads form part of the Strategic Road Network. Guidance on road classification and the primary route network - GOV.UK

schemes, shift some delivery and financing risks away from government and provide additional flexibility over how and when schemes are brought forward, while maintaining user protections through economic regulation.

2. Strategic case for proposed regulation

2.1 Problem under consideration

England's roads carry 88% of all passenger miles and 79% of all freight moved.[4] Additionally, the Strategic Road Network (SRN) (comprised of all motorways and major A roads) makes up only 2% of the road network but carries a third of passenger miles and two thirds of freight miles, illustrating the importance of the road network for the economy. Where congestion and operational constraints on the SRN limit connectivity between towns and communities, this results in lost time, lower productivity and higher costs for road users (households and businesses). Congestion and operational constraints have the overall effect of limiting economic growth and highlighting the ongoing need for investment in the SRN.

While investment in the road network remains an important government priority, large scale schemes must compete for limited public sector capital alongside other essential public services. In periods of constrained public finances, capital intensive road projects can face delays, not because they lack strategic importance, but because government must balance wider national needs across sectors. At the same time, quantitative evidence shows that congestion imposes substantial economic costs: UK drivers lose around 91 hours per year to congestion on average, with an estimated to cost the economy £11 billion annually in lost productivity and unreliable journey times[5]. These pressures strengthen the case for exploring alternative funding and delivery models that can mobilise private investment and support timely delivery of major road infrastructure.

Delivering significant new road infrastructure requires large upfront capital expenditure. While roads have traditionally been funded by government in England due to their public good characteristics, there are examples of roads being built and operated under private financing initiatives, such as the M6 Toll Road, QEII bridge and most recently Silvertown Crossing. In 2018, HM Treasury (HMT) issued new guidance[6] that marked a shift away from the use of traditional Private Finance Initiatives (PFIs) for public infrastructure projects, including major roads. This change was prompted by concerns over the complexity, inflexibility, and long-term cost of PFI contracts, as well as issues with transparency and value for money. The government concluded that PFIs were not always suitable for large-scale infrastructure, particularly where evolving needs and robust consumer protections were required.

The Government's 10 Year Infrastructure Strategy sets out a clear ambition to use infrastructure investment to support economic growth, improve delivery certainty and provide the stability needed to attract private investment where appropriate.

In respect of roads infrastructure, however, the current legal and delivery framework for major road schemes on the SRN presents significant constraints. Existing legislation supports only government-led delivery or time-limited concessions, limiting the ability to explore alternative funding models and delivery models and attract long-term private investment. This includes limitations on models that would allow a shift from taxpayer-funded to user-funded approaches, which ensure those who benefit most from infrastructure contribute directly to its provision and maintenance.

There is no legislative basis for delivery models that would enable private finance to be deployed for major roads schemes without regulatory oversight. This limits the ability to diversify delivery approaches and mobilise private capital into roads infrastructure effectively, which in turn affects the scope and pace at which infrastructure improvements can be delivered. There is a lot of private finance available for infrastructure, but investors need clear rules and stable returns to be willing to invest in roads. Without establishing new funding models, this private capital remains unused. New funding models would give the government more options to

[4] Department for Transport (2023). Shaping the future of England's strategic roads.
[5] INRIX (2025). Global Traffic Scorecard 2025.
[6] HM Treasury (2018). Private Finance Initiative (PFI) and Private Finance 2 (PF2).

deliver road projects quickly and efficiently, especially when considering the government's fiscal constraints and need to balance other objectives.

2.2 Why a RAB model can reduce fiscal risk for government (relative to public funding)

- Private capital is at risk first: under a RAB model, private investors provide upfront finance and are exposed to performance and delivery outcomes, rather than government funding the full capital cost from the outset.
- More predictable and controllable funding commitments: instead of a large, concentrated upfront outlay, costs can be recovered over time through a regulated revenue stream. This can reduce fiscal volatility and help smooth budget impacts.
- Regulatory scrutiny can constrain cost growth: the regulator's role in assessing efficient costs, setting allowed revenues, and applying incentives/penalties can provide a mechanism to challenge cost inflation and protect users and the public interest.
- Any government support can be targeted and contingent: where government chooses to provide support (e.g., to cover low-probability, high-impact risks), this can be structured as limited, conditional support rather than full project funding.

By enabling a new option for private financing for strategic road schemes, the government aims to unlock new investment, accelerate delivery, share risks, encourage efficiency, provide certainty for investors, and ensure fairness for road users. This approach is intended to support economic growth, improve connectivity, and deliver better outcomes for both the public and private sectors.

2.3 Rationale for Government Intervention

Government intervention is necessary to address the legal and institutional barriers that currently restrict the deployment of private finance in the delivery of major road schemes. These barriers have several implications:

- Government resources are finite, and continued reliance on public funding creates opportunity cost trade-offs across the wider government portfolio.
- Public funds are directed toward projects that could otherwise be privately financed, reducing the government's ability to focus on areas where the market either cannot or will not provide the goods or services.
- Private capital available for roads infrastructure is underutilised.
- Viable schemes may be delayed or deferred due to competition for public funding, even where private investment appetite exists.
- Potential economic benefits from improved connectivity and productivity, and reduced congestion, may not be realised in full.

A modernised legal framework would enable government to:

- Expand the range of delivery models available for major roads schemes.
- Mobilise private investment more effectively.
- Improve delivery certainty of major roads schemes and reduce Government's fiscal exposure.
- Ensure user interests are protected, particularly where privately operated roads may present monopoly characteristics.

Where alternative delivery models are used, particularly those involving private finance or user charging, proportionate regulatory safeguards may be required to ensure that pricing remains fair, access is maintained, and public value is delivered. It is essential to have the ability to regulate privately financed assets of strategic importance to ensure that monopoly power is not abused and that user interests are protected.

2.4 Alignment with government missions and infrastructure strategy

This intervention supports the Government's long-term missions, as set out in the Plan for Change and aligns with the priorities of the UK Infrastructure 10 Year Strategy.

In the UK, Government recognises the role that infrastructure investment plays in enabling delivery of its growth missions[7]. For instance:

Strategic Roads Strategy[8]

Sets out strategic objectives for providing well maintained, reliable safe roads that enhance infrastructure connectivity, support economic growth and foster regional development through improved transportation links.

Sets out the critical role infrastructure investment plays in enabling delivery of the Government's growth missions, driving productivity and providing market stability and certainty for long-term infrastructure planning.

Invest 2035, UK's modern industrial strategy[9]

Seeks to deliver the long-term stability and credibility required to unlock and reduce barriers to investment and deliver sustainable, inclusive and resilient economic growth across the UK through targeting sectors of the economy with the highest growth potential.

Broader Commitment to Private Sector Collaboration

The Government's commitment to private sector collaboration to deliver critical infrastructure has also been underscored by key changes to the framework for infrastructure investment. This includes, addition of a new fiscal rule based on public sector net financial liabilities, creation of a financial transaction control framework to deliver large-scale investment transactions through designated public financial institutions such as the National Wealth Fund (NWF), and through introduction of the National Infrastructure and Service Transformation Authority (NISTA) to help address underinvestment and instability in UK infrastructure systems.[10]

There are potential trade-offs which have had careful consideration against this policy proposal. For example, prioritising growth and private investment, needs to be balanced with ensuring affordability for users, as RUCs need to be set at an appropriate level to make projects investable for private capital - this risk is discussed in detail below). There are also considerations around maintaining public control and oversight versus enabling private sector flexibility and innovation and balancing the need for rapid infrastructure delivery with the need for robust consumer protections and regulatory safeguards.

2.5 Other potential trade-offs:

- Legal and Institutional Barriers vs. Market Flexibility: The proposal aims to remove legal barriers to private investment, but this could mean less direct government control over strategic assets.
- Fiscal Flexibility vs. Public Asset Loss: Moving projects off the public balance sheet increases fiscal flexibility but may result in the loss of government assets and future revenue streams (e.g., user charges and tolls from existing crossings).
- User Charges vs. Social Equity: There is a risk that RUCs could be higher under private delivery, potentially impacting affordability for certain user groups, including small and medium businesses and lower-income users.
- Efficiency vs. Accountability: While private sector involvement may bring efficiency and innovation, it also introduces risks around regulatory capture, loss of public accountability, and the need for strong oversight to prevent abuse of monopoly power.

These potential trade-offs are balanced against the potential benefits in terms of government being able to leverage significant private sector investment, accelerating delivery of critical infrastructure without overburdening public finances.

[7] HM Government (2025). Plan for Change: Milestones for a mission-led Government.
[8] Department for Transport (2023). Shaping the future of England's strategic roads.
[9] HM Government (2024). Invest 2035: The UK's Modern Industrial Strategy.
[10] National Audit Office (2025). Lessons learned: Private finance for infrastructure.

2.6 What evidence is there to support the problem statement?

As discussed in the strategic case for the proposal; the current legal and delivery framework for major road schemes does not support alternative funding and delivery models beyond government-led delivery or time-limited concessions. There is also no statutory basis for models that would allow private finance to be deployed without eventual reliance on public funding or guarantees.

Infrastructure projects such as roads can be investable propositions from a private sector perspective and there are several examples of privately financed roads reaching financial close in countries such as Spain, France, Italy and the Czech Republic[11] in the last five years. These schemes have been supported by enabling legislation and regulatory frameworks that do not currently exist for roads in England (although such enabling frameworks do exist for infrastructure in other sectors).

Furthermore, there is evidence that a substantial amount of private capital dedicated to infrastructure remains uninvested and is currently available in the market.[12]

2.7 What market or government failures currently exists that this intervention would resolve? What gaps or harms would occur if government doesn't intervene?

Alternative models for delivering major road infrastructure, especially those involving private investment, face several limitations and challenges. The proposed intervention aims to address the institutional and market failures that restrict private investment, hinder efficient delivery and timely realisation of benefits.

Each of these barriers or failures represents a gap or harm that would persist in the absence of government intervention, highlighting the need for an intervention that enables private investment while protecting public interests.

Inefficient resource allocation

Existing frameworks restrict private sector participation, meaning public finance bears the full burden of infrastructure delivery. Fiscal constraints can delay or limit new road projects, resulting in unrealised benefits. An alternative funding model would allow private investment, reduce opportunity costs, and enable government resources to be directed where market provision is not viable.

Quasi-public good constraints

Roads provide widespread societal benefits and are partially non-excludable. While road charging is used on certain projects, existing legal and regulatory frameworks present constraints on the models available for private sector investment in roads. These constraints limit the scale and type of schemes that can attract private capital, and as a result, many opportunities for investment and innovation remain unrealised. Without targeted intervention to address these restrictions, valuable infrastructure may remain underfunded, with potential benefits to connectivity and economic growth left unrealised.

Missing markets from legal barriers

The current legal framework only supports government-led delivery or short-term concessions, which restricts the use of private finance for long-term road projects. There is no statutory basis for models that allow private investment without eventual reliance on public funding or guarantees. This results in a classic market failure known as a "missing market," where independent private delivery is not viable due to the absence of an enabling legal framework. Moreover, as roads are a quasi-public good – offering widespread societal benefits and being partially non-excludable – there is no natural market incentive for private entities to provide or invest in such infrastructure at scale. Without government intervention to address these legal and institutional barriers, private capital remains largely untapped.

[11] World Construction Network (2024). Five largest road infrastructure construction projects in Europe.
[12] Principal Asset Management (2025). Private Infrastructure: 2025 Outlook; Realfin (2024). Infrastructure dry powder likely to exceed previous year in 2024 amid slow dealmaking.

2.8 Have there been any similar policy problems requiring regulation, domestically or internationally?

RAB delivery models have been successfully applied in the UK to a range of privately developed infrastructure projects since the 1980s in sectors such as energy, water and telecommunication networks. The adoption of RAB models for large infrastructure projects such as the Thames Tideway Tunnel, the Sizewell C nuclear power plant and the Carbon Capture Utilisation and Storage transmission and storage projects demonstrates how regulatory frameworks can be used to enable significant private investment while safeguarding public interests. These precedents highlight that, where government has intervened to establish clear statutory powers to enable effective regulation, it is possible to attract private capital, manage risk, and ensure fair outcomes for users. Such approaches have been instrumental in overcoming barriers to financing, delivering major infrastructure, and creating a blueprint for how similar regulatory interventions could support the long-term funding and delivery of strategic roads.

UK Examples of RAB models

Thames Tideway Tunnel

The Thames Tideway Tunnel (TTT), also known as the "London super sewer," reached financial close in 2015 when Ofwat awarded a licence to Bazalgette Tunnel Ltd (trading as Tideway) using the RAB model. The aim of the project was to modernise London's sewer system and reduce pollution in the River Thames. The RAB model included establishing a regulatory framework to cover Bazalgette and a GSP to provide contingent financial support for the project. This delivery model allows investors to receive revenue during the construction period, which makes the project be perceived as less risky by investors, lowering the cost of capital and ultimately result in greater value for money for consumers and taxpayers.

Progress of project delivery was subjected to NAO scrutiny with reviews in 2014 and 2017.[13] The latter identified some delivery risks relating to over-optimistic assumptions, technical challenges, coordination across contractors and ground condition uncertainties. Mitigation strategies to address these drew on lessons from other projects including Crossrail and the Lee Tunnel. The Thames Tideway tunnel (TTT) became fully operational in February 2025, having been delayed by one year owing to the impacts of the Covid related restrictions. The latest TTT Annual Report indicates the cost of the project to billpayers remains within the estimated range set out more than ten years ago, as well as the timeline for full completion ahead of the regulated 2027 date.[14]

Sizewell C Nuclear Power Plant

The government introduced a nuclear RAB model via the Nuclear Energy (Financing) Act 2022 to deliver the Sizewell C nuclear power plant. This model was designed to attract the investment for large-scale nuclear projects by providing stable, regulated returns over the lifetime of the asset. Sizewell C will have a generating capacity of 3.2GW (7% of current UK generation capacity) and is designed to be an above ground copy of Hinkley Point C which is currently being built in Somerset. The Department for Energy Security and Net Zero (DESNZ) will also invest in the project and in July 2025 agreed the final investment decision with EDF and private investors.[15] The investment deal builds on lessons learnt from the construction of Hinkley Point C to provide a funding model that spreads the £38 billion cost of constructing Sizewell C between consumers, taxpayers and private investors. This represents a saving of around 20% compared with Hinkley Point C and demonstrates the value of building a virtual replica project.

An NAO review of the Sizewell C project is currently in progress to aid transparency and Parliamentary scrutiny.[16] The review is considering DESNZ's work and spending on Sizewell C to date, the terms of the deal agreed and whether this provides value for money for taxpayers and consumers, and remaining risks to value for money that DESNZ will need to manage.

[13] National Audit Office (2017). Review of the Thames Tideway Tunnel.
[14] Tideway (2025). Tideway publishes latest annual report detailing pivotal year for the River Thames.
[15] HM Government (2024). Sizewell C gets green light with Final Investment Decision.
[16] National Audit Office (2025). Sizewell C (work in progress).

Heathrow

Heathrow Airport operates under a RAB based economic regulatory framework administered by the CAA[17], where capital investment (including major programmes such as Terminal 5) is added to the airport's Regulated Asset Base and recovered through airport charges. This is distinct from project specific RAB models such as those used for the Thames Tideway Tunnel, but the T5 experience nonetheless provides valuable lessons on delivery risks, systems integration and operational readiness within a regulated environment.

Heathrow Terminal 5, while not delivered under a project specific RAB, provides a relevant example of the delivery risks associated with large, complex privately financed infrastructure projects within a regulated environment. T5 was constructed under the CAA's airport economic regulation framework, which uses a regulatory asset base to set airport charges but does not constitute a project specific RAB financing model. The project experienced significant systems integration and operational readiness challenge - most notably the failure of the baggage handling system during opening- highlighting the risks of complex commissioning and the importance of strong assurance, independent oversight and structured transition planning. These lessons reinforce the need for a robust economic regulatory regime (ERR) for roads, including clear licence conditions, operational readiness requirements and regulatory monitoring to protect users and support delivery certainty.

Lower Thames Crossing - potential

The Lower Thames Crossing (LTC) is a new road infrastructure project that has the characteristics to potentially use a RAB model if new legislation is passed. This project aims to provide a new road and tunnel crossing of the Thames east of London, improving connectivity and reducing congestion. The RAB model will help attract private investment while ensuring regulatory oversight to protect consumers and ensure the project's successful delivery.

International Examples of similar models

Australia

In Australia, the RAB model has been explored as an alternative to Public-Private Partnerships (PPP) for road infrastructure. The model involves granting a licence that specifies the rights and obligations of the infrastructure company, allowing for private investment while ensuring regulatory oversight to protect consumers. The RAB model has been successfully applied in other sectors, such as rail, and is being considered for roads to leverage private investment and improve efficiency.

Australia has historically relied on public delivery supplemented by PPP toll roads in major cities. However, several government and expert reviews have concluded that the existing model results in underinvestment, congestion, and declining network performance. Infrastructure Australia has identified a significant maintenance backlog and has forecast that congestion costs will rise without structural reform.

In Australia, this has prompted consideration of shifting from a PPP only approach to a Regulated Asset Base (RAB) model for parts of the road network, where a licence based regulatory regime, similar to energy and water, would replace or complement traditional PPP concessions. Analysis highlights that a RAB model could provide more predictable long term revenue regulation, reduce financing costs, and improve price and cost efficiency through periodic regulatory reviews rather than fixed 30-year contracts[18].

Comparison with the UK:

- Australia is debating whether to transition from PPP to RAB for roads; this proposal to introduce a RAB structure for the first time in the roads sector, influenced by the success of RABs in UK energy, water, and nuclear represents a step change for the UK.
- Australia's challenge mirrors the UK's: fiscal constraints, congestion pressures, and the need to create an investable model that balances user protection and investor confidence.

[17] Heathrow Airport Limited (2025). Regulated Accounts 2024.
[18] OECD (2021). The Regulatory Asset Base and Project Finance Models.

- Both countries highlight that road pricing reforms require strong political and regulatory institutions; the UK's proposal to use the ORR provides a ready-made regulator with network performance oversight.

France

France provides an example of long-term private motorway concessions rather than a RAB model. These concessions have enabled private investment in roads infrastructure through toll revenues, with contractual and regulatory oversight used to manage service obligations, toll arrangements and the economic balance of the concessions.

One notable example is the APRR (Autoroutes Paris-Rhin-Rhône) network[19], which is France's second-largest toll road network and Europe's fourth-largest motorway group. The APRR network comprises several concessions, including the APRR Concession, the AREA Concession, the A79 Concession, and a minority interest in the ADELAC Concession. These concessions allow for private investment in the road network while ensuring regulatory oversight to manage toll rates and maintain service quality.

France has one of the most mature and extensive privately operated toll road systems in Europe, developed under long term concession contracts[20]. Under this model, private concessionaires finance, build, operate and maintain motorways in return for the right to levy tolls, with assets reverting to the state at the end of the concession. Concession agreements impose stringent requirements on service quality, safety, maintenance standards, and investment obligations; for example, operators must meet performance criteria for pavement condition, response times to incidents, and tollbooth waiting times.

The APRR/AREA network compromising over 2,400 km - demonstrates the scale and stability of this system. Tolls escalate according to contractual formulas (typically indexed to French CPI), providing revenue certainty that supports investment. France's regulatory oversight also includes periodic reviews of profitability: in 2023, the French Transport Regulatory Authority (ART) assessed a sector wide internal rate of return of around 8%, broadly aligned with long-term market expectations. This transparency helps manage concerns around monopoly profits while providing confidence to investors.

Comparison with the UK

- France's concession system is built on long established statutory powers, whereas the UK currently has no equivalent legal basis allowing private companies to act as highway authorities or impose/retain road user charges on the SRN.
- Concessions predate France's modern regulators; in contrast, the UK proposes a regulated utility style model (RAB + economic regulator) from the outset, offering potentially stronger ex-ante user protections than a contract only regime.
- France uses broad "user pays" principles to fund large parts of its network; in the UK, such revenue models are not currently available without new primary legislation.

Other private finance mechanisms used in the UK

When considering the need for new mechanisms to deliver major infrastructure projects, it is worth reflecting that private finance mechanisms have previously been used as described earlier in this document. These projects have been delivered under the previous Private Finance Initiative (PFI) models:

1. M6 Toll Road
   The M6 Toll is the UK's first major toll motorway, built to relieve congestion on the M6 around Birmingham. Delivered under a private finance initiative, the private operator financed, built, and now operates the road, collecting tolls from users to recover costs and earn a return.
2. QEII Bridge (Dartford Crossing)

[19] Atlas Arteria (2024). APRR - Autoroutes Paris-Rhin-Rhône.
[20] ASECAP (2025). France: Toll road concession system – Network Statistics.

This bridge forms part of the Dartford Crossing over the River Thames, connecting Kent and Essex. The bridge was delivered using private finance, with the private sector responsible for construction and operation, funded by toll revenues.

3. Silvertown Tunnel
   A new road tunnel under the River Thames in East London, designed to reduce congestion at the Blackwall Tunnel. The project is being delivered through a private finance model, with the private sector designing, building, financing, and maintaining the tunnel, and recouping costs through user charges.
4. Second Severn Crossing
   A major bridge crossing the River Severn between England and Wales. Delivered under a private finance initiative, with the private sector responsible for construction and operation, funded by tolls.

These PFIs differ from RAB structures through a number of ways (see the summary comparison table in Section 1):

- Contractual Structure: PFIs are based on long-term contracts where the private sector designs, builds, finances, and operates infrastructure. The public sector pays for the service, often through availability payments or user charges. The asset is then handed back to the government once the contract is over.
- Risk Allocation: The private sector bears construction and operational risks, but contracts can be inflexible and complex.
- Revenue: The private company recoups its investment through user charges (like tolls) or government payments.
- Regulation: There is typically no independent economic regulator overseeing pricing or service standards; oversight is through contract management.
- Balance sheet: PFIs often remain on Government balance sheet

2.9 If applicable, has a post-implementation review of the existing regulation been undertaken. If so, what were its findings and how does the information the rationale? If not, why not? Has there been evaluation of any previous regulation in this area?

Not applicable. There is no existing regulatory framework for private highway authorities or RAB models in the road sector, so there is no existing regulation to review. Monitoring and evaluation arrangements (including any future review commitments) are set out elsewhere in this document.

3. SMART objectives for intervention

As highlighted in Section 2, the rationale for introducing the Highways (Financing) Bill is to address legal and institutional barriers that currently restrict the mobilisation and deployment of private finance in delivering strategic road schemes and that may lead to delays in delivering, and possibly the undersupply of, road infrastructure needs in the context of competing priorities for finite resources.

Addressing these barriers would enable an expanded range of delivery models for new strategic road schemes and enable greater mobilisation of private sector investment. Any intervention would also need to include appropriate consumer protections to ensure fair outcomes and the realisation of benefits for road users.

This intervention is aligned to enable wider HMG objectives to: support economic growth through improved connectivity and infrastructure delivery; mobilise private sector investment into infrastructure where appropriate; improve delivery certainty and value for money while managing fiscal pressures; and ensure that, where user charging and private operation are used, there are proportionate protections for users through effective regulation.

Accordingly, the policy objectives below are designed to support these wider HMG aims, while remaining specific to the barriers and outcomes this Bill is intended to address.

3.1 Policy objectives

On this basis, the primary policy objective of introducing the Highways (Financing) Bill is to provide an option for Government that enables private sector investment to bring forward new strategic road infrastructure, when appropriate, to enable timely delivery.

It is not the intention of the proposed intervention to replace or remove existing routes to delivery of strategic roads infrastructure. The aim is to provide an additional route to delivery where a need for new strategic road infrastructure has been established and where it is appropriate and desirable to leverage private sector investment.

A second objective is to provide clarity and transparency for the private sector of the path to investing in road infrastructure. This will enable potential investors to assess the investability of a project by being able to compare expected costs and risks against expected returns.

Finally, to provide appropriate and transparent user protections including fair charges for users. This is necessary given the scope for market power abuse in the context of private sector owned and operated roads.

The intended outcomes of achieving the three objectives should the intervention be deployed, are that private sector investment in new major road infrastructure is mobilised, alleviating the need for public funding which may be more effectively allocated to areas where there is little or no appetite for private sector investment.

It should be noted that the intervention by itself will not directly deliver these outcomes. Only if the Government determines that a new road infrastructure project is to be delivered under this alternative delivery model and there is appetite in the private sector to deliver the scheme, are the outcomes expected to be realised.

The three objectives set out above have been framed as SMART objectives in Table 1 below. Critical success factors were also identified during the policy development process; these are detailed in section 5 as they were employed to filter the short list.

Table 1: SMART policy objectives

Specific objective	Measurability	Achievability	Realistic	Time-bound
To enable an additional route to delivery of road infrastructure, having established the need for new road infrastructure	Success will be measured by the extent to which the model is appropriately considered and integrated into the development of new eligible schemes. The number of models is not an appropriate measure as that could incentivise the application of the model in circumstances where it may not be appropriate. Additional metrics include: Number of eligible major road schemes for which the route is formally assessed during early stage option selection. Evidence of private investor engagement (e.g., responses during market sounding exercises). Extent to which the legislative framework is referenced or adopted in scheme-level business cases.	Private sector stakeholders have expressed a desire to invest in new roads infrastructure.	All objectives are realistic: a) build on existing roads infrastructure plans and align with government policy to mobilise more private sector investment in infrastructure. b) build on precedents in other sectors of regulatory frameworks and in relation to engagement with investor market, industry bodies and road user groups.	To enable the deployment of private sector investment from passage of the bill and subsequent secondary legislation. Note: specific timings will be scheme dependent.
Provide clarity and transparency for private sector of opportunity and path to investing in road infrastructure	Success will be measured through structured feedback from priority stakeholders (e.g., investors/lenders, sponsors and supply chain) showing that the route is clear and workable, and capable of supporting an investable proposition. Evidence will include: (i) feedback confirming clarity on the approval pathway, roles/responsibilities and headline licence obligations; (ii) market sounding indicating the model is financeable in principle (subject to scheme-specific terms); and (iii) an issues log demonstrating that material concerns have been addressed or clearly documented with rationale.	Building on Government's existing market engagement practices in other sectors and collaborating with relevant industry bodies.	As above - All objectives are realistic.	As above - To enable the deployment of private sector investment from passage of the bill and subsequent secondary legislation. Note: specific timings will be scheme dependent.
To provide appropriate and transparent user protections including fair charges for users	Statutory duties set out in legislation will be monitored and reviewed on regular basis (e.g. post implementation review for secondary legislation). For each new strategic road scheme authorised and delivered, their consumer protection requirements and obligations will be recorded and monitored regularly.	Relevant statutory provisions for primary legislation informed by precedents or models of regulatory frameworks in other sectors; engagement with road user advocacy groups and regulators.	As above - All objectives are realistic.	Statutory duties might be reviewed in relevant PIRs after implementation of secondary legislation. M&E is further discussed in section 8.

3.2 Theory of Change – Introducing a RAB model

The proposed legislative framework establishes the enabling conditions for regulated private delivery of major road schemes. The theory of change underpinning the intervention is that, by creating a clear legal basis for private highway authorities, a regulated charging regime, and an independent economic regulator, Government can unlock private capital, increase delivery certainty, protect users, and ensure long term value for money. The causal pathway is set out below.



4. Summary of long-list and alternatives

4.1 Strategic Options Filtering

In developing the long-list, the Department applied the Green Book's Strategic Options Framework Filter (SOFF) to ensure that a full range of credible alternatives was identified and that the long-list adequately considered variations in *scope, solution, delivery mechanisms, implementation routes and funding models*. The SOFF was used to test whether different strategic choices could address the underlying problem while remaining feasible, proportionate and aligned with wider Government objectives.

Scope Options
Scope considerations assessed whether the problem could be addressed by changing the boundaries of what is included in the intervention, for example: adjusting which types of road assets, authorities, or charging powers could be included. Options ranged from minimal legislative change (limited enabling powers) to broader reforms that would allow private entities to act as highway authorities and charge users across different asset types. This filtering helped eliminate scope options that were either too narrow to meaningfully expand delivery routes or too broad to be deliverable.

Solution Options
Solution options explored fundamentally different approaches to achieving the objective, from *nonregulatory solutions* (e.g., hybrid funding or performance based contracts) to *regulatory solutions* (economic regulation with price controls). This ensured the longlist included alternatives based not just on legislative design but on different strategic routes for mobilising private capital.

Delivery Options
Delivery options considered the range of institutions or bodies that could deliver or regulate the model - e.g., delivery by the public sector, regulated private delivery, or unregulated private delivery. The SOFF helped to identify whether delivery would rely on existing organisations (e.g., National Highways or the ORR) or whether new entities would be needed. It also tested whether delivery could occur under existing legislative frameworks (e.g., Design, Build, Finance, Operate, Maintain (DBFOM) concessions) or whether new statutory arrangements were essential.

Implementation Options
This dimension assessed the practical feasibility of standing up the intervention, including the complexity of implementation, readiness of the regulatory environment, market capability and likely transition requirements. Options that were excessively complex to implement- such as establishing a completely new regulator—were carried forward only where they offered clear strategic advantages over simpler alternatives.

Funding Options
Funding considerations examined who pays (taxpayers, users, or both), how revenues would be collected, and what mechanisms would support financing (e.g., government borrowing, private borrowing under a RAB, or hybrid models). Options where funding models were either incompatible with the scale of investment or could not be supported without new statutory charging powers were filtered out.

How SOFF informed the Long List
By applying the Strategic Options Framework Filter across all five dimensions, the Department ensured the longlist captured the full range of credible choices - from maintaining the current public delivery model, to adapting existing private finance mechanisms, to adopting a fully regulated RAB model. Options that did not materially expand delivery routes, failed to address the core legal barriers, or introduced implementation risks disproportionate to their benefits were excluded at this stage.
This systematic filtering under the SOFF therefore ensured the shortlist reflects only those options capable of meeting the SMART objectives, overcoming the identified institutional barriers, and offering materially different pathways for delivering major road infrastructure.

The long-list of options considered and assessed are listed in Table 2 below. They fall into two broad categories:

- Non-regulatory options – these options enable varying mixes of private and public funding for new road infrastructure projects.
- Regulatory options – these options enable full private sector funding of new road infrastructure projects, under economic regulation.

Table 2: Long List Options

Non-regulatory (Mixed public/private funding focussed)
1. Hybrid Public Private funding via contractual governance model
2. Performance-Based Contracts
3. Bonds (green investment bonds)
Regulatory (Governance focussed)
4. Full private delivery with full economic regulation (ORR is regulator & Regulated Company powers to act as highway authority and powers to charge)
4a. As for Option 4 but with sunset clause on charging powers
4b. As for Option 4 but Secretary of State has charging powers
4c. As for Option 4 but establish a new regulator
5. Full private delivery with regulatory oversight
6. Full private delivery with no regulatory oversight

4.2 The counterfactual - Public delivery with road user charging

Each option is appraised in respect of the marginal impact relative to the counterfactual. For the purposes of this Impact Assessment, the counterfactual has been defined as new road schemes on the Trunk roads delivered via full public funding with user charging. The counterfactual therefore assumes a baseline scenario of new road scheme delivery.

This means that under this counterfactual, scheme-specific impacts are not attributed to the proposed intervention, as they would occur under the baseline. The appraisal therefore focuses on the marginal impacts of enabling an alternative route to delivery for major new road schemes and is considered the most proportionate and informative comparator given the defined eligibility of the legislative route and the scale of schemes concerned. See Section 7 for details of the consideration of the counterfactual approach.

4.3 Long to shortlist options assessment

All options have been assessed against the counterfactual of full public delivery with user charging of new road infrastructure assets and have been scored against the SMART objectives described in Section 3, using the scores described below.

1	2	3	4	5
Does not meet the objective	Meets the objective, with major limitations	Meets the objective, with many minor limitations	Meets the objective, with minor limitations	Fully meets the objective

Option 1: Mixed public and private funding - Hybrid Public Private funding via contractual governance model (non-regulatory option)

Under this option a combination of public and private funding is used for capital funding and the delivery of new trunk road capacity. Road pricing is embedded contractually where government control the road toll prices and the private operator earns its revenue through a fixed-price contract. Examples of such contracts include Design, Build, Finance, Operate and Maintain (DBFOM) contracts and have the potential for improved efficiency in road delivery, and risk-sharing between public and private sectors.

Variations of these existing mechanisms or legislation were considered. Examples of hybrid models include:

- Hybrid Bill for Multi-Jurisdictional DBFOM Projects - Use parliamentary hybrid bills (as with HS2) to authorise complex DBFOM schemes crossing multiple regions.
- Joint Ventures with Local Authorities - Combine central and local government funding with private capital in joint ventures, similar to housing delivery partnerships.
- DBFOM with Deferred Government Equity - Government takes an equity stake in the project after construction, reducing upfront public cost and aligning long-term interests.

Option 1 Assessment

Whilst this option (and the variations within it) allow for private sector funding to be leveraged into new road infrastructure projects, it is currently available for use, and therefore, does not provide an additional route to delivery. The complexity in agreeing contract terms that make a project investable for private investors, coupled with the limited flexibility in changing the terms (i.e. in the context of changing economic circumstances) are considered likely to increase investor uncertainty, and may therefore limit the investability or attractiveness of individual projects. There is added complexity given these contracts are negotiated on bi-lateral basis with limited information sharing. There is also complexity in agreeing terms and conditions in each contract that suitably provide for appropriate consumer protections, and potentially less transparency of contract terms to those not party to the contract (unless all contract terms are published). For these reasons, this option has been has not been taken forward to the shortlist.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	1	3	3
Rationale	Option 1 is already available to government so does not meet the objective of providing an additional route to delivery.	Complexity in agreeing contract terms on bi-lateral basis that make a project investable for private investors. Also, once agreed there is limited flexibility in changing the terms i.e. in the context of changing economic circumstances. Both elements likely to increase investor uncertainty which may limit the investability or attractiveness of individual projects.	Complexity in agreeing terms and conditions in each contract that suitably provide for appropriate consumer protections. Weaker transparency for parties outside of such contracts i.e. public, road users.
SaMBA impact	This option is already available so there is no additional marginal SaMBA impact		

Option 2: Mixed public and private funding - Performance-Based Contracts (non-regulatory option)

Under this option, a combination of public and private funding is used for capital funding and the delivery of new trunk road capacity. Delivery by the private entity is incentivised via performance metrics that are determined and monitored by the SoS. Examples of such contracts include:

- Franchise Model for Road Corridors - Government licenses private entities to operate and maintain specific corridors under performance and investment obligations.
- Availability Payment DBFOMs - Government pays a private sector company based on road availability and performance, instead of the company receiving revenue from user charges. Such approaches are used in Canadian and Australian models.

Option 2 Assessment

Similar to Option 1, whilst this option allows for private sector funding to be leveraged into new road infrastructure projects, it is currently available and therefore does not provide an additional route to delivery. In addition, whilst this option aligns company incentives relating to the quality of delivery and maintenance standards with public interests, there is complexity associated with defining the performance metrics suitably to secure desired outcomes that may limit the attractiveness of a project to investors. With respect to consumer protections, there is complexity in agreeing the appropriate performance metrics and terms and conditions in each contract. Although oversight of compliance with performance metrics would be provided by SoS, there is potentially weaker transparency for parties outside of such contracts i.e. public, road users, unless the contracts are published. For these reasons, this option has not been taken forward to the shortlist.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	1	3	3
Rationale	Option 2 is already available to government so does not meet the objective of providing an additional route to delivery.	Complexity in agreeing the contract terms on bi-lateral basis and defining the performance metrics to suitably incentivise and secure desired outcomes. Also, once agreed there is limited flexibility in changing the terms i.e. in the context of changing economic circumstances.	Complexity in agreeing terms and conditions in each contract that suitably provide for appropriate consumer protections. Although oversight provided by SoS, potentially weaker transparency for parties outside of such contracts i.e. public, road users, unless the contracts are published.
SaMBA impact	This option is already available so there is no additional or marginal SaMBA impact		

Option 3: Mixed public and private funding – Green investment bonds (non-regulatory option)

This option uses the Green Financing Programme[21] to raise private capital funding by issuing Green Gilts through the Debt Management Office and sales of NS&I Green Savings Bonds. The October 2024 UK Green Financing Allocation Report[22] indicated that the Green Financing Programme had raised a total of £43.4 billion since September 2021, of which £41.6 billion was raised via Green Gilt issuance and £1.8 billion raised via the sale of Green Savings Bonds. Typically, funds raised in this way are used by government provide capital

[21] HM Treasury (2021). UK Government Green Financing Framework.
[22] HM Treasury (2024). UK Green Financing Allocation Report 2024.

funding for projects related to climate change, biodiversity loss and other environmental challenges. Fund allocation to individual projects is determined by HMT.[23]

Option 3 Assessment

This option is an existing route to leveraging private capital funding into public projects. There are challenges in defining roads projects as suitably sustainable or 'green' to meet the eligibility criteria of the Green Financing Programme so this may not be a viable option for delivering necessary new road infrastructure. Additionally, given funds raised in this way are allocated by HMT, investors do not have a direct and transparent route to investing in and generating returns from specific projects. This potentially limits the attractiveness to private investors keen on road infrastructure. For these reasons, this option has not been brought forward to the short list.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	1	2	4
Rationale	This option is already available to government so does not meet the objective of providing an additional route to delivery. Additionally, there are challenges in defining roads projects as suitably sustainable/green to meet the eligibility criteria of the Green Financing Programme.	Investors do not have a direct and transparent route to investing in and generating returns from specific projects (i.e. new roads). This potentially limits the attractiveness to private investors keen on road infrastructure.	Governance and oversight of individual projects will be provided by relevant department SoS.
SaMBA impact	This option is already available so there is no additional or marginal SaMBA impact		

Option 4: (preferred option, detailed in Section 6) Full private delivery with full economic regulation (regulatory option)

This option enables a regulated private sector company to finance and build new trunk road capacity and to collect revenue from user charges under an Economic Licence. The Economic Licence and User Charging regime would be established and regulated by an independent economic regulator.

This option requires new legislation. The proposed legislation will establish the ORR as the independent regulator and provide powers to a private sector company to charge and act as highways authority.

Option 4 Assessment

This option would be an additional route to delivery for new road infrastructure and supports the delivery of critical infrastructure through increased private sector collaboration in line with Government policy to promote economic growth.

For projects specified for delivery under the RAB model, the regulator will set out the details of the ERR providing investors with clarity over the investment opportunity, enabling them to assess the attractiveness of a project. The ERR ensures consumer protections and fair charging are embedded in the licence conditions,

[23] HM Treasury (2024). UK Green Financing Allocation Report 2024.

monitored and reviewed regularly and enforced appropriately. For these reasons, this option has been shortlisted.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	5	5	5
Rationale	Option 4 would represent a new and additional route to delivery for road infrastructure. Requires legislation to establish the required statutory powers to implement.	With full private sector funding and clarity of the regulatory governance regime, including powers to charge, investors have clear sight of the investment opportunity, enabling them to assess the attractiveness of a project on the basis of commercial considerations.	Implementing this option within a full Economic Regulatory Regime ensures consumer protections and fair charging are embedded in the licence conditions, monitored and reviewed regularly and enforced appropriately.
SaMBA impact	The introduction of RAB legislation will not in itself have any direct impact on SMBs.		

Option 4A: Option 4 but with sunset clause on charging powers (regulatory option)

Option 4A is the same as Option 4 except that the legislation includes a sunset clause on charging powers i.e. 5 years, at which point these powers for the private company to charge road users might be extended for a further period, transferred to the SoS or revoked entirely.

Option 4A Assessment

The possibility of government revoking or transferring charging powers from the private entity is likely to increase investor uncertainty, particularly in relation to having clarity over future revenues streams. This is particularly relevant for long lived assets like roads where investors need to have sufficient certainty of their expected revenue streams over the economic lifetime of the asset. Consequently, this option is likely to significantly reduce the investability of a project. This option has therefore not been taken forward to the shortlist.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	5	1	5
Rationale	As for Option 4	Government discretion to revoke or transfer charging powers significantly increases regulatory uncertainty and limits the attractiveness of the investment opportunity.	As for Option 4.
SaMBA impact	As for Option 4		

Option 4B: Option 4 but SoS for Transport has charging powers (regulatory option)

Option 4B is the same as under Option 4 except that the legislation gives powers to determine RUCs to the SoS for Transport.

Option 4B Assessment

The SoS determining charges is likely to increase investor uncertainty, particularly if there is no transparent basis for determining these charges leading to a risk that they could be influenced by political considerations of the day. This highlights the risk of partiality and politicisation of charging decisions and limits investors' clarity over expected revenues streams. Consequently, this option is likely to reduce or limit the investability of a project. There is also some risk that politicisation of charging decisions could reduce fair charging outcomes for some road users. This option has therefore not been taken forward to the shortlist.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	5	1	4
Rationale	As for Option 4	Lacks impartiality and technical expertise; risks politicisation of charging decisions and potentially limits the attractiveness of investment.	Some risk that politicisation of charging decisions could reduce fair charging outcomes for some user segments
SaMBA impact	As for Option 4		

Option 4C: As option 4 but establish a new regulator (regulatory option)

Option 4C is the same as Option 4 with the exception that an entirely new regulator is established.

Option 4C Assessment

Relative to the counterfactual, the administrative burden and costs from setting up a new regulator to provide independent regulation of road infrastructure projects specified under the RAB model will be higher under this option compared to Option 4. There is the potential to leverage the UK's capabilities and experience of independent regulation (e.g. for airports, energy) in setting up and operationalising a new regulator although this may take longer than under Option 4 where the duties are added to the ORR's existing duties. However, this option scores well against the SMART objectives and is shortlisted for further consideration.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	4	5	5
Rationale	As for Option 4 with the key difference being to establish a new regulator. This may have the effect of extending the time need to set up and operationalise the new regulator.	As for Option 4.	As for Option 4.

SaMBA impact	As for Option 4

Option 5: Full private delivery with only regulatory oversight (regulatory option)

Option 5 is the same as Option 4 with the exception that there is no regulator and the private sector company operates with powers to operate as a Highways Authority and set charges under a code of practice. The code of practice would provide a form of soft regulation via non-binding standards.

Option 5 Assessment

In the context of the significant monopoly power the private sector company would have, a code of practice would not be sufficient to mitigate the risk of consumer exploitation as it would not provide any routes for Government to enforce compliance. For this reason, this option has not been taken forward to the shortlist.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	5	5	2
Rationale	As for Option 4	As for Option 4	Insufficient to enforce protection of users due to lack of enforcement
SaMBA impact	As for Option 4		

Option 6: Full private delivery with no regulatory oversight (regulatory option)

Option 6 is the same as Option 4 with the exception that there is no regulator and the private sector company operates with powers to operate as a Highways Authority and set charges with no oversight.

Option 6 Assessment

There would be a significant risk of user exploitation and lack of accountability under this option. For this reason, this option has not been taken forward to the shortlist.

SMART objective	Additional Route to Delivery	Clarity and transparency of investment path	Appropriate Consumer Protections
Score	5	5	1
Rationale	As for Option 4	As for Option 4	With no oversight there is a significant risk of user exploitation and lack of accountability (except to shareholders)
SAMBA impact	As for Option 4		

4.4. SaMBA and medium-sized business impact

The non-regulatory options assessed are considered to have no impact on SMBs or on medium-sized businesses, as there is no marginal effect relative to the counterfactual. The regulatory options, which introduce primary legislation to enable an alternative delivery mechanism for new roads projects, are also considered to have no direct impact on these businesses at the point of enactment. The primary legislation is drafted to directly affect only the regulated company (RegCo) that will be responsible for financing, constructing, operating, and maintaining the road infrastructure. This company will, by necessity, be a large organisation due to the scale of capital and operational requirement.

Small and medium-sized businesses are not expected to be directly regulated or to hold the highway authority role. Instead, SMEs may participate as subcontractors, suppliers, or users of the infrastructure, but they are not the entities subject to the regulatory regime established by the legislation. Both non-regulatory and regulatory options assessed have no direct marginal effect on SMEs compared to the baseline (public delivery or traditional Public Private Partnerships). The direct costs and obligations fall on the regulated company, not on SMEs. Any potential impact on SMEs would arise only at the scheme implementation stage (e.g., if road user charges are set at a level that disproportionately affects certain user groups, such as freight operators, many of whom are SMEs). However, the economic regulatory regime (ERR) is designed to ensure that charges are fair, non-discriminatory, and cost-reflective, with the regulator required to consider distributional effects and implement appropriate consumer protections. Rather than excluding SMEs or adding bespoke mitigations, the ERR's design is intended to safeguard all user groups, including SMEs, by requiring the regulator to monitor and address any disproportionate impacts through the charging methodology and consumer protection provisions.

While the primary legislation itself is enabling in nature, the enactment of the ERR post-secondary legislation and subsequent scheme-level implementation could have material effects on SMBs. For the types of major road schemes likely to fall within the scope of this intervention, the direct costs of investment and operation are expected to be borne by large businesses, given the scale of capital required. However, SMBs may still be affected as subcontractors and suppliers or users of the infrastructure. Nevertheless, it is not anticipated that the impact on SMBs would be significantly different from delivery via other mechanisms (such as public delivery or traditional PPPs), provided that the ERR is robust.

In the case of road users, if future schemes delivered under this framework result in higher RUCs than would have occurred under the counterfactual (public delivery), there is a risk that these costs could disproportionately impact SMBs. It is anticipated for LTC that freight RUCs will be higher, and the freight sector is dominated by SMBs. The design of individual schemes and the associated ERR including the user charging methodology, will determine the actual impact on SMBs.

The ERR is designed to regulate the Regulated Company's (RegCo) ability to set and collect charges via the charging methodology. Whilst charges may reflect price discrimination by user type, the regulatory oversight is intended to ensure that charges are based on the principles of being non-discriminatory and non-distortionary. This means that charges should be cost reflective and are not prohibitive for certain user groups. In practice, the ERR should mitigate the risk of disproportionate impacts on SMBs by requiring the regulator to consider the distributional effects of charging decisions and to implement appropriate consumer protections.

5. Description of shortlisted policy options carried forward

Options 4 and 4C were progressed to the shortlist, with other options discarded on the basis of not sufficiently satisfying the SMART objectives.

Options 4 and 4C were then assessed against the following Critical Success Factors (CSFs) in line with guidance in the HMG Green Book[24] using a Green/Amber/Red scoring matrix. The relevant CSFs are outlined in Table 3.

Table 3: Critical Success Factors

CSF	Green Book Description	Relevance for proposed intervention
Strategic fit	How well the option: - meets the agreed spending objectives, related business needs and service requirements – provides holistic fit and synergy with other strategies, programme and projects	Government committed to leveraging private sector investment in infrastructure as a vehicle for economic growth. In addition, in the SR25 Government committed to the LTC and allocated funds to support delivery of the scheme.
Potential achievability	How well the option: - is likely to be delivered given an organisation's ability to respond to the changes required – matches the level of available skills required for successful delivery.	RAB legislation enables framework for private capital funding source within an Economic Regulatory Regime. ERR is well established in UK for a range of sectors (energy & water) and a RAB model is in place for new nuclear.
Potential VfM	How well the option: - optimises social value (social, economic and environmental), in terms of the potential costs, benefits and risks.	RAB legislation provides levers for regulatory control over costs/charges that can be flexibly tailored to individual project circumstances to optimise social value i.e. roads infrastructure delivered efficiently or cost effectively (e.g. earlier than public delivery). Government spend requirements would relate to set up and ongoing operations of the Regulator

The assessment outlined in the table below, shows that Option 4 is the preferred option on the basis that it best aligns with meeting the critical success factors. Whilst Option 4C is also well aligned with the critical success factors, the establishment of a new regulator risks duplicating effort and imposing additional administrative cost burdens on Government. As a result, Option 4C is considered to represent less value for money than Option 4.

Table 4: Shortlist Option Assessment

	Option 4: Full private delivery with full econ regulation by ORR & Regulated Company powers to act as highway authority and to charge road users	**Option 4C: As Option 4 but establish a new regulator**
Strategic fit	Aligns with Government commitment to leveraging private sector investment in infrastructure as a vehicle for economic growth. In addition, the inclusion of LTC in the DfT's SR25 plans confirms Government's commitment to delivering the LTC.	As for Option 4

[24] HM Treasury (2026). The Green Book: Central Government Guidance on Appraisal and Evaluation.

Potential achievability	Knowledge and capability from existing RAB models can be leveraged. ERR is well established in UK for a range of sectors (e.g. airports, energy). Additionally, appointing the ORR as regulator facilitates leveraging of existing regulatory capability. Furthermore, there is some urgency in progressing the legislation with respect to the LTC. Receiving Royal Assent by time the Prior Information Notice for the equity competition - currently forecast to be end of March 2027 – would provide the confidence needed to start the procurement process.	As for Option 4
Potential VfM	a) The legislation provides levers for regulatory control over costs and user charges that can be tailored to individual project circumstances to optimise social value i.e. road infrastructure delivered cost effectively or efficiently, i.e. earlier than public delivery.	As for Option 4
	b) Government spend requirements would relate to set up and ongoing operation of the Regulator. Appointing ORR as regulator and leveraging existing capabilities and resources minimises the administrative cost burden.	Key difference to Option 4: Setting up a new Regulator and maintaining ongoing operations risks duplicating effort and presents an additional administrative cost burden for Government. Therefore, this option is considered to offer less potential VfM than Option 4.

6. Description of preferred option and explanation of the logical change process whereby this achieves SMART objectives

The preferred option is to enable full private delivery of eligible road infrastructure under full economic regulation by the ORR. This requires primary legislation to establish a RAB-based delivery model, under which a regulated private sector company could finance, build, operate and maintain new trunk road capacity, and recover efficient costs through regulated road user charges under an Economic Licence. This provides an additional route to delivery where Government considers private finance appropriate, while maintaining user protections through independent economic regulation.

6.1 Scope

The scope of the proposed legislation will be defined in the Bill. On the latest drafting, the RAB model would apply to eligible trunk roads in England, including new trunk roads and existing trunk roads linked to new capacity delivered under the model. Local roads, non-trunk roads and GLA roads are not expected to be within scope. The Bill is therefore intended to provide a targeted additional delivery route for specified strategic road assets, rather than a broad power to transfer wider parts of the road network into private operation.

Existing highways that are not connected to the new infrastructure are out of scope because including them would give the private operator control over parts of the Strategic Road Network where it holds full monopoly power without any scheme specific justification. The policy intent is to enable regulated private delivery only where new capacity is being created, and where any associated existing roads form an integral and operationally essential part of that new scheme. Limiting the scope in this way ensures that the regulator can appropriately oversee the private operator's activities, prevents the creation of broad, unearned market power over unrelated existing routes, and maintains proportionality by restricting private operation to assets directly linked to the scheme that justifies the intervention. This avoids inadvertently enabling the wholesale transfer of existing public roads into private hands and ensures that the new regulatory regime applies only where necessary to support the delivery and operation of new infrastructure.

It is important to clarify that the policy does *not* imply that all new major road infrastructure will involve Road User Charging (RUC). The RAB model provides an *optional* delivery route that may only be appropriate for a subset of large, capital intensive schemes where private finance is being leveraged and where long term, regulated revenues are required to support investment. The use of RUC is therefore contingent on Government deciding to deliver a specific scheme under this framework; if a scheme proceeds under conventional public delivery, no charging powers need be exercised. The Bill is enabling in nature: it creates the legal basis for charging where required to support private investment, but it does not mandate the use of charging for all future schemes, nor alter the existing policy approach for publicly funded road projects.

In addition to price regulation, the ERR will include requirements for quality and performance, such as safety, lane availability, journey time reliability, and incident clearance times. These standards will be set by the Secretary of State (as is currently the case for National Highways) and monitored, reported, and enforced by the ORR, ensuring that private operators are held to the same high standards as public operators.

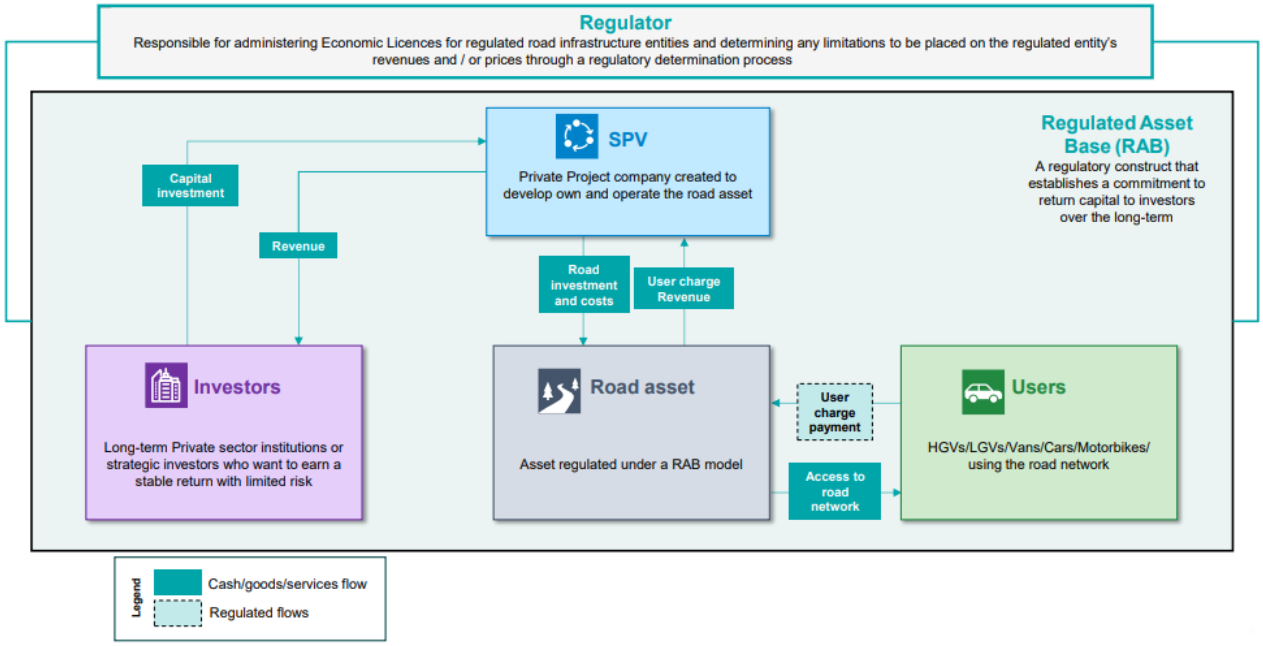
- The RAB model is a regulatory framework that sets out the value of a company's investment in infrastructure assets, adjusted over time for depreciation. It provides a commitment to the regulated company that it can recover its costs and earn a stable return on their investment through user charges. This stability makes the model attractive to private investors and helps secure long-term funding for essential infrastructure.

- The RAB model approach is well understood in the UK and has been successfully applied in other sectors such as energy, water, and telecommunications since the 1980s, helping to attract private investment for projects like Sizewell C and the Thames Tideway Tunnel. Private operators of large infrastructure assets could acquire significant market power (SMP) with the ability to restrict access, overcharge or reduce service quality. In the UK, companies judged to have SMP as a result of the structure of a sector are regulated by an independent economic regulator (e.g. the ORR, Civil Aviation Authority (CAA), Ofgem, Ofwat, Ofcom). For this reason, the RAB model incorporates an ERR and is essential to prevent abuse of market power.

- An ERR would typically set rules on pricing, service standards, and compliance, protecting users and ensuring public interest. It would also include safeguards like a Special Administration Regime to keep essential services running if a company fails, without creating undue financial risk for government.

The model below outlines how the RAB framework will operate when it is established

Table 3: RAB Framework in Operation



SPV = Special Purpose Vehicle

Using a RAB-based approach for roads could also unlock private investment and deliver high-quality roads infrastructure, but it requires a clear legal framework and economic regulation to ensure desired road user benefits are delivered and to protect consumers. However, at present there is no legislative basis for applying the RAB model to roads. For instance:

- There is no statute which grants private sector bodies the power to operate and maintain specified highways as independent regulated highway authorities with powers to impose free flow RUCs as well as collect and retain charge revenue.
- There is also no mechanism in law to transfer the requisite assets, rights and liabilities held by public sector strategic highways companies (I.e. National Highways) to the private sector The existing legislation does not invest the DfT or an independent economic regulator or any other body with the power to economically regulate roads, crossings or tunnels in the terms contemplated by the proposed RAB model

Consequently, new legislation is required to apply the RAB model approach for roads to allow private companies to operate roads as regulated entities, impose user charges, or retain revenue. Additionally, new legislation is needed to empower a regulator to oversee such arrangements. For this reason, primary legislation is needed to:

- Create or appoint an economic regulator to regulate the private sector body
- Designate a private entity as a Highways Authority. This entails – giving powers to the SoS for Transport/ER to grant a licence to a private sector body which would be responsible for the construction, operation and maintenance of prescribed roads, anticipated to be directly as highway authority
- Give the private company the ability to impose, collect and retain RUCs

The Bill also provides that a Licence Holder, appointed as a highway authority for specified roads in England, is designated as a Litter Authority for those roads in accordance with the 2018 Regulations under section 88A of the Environmental Protection Act 1990, and is responsible for keeping them, so far as practicable, clear of

litter and refuse. It also confers civil enforcement powers, including the ability to issue Fixed Penalty Notices (FPNs) to registered vehicle keepers for littering from vehicles, enabling enforcement of offences under sections 87 and 88A on the specified highways. These powers will enable the Licence Holder to recover costs and take direct, proportionate action to deter littering and support behaviour change, with their use subject to appropriate governance, training and monitoring to ensure they are exercised proportionately and not as a revenue-raising mechanism, and with oversight provided by the regulator (ORR).

6.2 Economic Licence

The details of the regulatory regime will be provided through an Economic Licence that will specify the Licensee's responsibilities in operating and managing the assigned road infrastructure assets as well as the approach to determining the revenues that the regulated entity is allowed to earn. The Secretary of State (SoS) or the regulator will be responsible for the issuing of licences to privately owned road operators. The regulator will then be responsible for supervising compliance with the Economic Licence(s) as well as independently evolving the ERR through modifications of the Economic Licence, within the context of its statutory duties and any other direction Government provides. The Economic Licence sets out key details such as:

- The RAB which is the method for valuing assets and spreading costs over time.
- Revenue and Price Limits which will be based on efficient costs and fair returns.
- The Regulatory Determination Process which sets out how prices and revenues are reviewed and set for multi-year periods.

6.3 The Regulated Asset Base

The RAB framework is used to value infrastructure assets in a clear and predictable way. It provides a method for spreading the costs of large projects over a longer period, making them more affordable and attractive to investors.

The RAB represents the regulator's accepted view of how much a company has invested in building and maintaining its infrastructure. This value is adjusted for depreciation to reflect the natural wear and tear of assets over time.

Importantly, the RAB is central to calculating how much revenue an operator is allowed to earn. It ensures that investors can recover part of their original investment during each regulatory period while also earning a fair return on the remaining capital. This approach gives confidence to investors and helps secure funding for major projects.

Revenue and price limits

The independent economic regulator will set limits on the revenue that private operators can earn or the prices they can charge. These limits will be determined through a formal regulatory process and will be included in the operator's Economic Licence. For new operators, the Secretary of State may set the initial price or revenue caps for the first control period. After that, the regulator will take responsibility for reviewing and updating these limits at regular intervals. The calculation of these limits will follow a transparent "building block" approach. This means the regulator will consider the operator's efficient costs, such as capital expenditure (capex) for construction, operating costs (OpEx) for maintenance, and allow a fair return on the capital invested. The goal is to ensure operators recover their costs without overcharging users. to encourage good performance, the regulator may also include financial incentives. For example, if an operator meets or exceeds construction or operational targets, they could earn additional revenue. Conversely, failing to meet targets could reduce the amount they are allowed to earn.

Regulatory Determination Process

To make sure road users are treated fairly and operators have clear rules, the amount of revenue a private operator can earn, or the prices they can charge, will be set for a fixed period known as a regulatory settlement. These settlement periods usually last several years, giving stability for both operators and users. Before each period begins, the independent economic regulator will review the operator's business plan and decide what level of revenue or pricing is appropriate. This process ensures that charges reflect

efficient costs and fair returns, rather than allowing unchecked increases. For new operators, the Secretary of State may set the initial settlement to provide certainty at the start. After that, the regulator will take full responsibility for reviewing and updating these limits through a transparent process.

Role and duties of the Economic Regulator

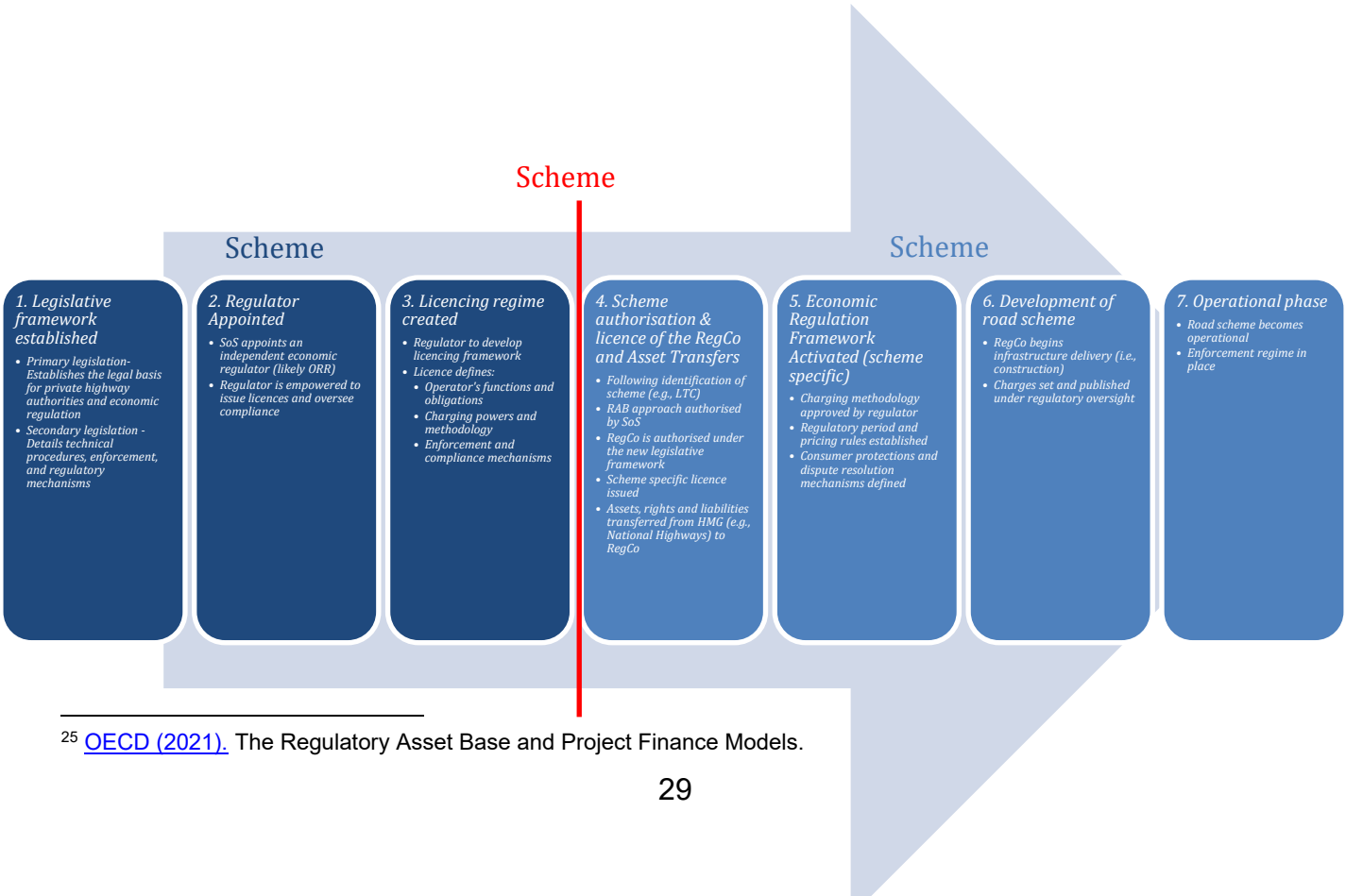
The independent Economic Regulator's main responsibility will be to administer the Economic Licence for each operator and set limits on the revenue they can earn or the prices they can charge. These limits will be determined through a transparent regulatory process to ensure fairness for road users and investors. The regulator will also manage the SAR, which protects public interest if an operator becomes insolvent. The Department for Transport (DfT) will establish the initial regulatory framework and decide which body should act as the regulator. This could be an existing organisation, such as the ORR, or a newly created entity. Based on the assessments in this IA, the preferred option is to appoint the ORR given it already regulates Britain's railways and monitors National Highways' management of the Strategic Road Network. Its role would be expanded to include economic regulation of designated road assets. The regulator's statutory duties will be shaped by established regulatory principles and will focus on delivering long-term value. This means promoting efficiency across the life cycle of assets, encouraging innovation, and ensuring the sector performs well for both users and investors.

6.4 Alignment with the SMART objectives and Critical Success Factors

The preferred option is considered to best meet the assessment criteria (as reflected in Sections 4 and 5). It provides an additional route to delivery for new road infrastructure and supports the delivery of critical infrastructure through increased private sector collaboration in line with Government's mission to mobilise infrastructure investment and promote economic growth. The use of RAB delivery models and the associated ERR is well established in the UK having been successfully applied to a range of privately owned infrastructure projects since the 1980s in sectors such as energy, water and telecommunication networks. Moreover, international evidence, including analysis by the OECD[25], demonstrates that the RAB model can successfully attract private capital for infrastructure delivery. It also highlights the need for strong oversight mechanisms to manage the risks of incentivising excessive capital expenditure, optimise social value (VfM) and to protect consumers and ensure efficiency.

6.5 Logic Model

This Impact Assessment discusses the establishment of primary legislation



[25] OECD (2021). The Regulatory Asset Base and Project Finance Models.

7. Regulatory scorecard for preferred option

7.1 Scope of appraisal

This impact assessment covers the scope of powers contained in the Highways (Financing) Bill which relate to the establishment of a new enabling framework for the use of a Regulated Asset Base (RAB) model as an additional option for delivering future road schemes on England's Trunk roads network.

The licence will establish the detailed procedures required to operationalise this framework. As a result, this primary legislation is not expected to have significant standalone impact, as the effects depend on subsequent secondary legislation, licensing arrangements, and scheme-specific characteristics.

While the overall outcomes enabled by this legislation are clear, some elements of policy detail, including the division of scope between primary legislation, secondary legislation and the licensing framework, continue to be finalised as the Bill progresses through Parliament. As this Impact Assessment is being published alongside the Highways (Financing) Bill, it reflects the regulatory option as defined in the Bill and the statutory powers it creates, rather than speculative future variants.

To ensure proportionality, this appraisal assesses the expected impacts once the full legislative framework (primary legislation, secondary legislation made under it, and the associated Economic Regulatory Regime) is in place and operational. It distinguishes between:

- Direct impacts, arising automatically from the enactment of the Bill
- Indirect impacts, arising only if the Bill's powers are exercised for a specific scheme

This impact assessment does not assume further policy development outside the scope of the Bill.

Legislative components in scope of this appraisal

The regulatory scorecard assesses impacts arising from the three core components of the Bill:

1. The establishment of an independent economic regulator. This Bill provides powers for the Secretary of State for Transport (SoS) to appoint an independent economic regulator. This regulator would be responsible for:
    - Issuing a monitoring licence for private operators authorised to design, construct, operate, maintain, and improve specified highways
    - Regulating designated road infrastructure assets owned and operated by the licensee
    - Enforcing compliance, including the imposition of financial penalties for breaches of licence conditions
    - Overseeing allowed revenue and pricing structures to protect users from excessive charges, particularly where operators have monopoly power.

2. The designation of a regulated private sector company as a Highways Authority. This legislation would create a new category of highway authority status for regulated private companies, allowing them to:
    - Construct, operate, own and maintain new highway capacity on England's Trunk road network.
    - Take over existing highways connected to the new infrastructure
    - Operate under a regulatory licence

3. Enabling Road User Charging by the private sector company. This legislation would grant powers to the licenced operator to:
    - Levy charges for road use
    - Set and collect revenue in line with the regulatory framework
    - Apply charges to new and existing highways where the latter are operated in connection with the new infrastructure

The impacts assessed in this Regulatory Scorecard reflect the combined effect of these powers as set out in the Bill, recognising that impacts only materialise when the framework is exercised for specific schemes.

7.2 Extent of monetisation

No headline Net Present Value (NPV) or Equivalent Annual Net Direct Costs to Business (EANDCB) Equivalent Annual Net Direct Costs to Households (EANDCH) values are provided in this assessment due to the primary nature of the legislation and the considerable uncertainty surrounding the timing, nature, and number of schemes that may use these powers.

Quantification has been conducted to indicate potential scale of certain impacts, such as indicative regulatory costs. The majority of impacts are contingent on specific characteristics of any future schemes delivered under this legislation and therefore cannot be quantified at this stage.

Scenario analysis was considered to enable quantification and monetisation; however, such analysis would require a number of unevidenced assumptions about scheme financing structures, charging regimes, and delivery timelines. Given these uncertainties, scenario analysis has not been included to avoid presenting misleading analysis.

Sensitivity testing has been applied to the indicative regulation costs to the for the illustrative LTC case, but it would not be feasible for non-monetised, indirect impacts. Instead, the assessment sets out the expected direction and relative scale of potential impacts and highlights associated risks and uncertainties.

This approach is consistent with Regulatory Policy Committee (RPC) guidance and case history for primary legislation, which recognises that monetisation may not be possible until detailed proposals are available.[26] Where appropriate, further quantification will be undertaken for future secondary legislation. In addition, any future schemes brought forward under this framework will be subject to relevant appraisal in due course.

7.3 Counterfactual Approach

To assess the impact of the preferred option, five counterfactual scenarios were considered. Green Book guidance and RPC advice were consulted to identify the most appropriate option for the proposed legislation. The options considered and the selected counterfactual are outlined below.

The key distinction between these scenarios is how the appraisal treats user charging and whether scheme-specific impacts should be attributed to the legislation.

Counterfactual	Counterfactual scenarios	Description
1	Public delivery with user charges (selected)	Scheme delivered via public investment with user charging
2	Public delivery - no user charges	Scheme delivered via public investment, funded by general taxation
3	Delivered with alternative private finance	Scheme delivered via existing private finance mechanisms (such as DBFOM) without new legislation
4	Delayed delivery with user charges and public funding	Scheme delivered via public investment with user charging, but with delayed delivery due to limitations in existing routes to funding and approval
5	No delivery	Scheme does not proceed

The powers in the Bill apply to eligible trunk roads in England, including new trunk roads and existing trunk roads where they are linked to, or operated in connection with, new capacity delivered under the model. Local roads, non-trunk roads and GLA roads are not expected to be within scope. The schemes within scope are therefore expected to be of significant scale and require substantial investment. Only schemes where road user charging is feasible and appropriate would be eligible for delivery under this framework. The proposed powers would not apply to all future trunk road investments, and their use would be selective and scheme dependent.

Public delivery with user charges (Counterfactual 1) has been selected as the counterfactual for the following reasons:

[26] Regulatory Policy Committee (RPC) (2019). RPC guidance for departments and regulators.

- It provides a proportionate basis for comparison given the defined eligibility of the legislative route and the scale of schemes concerned. Schemes eligible for RAB will be identified by the DfT or National Highways (NH) and delivery via RAB will be approved by SoS.
- It provides a conservative and credible basis for comparison, avoiding overstating benefits by assuming delivery would occur under existing mechanisms. This aligns with the Green Book principle of additionality, which requires that only impact caused by the intervention are considered.
- It reflects the type and scale of schemes within scope of the Bill, for which Government would otherwise need to consider public funding solutions where user charging is viable.
- It is consistent with the approach taken by the Nuclear RAB Impact Assessment, which acknowledged the lack of an available and directly comparable counterfactual. [27]

Delivery through existing private finance mechanisms (Counterfactual 3), such as DBFOM (Design, Build, Finance, Operate, Maintain), was discounted because such mechanisms are unable to raise the requisite capital for projects of this size, due to unbearable risks for investors. If the DBFOM route could provide sufficient funding, the proposed legislative route would not be required.

It is acknowledged that the proposed framework could enable earlier delivery of a scheme relative to the counterfactual by providing a more flexible and streamlined route to funding and delivery. However, the extent, timing, and likelihood of any acceleration cannot be estimated with certainty. As such, a scenario of delayed delivery with user charges and public funding (Counterfactual 4) was considered but discounted as any comparison would be based on speculative assumptions.

This assessment therefore recognises that the proposed legislation could facilitate earlier realisation of scheme benefits, such as improved connectivity, reduced congestion and economic growth, but does not include this scenario in the Regulatory Scorecard to maintain consistency against the counterfactual.

It is also recognised that future schemes utilising this legislation might not otherwise have proceeded under the counterfactual (Counterfactual 5), hence the framework could enable the delivery of more schemes. However, given the uncertainty are around the number and nature of such schemes, and avoid to overstating the legislation's potential benefits, the counterfactual assumes a baseline of scheme delivery. As a result, impacts associated with the delivery of additional schemes are not attributed to the legislation in this assessment.

Overall, decisions around the funding of future schemes remains subject to separate governance processes, including the development of business cases and scrutiny by investment committees. The proposed legislation does not determine funding decisions but provides additional route for Government to consider when assessing options for the delivery of large-scale road infrastructure. The full impact of this legislation will depend on future investment decisions and the characteristics of individual schemes.

At this stage, the Lower Thames Crossing (LTC) is the only identified candidate for the proposed powers. Any future eligible schemes will be subject to the same rigorous governance and appraisal processes.

7.4 Appraisal period

The appraisal period is assumed to commence in 2027, reflecting the earliest point at which the enabling framework could reasonably be operational following Royal Assent and secondary legislation.

The length of the appraisal period is 60 years. This reflects the nature and purpose of the enabling powers, which are intended to enable an alternative approach for delivering new major road schemes on Trunk roads. At the individual project level, such schemes would be typically appraised over 60 years in line with DfT's Transport Analysis Guidance (TAG), given their long design lives and enduring economic impacts.[28]

This approach is consistent with the Green Book, which advises that appraisal periods should reflect the useful life of the assets and the persistence of benefits, while balancing proportionality and uncertainty. For transport infrastructure, longer appraisal periods are appropriate for assets with long design lives. Major road schemes designed under this framework are typically engineered for 100+ years of operational life. While

[27] HM Government (2023). The Nuclear Regulated Asset Base Model (Revenue Collection) Regulations 2023.
[28] Department for Transport (2025). Transport Analysis Guidance (TAG): Unit A1.1 - Cost-Benefit Analysis

some individual projects adopt longer appraisal periods, alignment with TAG's 60-year period was considered proportionate for assessing the impacts of this enabling legislative measure.

Consideration was given to adopting a standard 10-year appraisal period, however this was discounted it as it would not adequately capture the long-term nature of costs and benefits associated with major road schemes. Comparable legislation, such as the Nuclear Energy (Financing) Act 2022[29], adopted a 79-year appraisal period for the Impact Assessment, which sets a precedent for extended time horizons. In addition, most impacts of the proposed legislation, such as ongoing operational costs to the Office of Rail and Road (ORR), are anticipated to persist well beyond 10 years, as regulated schemes delivered under this framework will remain subject to ongoing oversight. As such, the 60-year appraisal period has been applied in this assessment.

7.5 Assessment of Direct and Indirect impacts

The Highways (Financing) Bill is enabling legislation, providing powers to establish a Regulated Asset Base (RAB) model as an additional route for delivering eligible infrastructure on England's Trunk road network. The legislation does not require the use of the RAB model for road scheme delivery nor does it, in isolation, trigger the delivery of specific schemes.

The Bill establishes the legal framework necessary to enable RAB delivery. As outlined in the logic model above this represents Step 1 in the sequential process required for a scheme to become operational, with subsequent stages including introducing secondary legislation, developing licensing arrangements, and agreeing scheme-specific commercial arrangements.

This impact assessment therefore appraises the impacts of 'Step 1: Legislative framework established' as direct impacts. Direct impacts of the legislation are limited in scope and are limited to those that occur automatically upon commencement of the legislation, irrespective of whether any scheme proceeds under a RAB model or further stages of the logic map are implemented. These are assessed as:

- Familiarisation costs for affected stakeholders (primarily the Economic Regulator).
- Any immediate administrative, personnel or procedural changes required to prepare for operationalising the framework.

All impacts that arise from subsequent stages of the logic map being successfully implemented are appraised as indirect impacts. These relate to the potential future use of the RAB model and are contingent on subsequent decisions and conditions being met. They are classified as indirect impacts due to the number of dependencies and the uncertainty around whether and when these conditions will be satisfied. Indirect impacts are nonetheless important to explore and are discussed in the regulatory scorecard below.

Scheme-specific benefits, such as user benefits, construction impacts, and wider economic effects, are not yet known. Where schemes are designated for delivery under a RAB model they would undergo appraisal through the business case process. Any scheme-specific impacts are uncertain, and are assumed to occur under the counterfactual of public delivery. Broadly, they are not considered in scope of this appraisal, however the possible impact of the RAB model on the size or distribution of the benefits are discussed in the regulatory scorecard as indirect impacts.

7.6 Application of LTC as an illustrative example

The proposed legislation is designed to provide broad enabling powers for the delivery of new Trunk road capacity using a RAB model. While the legislation is not scheme specific, it is anticipated that the Lower Thames Crossing will be the first project to utilise these powers, subject to the successful passage of this Bill, Government approval processes, a final funding decision and financial close on a deal.

At the time of writing, LTC is at an advanced stage of development. As the scheme provides a relevant case study for assessing potential impacts, LTC has been used as an illustrative example in some elements of the scorecard with the aim of demonstrating how the proposed legislative framework could operate in practice. Across the scorecard it would not be appropriate to monetise these LTC specific impacts because the framework could be applied to other schemes with different characteristics and scale, and monetised impacts would vary accordingly. The use of LTC is therefore illustrative, not determinative, and does not imply that the

[29] HM Government (2022). Nuclear Energy (Financing) Act: Impact Assessment.

legislation will necessarily be used for this scheme. Using LTC as an example does not imply that the legislation is limited to this scheme. The powers are intended to be available for any future specified highways that meet the criteria set out in the legislation.

Part A: Overall and stakeholder impacts

Direct Impacts

Direct impacts are those incurred automatically at the point the Bill is commenced, occurring at Step 1 of the logic model, regardless of whether any scheme is ultimately delivered under the RAB framework. This legislation is an enabling measure and is not expected to impose any direct impacts on households or businesses. Direct impacts of the legislation are limited to:

- Familiarisation, implementation and administrative costs incurred by the Office of Rail and Road (ORR) in preparing to act as the economic regulator.

Indirect Impacts

The impacts of the Highways (Financing) Bill are primarily indirect, summarised in Table 7a. The nature, scale and timing of these impacts depend on whether the powers in the Bill are exercised for specific schemes and on scheme-level design choices. Each category is discussed in detail below in the respective scorecard sections.

Table 7a: Indirect Impacts Summary

Type	Overall	Impact	Direction
Wider Society	Uncertain	Implementation cost to HMG	Cost
		Fiscal flexibility for HMG	Benefit
		Transparency and Accountability of operation	Benefit
		Loss of HMG assets	Cost
		Tax	Transfer
		Transfer of risk	Benefit
		Litter Authority enforcement	Benefit
Business	Positive	Familiarisation costs	Cost
		CapEx & Operation, Maintenance and Renewal costs	Cost
		Acquirement of government assets or revenue streams	Benefit
		Business profit	Benefit
		Corporation tax	Transfer
		Transaction costs	Cost
		Licence Fee	Cost
		Litter Authority enforcement	Cost
Households	Uncertain	User Charges	Uncertain
		General Taxation and Public Spending impacts	Benefit

(1) Overall impacts on total welfare		**Directional rating**
Description of overall expected impact	Taking account of both direct and indirect impacts, the overall effect of the Highways (Financing) Bill on total welfare is assessed as uncertain, relative to the counterfactual of public sector delivery with road user charging. Impacts for business and households are outlined in their respective scorecards. The impacts to wider society are discussed in this section. Wider Society Wider society impacts are assessed as uncertain overall. There is scope for an overall positive impact under certain scenarios.	**Uncertain** **Based on all impacts (incl. non-monetised)**

	Direct impacts on wider society arising at enactment are limited to familiarisation and set-up costs for the economic regulator. These impacts are small in scale and occur irrespective of whether any schemes are delivered under the framework. The majority of wider society impacts are indirect and arise only if the powers in the Bill are exercised for specific schemes. While the framework has the potential to deliver material benefits to wider society under certain scenarios, it also introduces costs and trade offs that are scheme specific. The direction, scale and timing of wider society impacts depend on future decisions about scheme designation, regulatory design, asset scope and financing structures. As a result, impacts cannot be monetised at this stage. The direct impacts are: • Familiarisation, implementation & administrative cost to ORR (cost, direct, transition, unmonetised) The indirect impacts are: • Operational cost to ORR (cost, indirect, ongoing, unmonetised) • Implementation cost to HMG (cost, indirect, transition) • Fiscal flexibility for HMG (benefit, indirect, ongoing, unmonetised) • Transparency and Accountability of operation (benefit, indirect, ongoing, unmonetised) • Loss of HMG assets (cost, indirect, ongoing, unmonetised) • Financing costs (cost, indirect, ongoing, unmonetised) • Tax (transfer, indirect, ongoing, unmonetised) • Transfer of risk (benefit, indirect, ongoing, unmonetised) • Litter Authority enforcement (benefit, indirect, ongoing, unmonetised)	
Monetised impacts	Impacts to wider society have not been monetised for reasons discussed above.	**Neutral**
Non-monetised impacts	**Familiarisation, administration and implementation cost to ORR** - *cost, direct, transition, unmonetised* The proposed independent economic regulator, the ORR, will incur initial, one-off costs to prepare for its new responsibilities in regulating privately delivered road schemes under the framework. These transition activities are expected to include: • Recruiting and training specialist staff Developing regulatory processes, guidance and internal capability	**Uncertain**

Setting up or adapting IT systems and data requirements
- Hiring obtaining external legal, economic or technical advice where required
- Stakeholder engagement

While the ORR has experience in economic regulation of Rail, RAB regulation of road assets represents a new role, and insufficient capability or resourcing would pose a risk to effective regulation, discussed in the Risk section. Early engagement with the ORR has been initiated to identify and manage this risk.

These impacts are treated as one-off transition costs occurring in the initial years of the Bill. The scale of these costs will depend on how complex the regulatory regime is and when the first scheme is expected.

As the legislation designates the ORR as the economic regulator for future schemes, these impacts are classified as direct. Though this consider an cost to wider society, there is scope for potential ORR through future licence-fee arrangements, however this is uncertain at this stage.

Operational costs to ORR - cost, indirect, ongoing, unmonetised

In addition to transition costs, the ORR will incur ongoing operational costs to discharge its regulatory functions where schemes are delivered under the RAB framework. These activities include:

- Approving charging methodologies
- Monitoring compliance with licence conditions
- Enforcing licence requirements
- Fulfilling governance and reporting obligations

Ongoing costs are expected to relate primarily to staffing, alongside associated costs such as system maintenance, data collection, stakeholder engagement and periodic reviews. The magnitude of these costs will depend on the number, size and complexity of schemes regulated.

In other UK regulated sectors, including rail, energy and water, the costs to the economic regulator are typically recovered from the regulated entities through a licence fee, rather than being funded from general taxation. For example, Ofwat recover costs via a licence fee levied on the licenced companies rather than through government, with income in covering all gross expenditure for 2024/25[30].

A similar approach is likely to be adopted for ORR's regulation of RAB road assets, subject to policy and regulatory design choices. Where costs are recovered through a licence fee, this would shift the incidence of regulatory costs from wider

[30] House of Commons (2025). Supplementary Estimates Memorandum (2024–25): Water Services Regulation Authority.

society to regulated businesses, as reflected in the Business impacts section.

This cost is considered indirect as it depends on a scheme being delivered under this framework. The full scale of this cost depends on the number and detail of schemes regulated by the ORR and whether costs are recouped via a licence fee. Given the uncertainty this impact is not unmonetised.

Implementation costs to HMG - *cost, indirect, transition, unmonetised*

The proposed legislation may indirectly result in costs to Government where a future scheme is designated for delivery under the RAB model. These costs relate to preparatory work required to create an investable scheme proposal prior to private sector participation. Depending on the scheme, these preparatory costs could include:

- Assessing and preparing any asset transfers, requiring commissioning financial, legal, and commercial advisers.
- Investment banking advisors for market engagement
- Coordination with legal advisors to ensure compliance with regulatory and market requirements.
- Legal, financial and technical work to separate assets, rights and liabilities
- Undertaking communications and stakeholder engagement to maintain confidence in the transaction.

These activities are considered essential to any scheme delivered through a RAB approach, as they are required to attract private capital and de-risk the project. Some preparatory costs could be incurred if a scheme is developed with a RAB option but ultimately pursues a different delivery route.

Evidence from comparable UK RAB schemes, such as the Thames Tideway Tunnel[31] and Sizewell C[32], demonstrates that similar preparatory legal, financial and technical work is typically required prior to private sector participation.

These activities are not triggered automatically by the primary legislation. They arise only if Government decides a scheme should be developed with the RAB option under consideration. The nature and scale of these costs would depend on project maturity and complexity, as well as timing and market conditions. In some cases, Government may seek to recover some, or all, of these costs through the asset transfer or transaction, although this would be scheme dependent. For example, development costs for Sizewell were transferred to the RAB[33].

Given this uncertainty, and because no scheme is committed within this enabling legislation, these costs are indirect and unmonetised. Their relative scale is expected to be small

[31] Department for Environment, Food and Rural Affairs (2014). Thames Tideway Tunnel Project Specification Notice.
[32] HM Government (2025). Electricity Generation Licence: Special Conditions for Nuclear Generator.
[33] Department for Buisness, Energy & Industrial Strategy (2022). Guidance on development costs and the nuclear Regulated Asset Base model.

compared to the size of the project, and would be minimal if HMG costs are recouped.

Fiscal flexibility for HMG - benefit, indirect, ongoing, unmonetised

The proposed legislation could indirectly provide fiscal flexibility for Government by reducing the amount of upfront capital required for road infrastructure projects.

The Bill creates a legal framework for private delivery of major road schemes through a RAB model. If Government chooses to use this model for future scheme delivery, private finance would be used in place of some, or all, upfront public capital that would otherwise be required. Compared with the public delivery counterfactual this could provide the indirect benefit of greater fiscal flexibility for HMG.

Where a scheme is delivered using a RAB model, financing for most, or all, construction and operational costs is expected to sit with the RegCo. rather than Government. This could allow Government to redeploy constrained capital budgets to other priorities while still enabling the delivery of critical road infrastructure.

This effect can be considered through the lens of opportunity cost. Resources that would otherwise have been committed to a scheme under public delivery could instead be allocated to alternative uses, such as investment in healthcare, education, or other transport projects. The scale of this opportunity cost benefit cannot be quantified, as it depends on future decisions including:

- Whether a scheme is taken forward under a RAB model and the size and timing of any designated scheme
- The extent to which a scheme is treated as on- or off-balance sheet for national accounts purposes, as per the Government's Balance Sheet Framework[34]. The final classification is determined by the Office for National Statistics (ONS).
- The size and timing of any designated scheme
- Decisions on how public capital would be reallocated in the absence of RAB delivery, and the relative benefits of those options.
- The extent to which Government provides initial capital investment for the project, and whether these costs are recouped at financial close.
- How risks are allocated between the public and private sector stakeholders, and how these are considered in national accounts balances.

The potential for fiscal flexibility represents a significant advantage of the RAB model, and the scale of this benefit could be large, given major road infrastructure projects are capital intensive. However, due to the uncertainties outlined

[34] HM Treasury (2026). Balance Sheet Framework: Managing government's assets and liabilities.

above, the impact is treated as indirect and has not been monetised.

Transparency and accountability of operation - benefit, indirect, ongoing, unmonetised

The Bill may indirectly result in the benefit of improved transparency and accountability in the delivery and operation of significant road infrastructure.

This legislation establishes the legal framework for an independent economic regulator to oversee any privately owned sections of the Trunk road network delivered under a RAB model. Under the proposed framework, the regulator oversees the operation of the asset by making determinations on allowed revenues, approving charging methodologies, monitoring compliance with licence conditions, and enforcing penalties where necessary.

This oversight prevents abuse of market power, ensures charges remain fair and proportionate and protects users' interests. This provides structured, predictable, and transparent information flows for users and stakeholders. In this respect, the regulatory framework could deliver the benefit of a different form of scrutiny to the counterfactual of public delivery, where oversight of National Highways is exercised through departmental processes and ORR performance monitoring, rather than statutory economic regulation.

As a result, the regulatory regime provides an additional layer of independent oversight, particularly with respect to charging frameworks and regulated returns.

However, there is a risk this impact is not realised. As with other regulated utility models, the effectiveness of the regime depends on the regulator's ability to manage information asymmetries between the RegCo and the regulator. Where asymmetries are not mitigated, there is a risk of limited transparency and poor accountability. This could lead to negative outcomes for users and wider society, such as excessive costs or limited operational and maintenance investment. This risk is known and could be mitigated through the design of the Economic Regulatory Regime. The risk of poor transparency and accountability is discussed further in the Risks section of this IA.

This potential benefit is indirect, arising only if a scheme is delivered using the RAB model. The realisation of this impact is contingent on whether the regulator operates as intended. It has not been monetised due to the limited robust evidence on the welfare value of enhanced regulatory transparency and accountability.

Transfer of HMG assets - cost, indirect, ongoing, unmonetised

The Bill may lead to the transfer of Government assets from the public sector to the private sector. This cost is indirect and

	is contingent on future Government decisions and approval processes. If Government decides to designate a future scheme for delivery under the RAB model, it may choose to transfer certain existing public assets to the RegCo, who could then collect user charges from them. For example, a scheme-specific decision may be taken to include an existing asset within the RAB package to support the overall investability of the transaction. In such cases, revenue that would otherwise accrue to Government would instead flow to the RegCo. This could represent both a loss of a future revenue stream and the loss of control over RUC decisions for those assets. Any foregone revenue would need to be reflected in DfT and HMT budgets and may have implications for future fiscal planning and affordability. This is because RUCs are considered a reliable long-term income stream, and this would remove the opportunity to increase RUCs and associated revenue stream as the government sees fit. While the transfer of HMG assets represents a cost to wider society due to a lost revenue stream, it could be offset to some extent by the transfer of operation, maintenance and renewals costs of the asset to the private sector, or if some of the asset value is recouped from the RegCo via a capital transfer at financial close. This impact is assessed as indirect, as it would arise only if a scheme is taken forward under the RAB model and the Government decides to include existing assets and associated revenue streams within the transaction. Quantification is not proportionate at this stage, as impacts depend on the scheme design, selected assets, commercial negotiations, and future revenue forecasts. As a result the relative scale of this impact is also uncertain. **VAT and Corporation Tax -** transfer, indirect, ongoing, unmonetised The Bill may indirectly increase the level of tax transfers to Government. The Bill enables a road asset to be operated by a private company under a RAB framework, who collect allowed revenue via Road User Charges (RUC). The allowed revenue provides business profit, which would be subject to Corporation Tax. RUC's are a product and therefore would be subject to Value Added Tax (VAT). These taxes represent additional income to HMG, compared to the public sector delivery counterfactual. VAT represents a transfer from users to HMG and not additional to economic welfare. Similarly, in this assessment, Corporation tax is treated as a transfer. The scale and burden of tax transfers indirectly associated with this Bill are dependent on any scheme-characteristics, economic licencing regime, and private sector financing costs.	

For example, the following assumptions could affect the resulting impact:

- The ERR may allow for Corporation tax incurred by the RegCo to be recouped via user charges. This could lead to higher RUC's compared to the users charges under the public sector counterfactual. This risk is discussed further here. Under this scenario, there is a transfer from all users to Government.
- VAT for work trips is assumed to be reclaimable for businesses and would be deducted from the amount going to HMG. There may be residual VAT receipts from work trips which are not reclaimed. This would represent a small transfer for any business users who do not reclaim VAT costs to HMG in the form of tax revenues.
  VAT for non-works trips are assumed to not be reclaimable for users making leisure and commuting trips. This would represent a transfer from users, balanced by taxation revenues to HMG.

Compared to the counterfactual of public sector delivery with RUC's, the overall impact is expected to be a transfer from users via higher RUC's, to HMG in the form of additional taxation revenues. This is assumed to have a neutral impact on economic welfare. The scale of the transfer depends scheme characteristic, the regulatory regime, and the extent to which the RegCo earns a profits.

Transfer of risk - benefit, indirect, ongoing, unmonetised

This legislation could provide the benefit of transferring risk from the public sector to the private sector.

The proposed legislation introduces an alternative approach for delivering major road infrastructure under private finance. This shifts key financial and delivery risks, such as cost overruns, construction delays, and operational issues, away from the government and taxpayer liability to the private sector and road users.

Under this model, the RegCo assumes responsibility for financing, building and operating infrastructure, with regulated RUCs providing the revenue stream. There is a value associated with holding this risk which is transferred away from HMG. This transfer reduces the need for upfront public capital investment and limits the exposure of the government balance sheet to project-specific risks.

The public sector may retain residual risk through the Special Administrative Regime (SAR) and Government Support Package (GSP) provisions. Such provisions can ensure continuity of service in the event of insolvency. The overall fiscal burden is lower compared to the counterfactual.

This benefit is considered indirect as is contingent on a scheme proceeding under the RAB framework and is only realised if private finance is successfully mobilised and delivery risks are no longer HMG's responsibility. This impact

	has not been monetised as the value of risk is highly dependent on the cost and scale of the scheme as well as the assumptions made on ERR. Furthermore, there is no Green Book methodology on appraising risk transfer and there are inherent uncertainties in estimating this. **Litter Authority Enforcement** – benefit, indirect, ongoing, non-monetised The Bill may indirectly result in lower costs to local authorities compared to the counterfactual, through a reduction in administrative and enforcement activity associated with littering offences on the scheme. As discussed in the business impacts section, the Bill grants the Licence Holder (RegCo) civil enforcement powers for littering offences on the scheme. In the counterfactual, these enforcement activities would otherwise be undertaken by local authorities under existing Litter Authority powers. This includes costs relating to identifying offences, issuing Fixed Penalty Notices (FPNs), and enforcement escalation. There is expected to be a small reduction in administrative burden for local authorities where these responsibilities are undertaken by the RegCo. While FPN income associated with the scheme would no longer accrue to the local authority, under the Litter Authority framework this income is intended to support cost recovery and deterrence activity, rather as a revenue stream. The overall impact on local authorities is therefore expected to represent a minor indirect benefit, limited in scale and dependent on the size and characteristics of the scheme.	
Any significant or adverse distributional impacts?	No significant or adverse distributional impacts are expected to directly result from this legislation. Equalities impacts will be considered in more detail at the scheme specific level. The proposed legislation is only applicable within England and hence any impacts will be concentrated in England. Wider Society Distributional Impacts There are possible indirect distributional impacts, depending on where future schemes are located, which households use them, and how charges are set. The legislation only applies to Trunk road infrastructure. The Bill would therefore only allow for a RAB model to be used to deliver schemes delivered in these regions. If schemes are delivered under the framework, the impacts are likely to be felt in the immediate local area, however significant road infrastructure projects can also have positive impacts regionally or wider strategic corridors, particularly for freight and long-distance users of the Strategic Road Network. Place-based impacts arise only if schemes are delivered under the framework and most impacts would be felt by users and people in immediate local area. Against the	**Neutral**

	counterfactual, scheme-level economic impacts (such as improved connectivity, disruption due to construction, environmental impacts and agglomeration effects) which are geographically felt are not additional, as schemes are assumed to proceed under public delivery in its absence. However, the framework may influence where and how investment is financed, which could indirectly affect the spatial profile of investment over time. For example, improved investability of large, capital-intensive schemes could free up public sector resources to deliver investment in other regions. These effects are dependent on future decisions and therefore the net indirect impact is uncertain.	

(2) Expected impacts on businesses

Description of overall business impact	This legislation does not impose any direct obligations on businesses and does not give rise to direct business impacts at the point of enactment. All business impacts are indirect and contingent on the Bill's powers being exercised for specific schemes. Overall, the Highways (Financing) Bill is expected to have a positive impact on business. This arises from the creation of new regulated commercial opportunities from a RAB model that does not exist under the current framework. These opportunities are relevant primarily to potential investors participating in the ownership and operation of schemes delivered under a RAB model. Costs incurred by businesses under this framework, such as familiarisation, transaction costs, capital expenditure and ongoing operational costs, are assumed to arise only where firms choose to participate in RAB investment. This decision is likely to be based on a commercial judgement that expected regulated returns are sufficient to justify these costs. Therefore, while costs incurred are likely to be significant, they are undertaken in pursuit of long-term revenue streams. Businesses involved as contractors in construction, maintenance and the wider supply chain, are expected to experience neutral impacts because of this legislation. Against the counterfactual of public sector delivery with RUC's, it is assumed these firms would deliver the same works under contract in either model, with differential impacts arising from the Bill itself. The scale of positive business impacts are uncertain because it depends on the number, size and timing of specific schemes delivered under this framework. Due to these uncertainties, impacts have not been monetised. Unmonetised impacts of the Bill include: • Familiarisation cost (cost, indirect, one-off) • CapEx & OMR cost (cost, indirect, ongoing)	**Positive**

	• Potential acquirement of government assets or revenue streams (benefit, indirect, ongoing) • Business profit (benefit, indirect, ongoing) • Corporation tax (cost, indirect, ongoing) • Transaction costs (cost, indirect, one-off) • Licence Fee (cost, indirect, ongoing) • Litter Authority enforcement (cost, indirect, ongoing)	
Monetised impacts	There are no monetised business impacts.	**Neutral**
Non-monetised impacts	<u>Familiarisation costs - cost, indirect, one-off</u> The Bill may indirectly result in some businesses incurring familiarisation costs. Familiarisation with the legislative framework represents a time and resource cost to businesses who voluntarily choose to explore participating in the ownership and operation of a scheme under the RAB model. Affected businesses are expected to be limited to future prospective Regulated Company investors. These firms would need to understand the statutory obligations as a licensed highway authority and the requirements of the regulatory regime. Within participating firms, two groups are likely to incur familiarisation costs: • Legal teams - to interpret the legislative framework, the licence and regulatory processes • Financial advisers - to assess implications for financing and investment decisions The scale of this impact will vary depending on the number and timing of schemes delivered under the framework. While the legislation is not project-specific, businesses involved in the first RAB road scheme may face higher familiarisation costs due to the absence of precedent. Subsequent projects may benefit from learning-by-doing effects, reducing the time and costs required. UK infrastructure investors may already be familiar with RAB models from other sectors such as water, energy, and major projects like Thames Tideway Tunnel[35] and Sizewell C[36], which may reduce the scale of familiarisation costs for some market participants, even though the application to roads is new. The scale of familiarisation costs also depend on the structure of firms involved, for example the scale of in-house expertise versus external advisers. Given these uncertainties, the costs to business have not been monetised. Other than businesses investing in the RAB, businesses associated with scheme delivery, such as construction and supply chain contractors, are not expected to face incremental familiarisation costs relative to public delivery, as technical standards and construction elements are expected to be materially the same under the RAB delivery route. No new regulatory obligations are expected	**Positive**

[35] Grant, S. and Bailey, R. (2025). Thames Tideway Tunnel: purpose, overview, delivery model and financing. Proceedings of the Institution of Civil Engineers - Civil Engineering, 178(6), pp. 7–22.
[36] Sizewell C Ltd (2025). Sizewell C reaches financial close with £5 billion export credit-backed debt raise and strong investment-grade credit rating.

to arise for businesses participating in the delivery of schemes as a contractors to the RegCo.

Investor participation in scheme delivery is voluntary and contingent on a scheme being designated under the RAB model, therefore Familiarisation costs are deemed an indirect impact, arising only if Government brings forward a scheme under this framework and investors opt to participate.

Capital Expenditure and Operation, Maintenance and Renewal costs (OMR) – Cost, Indirect, Unmonetised

The Bill could indirectly lead to businesses incurring capital and OMR costs if they choose to participate as part of the RegCo under the RAB model.

Under this enabling framework, a RegCo may choose to invest in eligible road schemes in return for the right to levy regulated user charges. If a scheme proceeded, the RegCo could incur capital expenditure costs (CapEx) for construction of the infrastructure, and operation, maintenance and renewal (OMR) costs throughout the life of the asset. OMR costs could include routine maintenance, resurfacing works, updates to safety features, and periodic renewal of critical infrastructure components. The scale and timing of these costs will be scheme-specific, reflecting project size, complexity and delivery schedule.

These expenditures are not regulatory burdens imposed by the legislation, rather they are commercial costs voluntarily incurred by a participating RegCo in pursuit of a regulated return. Under the ERR, the RegCo is incentivised to manage these expenditures efficiently, as their ability to recover costs and earn a reasonable return is overseen by the regulator through cost challenge and charging methodologies. Subject to this framework, efficient CapEx and OMR could be recoverable through allowed revenue over time, with an appropriate allowed rate of return set by the ERR. Consequently, while these are real costs to the RegCo, they would not be considered adverse to the participating businesses overall, because they are likely undertaken only where the expected regulated returns justify the CapEx and OMR investment.

For businesses associated with the delivery of the asset, but not as an investor in the the RegCo, such as construction and supply chain contractors, CapEx and OMR costs are assumed to be materially the same as under the public delivery counterfactual. Contractors would likely still undertake the relevant design, build and maintenance under contract, therefore the existence of these costs is assumed to be neutral for the rest of the supply chain. The difference under this framework is who funds and owns the asset (RegCo vs. Government) rather than the nature of construction or maintenance work.

This impact is assessed as indirect because it arises only if the Government designates a scheme for RAB delivery and a RegCo chooses to invest. Against the counterfactual, CapEx and OMR costs are additional for the investing entity, but are commercial and

	voluntary, undertaken only where expected benefits of regulated allowed returns exceed costs. Given the RAB model lends itself to large infrastructure assets, the associated CapEx and OMR costs are expected to be significant. However, these costs have not been monetised because the profile and size of such expenditures are uncertain, dependent on factors such as scheme size, scope, delivery schedule, efficiency incentives, financing terms and future regulatory determinations. Detailed CapEx and OMR cost estimates would be assessed against expected benefits at scheme level appraisal. There is an associated potential benefit to wider society from CapEx and OMR costs being incurred by businesses. The Bill enables these significant capital expenditures to be transferred from the public sector to the private sector, in return for allowed revenue to be collected as profit from RUC's. This benefit is discussed further in the wider society section under 'Fiscal Flexibility'. Acquirement of government assets & associated revenue -benefit, indirect, ongoing The Bill may indirectly lead to the benefit to business of acquiring infrastructure assets and associated revenues previously owned by Government. If Government designates a scheme for delivery under the RAB model and decides to include existing or connected assets within the transaction, the RegCo may acquire rights to operate assets and collect user charges associated with those assets. This creates a commercial revenue stream for the RegCo which is not available to businesses under the public sector delivery counterfactual, where any such revenues would accrue to Government. This Bill does not mandate asset transfer or revenue reallocation, and any such acquisition would be subject to scheme-specific analysis and negotiations. The proposed legislation provides a licence-based revenue framework whereby private investment is incentivised by the ability to recover costs and earn reasonable returns through user charges. Accordingly, the ability to collect charges or hold rights to transferred assets represents a benefit to business (RegCo) as it creates a commercial opportunity which is currently not available, where business would only participate voluntarily, incurring costs if the expected returns justify doing so. Any such benefit to business from the transfer of assets and revenue, may result in an associated cost to Government in the form of forgone Government revenue and a loss of Government assets, as discussed in the wider society section under 'Transfer of HMG Assets'. This benefit is assessed as indirect because it arises only if a scheme is taken forward under the RAB model, and the Government elects to include existing assets and associated licence to collect revenue in the transaction. This potential impact accrues to the investing entity (RegCo and investors). For businesses in the	

	construction supply chain, the effect is expected to be neutral relative to the public delivery counterfactual. The scale of this impact is uncertain and has not been monetised. The size and realisation of this benefit depends whether assets and revenue streams were included in a commercial agreement, the value of any transfer, the road scheme variables under the proposed RAB model, the level of OMR costs incurred from acquiring the asset, and whether private equity investors commit to the contract. Business profit - benefit, indirect, ongoing The Bill is expected to indirectly benefit businesses by enabling private investors to earn regulated profits from the delivery and operation of road schemes designated under the RAB framework. Where a scheme is designated and a RegCo chooses to participate, the framework permits an allowed revenue to be collected via user charges. This enables the RegCo to recover efficiently incurred costs and earn a reasonable, regulated return (profit) on the investment. Provision for a regulated return is the primary business benefit enabled by the legislation and underpins the overall positive expected impact on business. This is because investors would only choose to incur material costs, such as CapEx, OMR, transaction and familiarisation costs, if the expected allowed return justifies doing so. The RAB model is designed to attract private capital by offering stable and predictable returns, subject to independent economic regulation that protects users from business making excessive 'supernormal' profits. In practice, the expected return is reflected in the project's Weighted Average Cost of Capital (WACC), which represents the minimum average rate of return required by investors to compensate them for the cost and risk of providing debt and equity finance. For projects procured competitively, this is often expressed as a bid WACC (BWACC), reflecting the return that bidders are willing to accept. UK experience with RAB models shows that allowed returns are set through regulatory determination and competitive processes. For example, in the Thames Tideway Tunnel project, Ofwat's competitive resulted in a bid WACC of 2.497% (RPI-linked) during construction[37], with returns during the operational phase subject to future regulatory determinations. This approach provides transparency over expected returns and a competitive process to reduce scope for excessive profits. During operations, the regulator determines what constitutes a reasonable return through the charging methodology and price controls. This mechanism ensures that investors can recover efficient costs and earn a return sufficient to attract capital, while safeguarding users through regulatory scrutiny and control of monopoly power.	

[37] Tideway (2024). Revenue Statement 2023–24.; Oxera (2015). The Thames Tideway Tunnel: returns underwater? ; CEPA (2015). Thames Tideway Tunnel: Cost of capital (BWACC briefing note).

While this represents a benefit to investing businesses, regulated returns may translate into higher road user charges for households and users. These potential impacts are assessed in the Households scorecard under 'Road User Charging'.

By design, these returns are typically structured to be partially inflation-linked, helping to preserve the real value of returns over long asset lives. This differs from the public delivery counterfactual, where user charges follow a more ad-hoc consultation process to adjust charges in line with inflation.

This profit opportunity arises only for the RegCo and its investors. This Bill therefore creates a new commercial opportunity for investing businesses (RegCo) which does not currently exist for road schemes. Compared to public sector delivery with RUC's, businesses in the construction and wider supply chain would be expected to deliver works under contract under both delivery models. Therefore, no additional profit is assumed for these businesses relative to the counterfactual.

This impact is indirect, arising only if a scheme is delivered under the RAB model and operates successfully. The scale of profits is scheme-specific, depending on the investment profile, the regulatory regime, private finance costs, extent of efficiently incurred expenditure, and demand. While the impact cannot be quantified at this stage, it is appropriate to acknowledge the potential benefit, as investors would only participate where the expected regulated return exceeds the returns available from the next-best alternative investment of similar risk (the 'opportunity cost' of deploying capital elsewhere).

Corporation tax - cost, indirect, ongoing
Where a scheme is designated under the RAB framework the participating RegCo's business profits would be subject to UK corporation tax, representing a potential cost to business as a result of this Bill.

Under the public delivery counterfactual, there is no private RegCo earning profits from user charges, so no corporation tax liability for a private operator arises at scheme operator level. Additional corporation tax impacts in the proposed RAB model reflect the existence of a regulated operator earning an allowed return, rather than a tax impact imposed by the legislation itself.

The extent of this cost to business is dependent on whether the regulators make explicit allowances for corporation tax as part of the charging methodology. Allowances for taxation may form part of the allowed revenue 'building block' in the regulatory charging regime, as has been done for Thames Tideway Tunnel and in Sizewell C's licence/Ofgem's guidance on revenue determination under the nuclear RAB model[38]. If included, Corporation tax may not materialise as a long-run cost to businesses, except via some short-run year-to-year adjustments, as the tax would be 'paid for' by users via charges.

[38] HM Government (2025). Nuclear Regulated Asset Base (RAB) Licence - Special Conditions

In such a scenario, the impact of Corporation tax ultimately is borne by users via user charges and represents a transfer from users to Government. This cost to users is captured in the Households scorecard under 'Road User Charging', with the associated benefit to Government captured in the wider society section under 'VAT and Corporation Tax'.

This is an indirect business impact that arises only if a scheme is delivered under a RAB model, the RegCo chooses to deliver it, the RegCo generates taxable profit, and the ERR does not make allowances for recouping corporation tax in the user charging regime. It is not possible to monetise this impact because it depends on scheme characteristics, level of returns generated, the regulatory determinations for any scheme and tax rules at the time. This impact would be assessed in the relevant economic and financial appraisals within scheme business cases.

This assessment has included consideration of Corporation tax in the wider society, business and households sections to due to the uncertainty over the where the ultimate tax liability lands.

Transaction costs (cost, indirect, one-off)

The Bill may indirectly lead to transaction costs being incurred by investors participating as, or bidding to become, the regulated company (RegCo).

Prospective investors may incur transaction costs associated with preparing and undergoing the transaction of scheme ownership from public to private, if they choose to pursue investment in a scheme under the proposed framework. These can include expenses for specialist legal, financial, and technical advisers, building financial models to assess investment viability, conducting due diligence to identify and manage potential risks, and commissioning quantity surveying to evaluate asset values accurately. Additionally, prospective investors may incur costs related to negotiating the commercial terms of the deal, including drafting and reviewing complex contractual agreements, participating in protracted bargaining processes, and ensuring compliance with regulatory requirements. These activities can be resource-intensive and typically incurred before an operational agreement is agreed.

These costs are not imposed directly by the Bill. Transaction costs arise only where a firm chooses to compete for, or enter into, a transaction, which would happen on the basis they anticipate a reasonable prospect of securing the regulated allowed return to justify this expenditure. However, there is no guarantee of success. In some cases, the outcome of due diligence or the competitive process may lead an investor to conclude that the opportunity is unviable or they may not be selected to move forward with the contract, meaning the costs incurred are not recovered. Though this is normal commercial practice for large infrastructure transactions, it represents a potential cost to participating businesses.

Under the public delivery counterfactual, businesses typically participate as contractors to Government and would not incur

comparable transaction costs associated with asset ownership, regulatory approval or revenue determination. The transaction cost impact under the proposed framework falls on prospective investors and the RegCo, reflecting the creation of a new regulated investment opportunity that does not exist under the counterfactual. The effect on the construction supply chain is therefore expected to be neutral.

This impact is indirect, occurring only if the Government brings forward a scheme under the RAB model and businesses choose to participate. This impact has not been monetised because the scale of transition costs are uncertain, depending on scheme characteristics, market conditions, the structure of the bidding process, and market engagement.

Licence Fee – Cost, indirect, ongoing, unmonetised

Indirectly, the Bill may lead to licencing costs being incurred by the regulated company (RegCo).

Where schemes are delivered under the RAB framework, the RegCo is issued a regulatory licence to operate the asset. As a licence holder, the RegCo may be required to cover the costs incurred by the ORR in carrying out its economic regulatory functions, through a licence fee. The fee would fund the ORR's ongoing regulatory functions, including economic oversight, price regulation, and enforcement of licence conditions, as outlined in the 'operational costs to ORR' impact in the wider society scorecard.

In other UK regulated sectors, including rail, energy and water, regulators recover the costs of economic regulation from the companies they regulate rather than from general taxation[39]. Under these arrangements, licence fees are treated as a normal cost of operating in a regulated market. A similar approach is expected under this framework.

Where implemented, the licence fee forms part of the overall cost base faced by the RegCo and would be considered alongside other operational expenditure when assessing the commercial viability of the scheme. The licence fee is expected to represent a small component of total scheme costs, but its scale will depend on the size and complexity of schemes and the scope of regulatory activity.

Due to uncertainty around scheme take-up and regulatory design, this impact has not been monetised. Where licence fees are recoverable through allowed revenue, the incidence of these costs may be reflected in road user charges, with possible implications for households considered in the Road user charging section of the Households scorecard.

Litter Authority Enforcement – cost, indirect, ongoing, non-monetised

The Bill may indirectly result in the Licence Holder (RegCo) incurring costs associated with its powers as a Litter Authority (LiA). Costs could arise from exercising civil enforcement responsibilities

[39] House of Commons (2025). Supplementary Estimates Memorandum (2024–25): Water Services Regulation Authority.

for littering offences, which in the counterfactual are undertaken by local authorities.

The costs to the business could arise from:

- Administrative costs of issuing FPNs (e.g. processing and correspondence)
- Costs associated with enforcing penalties (e.g. escalation)
- Identification of offences (e.g. evidence gathering, vehicle identification)
- Information and deterrence activity (e.g. signs and behavioural interventions)

The costs are expected to be partially or fully offset by income from FPN's. Consistent with the Litter Authority framework[40], civil enforcement is intended to support behaviour change and deterrence, and FPN income is not intended as an additional revenue stream. The ORR will oversee the RegCo to ensure proportionate enforcement activity and treatment of FPN revenues.

In the counterfactual, enforcement activity would be undertaken by local authorities, therefore is an additional cost to business who choose to participate in a RAB. Though enforcement powers sit with Local Authorities, National Highways (NH) holds the statutory duty to keep the network clear of litter. Under the RAB model, this operational duty is transferred to the Licence Holder via the Licence. The costs associated with this duty, such as litter clearance, are treated as OMR costs, captured within the OMR assumptions and therefore recoverable through Road User Charges (RUCs).

Evidence suggests that both FPN enforcement costs and associated income are likely to be relatively small, although these may vary depending on scheme characteristics. In 2024/25, 2,992 FPNs were issued for littering from vehicles across England and Wales[41]. As the RAB scheme would cover only part of the wider road network, the volume of FPNs is likely to be limited.

Road user charges collected via free-flow tolling systems already require the ability to issue PCNs for non-payment, relying on similar infrastructure to litter FPN enforcement, including CCTV, vehicle recognition systems, and administrative processes for issuing and collecting penalties. For example, the Mersey Gateway Bridge issued approximately 613,000 PCNs[42] in 2025, demonstrating that tolled road schemes already require significant systems for administering penalties. As litter-related FPNs are expected to represent a much smaller volume than toll-related PCNs, their enforcement could likely be incorporated into existing processes at relatively low additional cost.

Overall, the costs associated with exercising Litter Authority powers are expected to be limited in scale and partially offset by FPN revenue. The corresponding reduction in costs for local authorities is captured within the wider society scorecard.

[40] UK Government. Statutory Guidance: Litter enforcement powers: when and how to use them.
[41] Traffic Penalty Tribunal. Appeals data by penalty type – PCNs issued for Littering from Vehicles 24/25.
[42] Merseyflow. Mersey Gateway and Silver Jubilee Bridge statistics, October to December 2025.

Any significant or adverse distributional impacts?	The proposed primary legislation is not expected to introduce any significant or adverse distributional impacts for business. Potential indirect distributional impacts are contingent on the Government designating a scheme to be delivered under a RAB model, and a RegCo choosing to participate. Consideration of indirect distributional impacts on businesses are explored below. **Geographic and Regional** The proposed legislation only applies to trunk roads in England.The Bill therefore only allows for a RAB model to be used to deliver schemes delivered in English regions. However, roads are a devolved matter in the United Kingdom, therefore Parliaments in Northern Ireland, Scotland and Wales could bring forward their own legislation to create a RAB model for their roads if they so wish. The legislation is not expected to result in adverse geographic distributional impacts for businesses outside England. Against the public delivery counterfactual, the principal business impacts relate to the investors rather than the wider construction or services supply chain. The framework does not restrict participation based on the geographic location of firms, and businesses based elsewhere in the UK or internationally would be able to invest as part of a RegCo, subject to standard procurement, regulatory and national security requirements. Accordingly, potential business benefits are not geographically constrained by the Bill, and the overall geographic distributional impact for business is assessed as neutral at this stage. Scheme-specific business benefits are not expected to change compared to the counterfactual, but it is acknowledged that impacts are likely to be felt in the local area, as well as providing positive impacts regionally or within wider strategic corridors, particularly for freight and long distance users of the Strategic Road Network. **Sector-specific impacts** The impacts of this legislation are expected to be concentrated in particular sectors, such as construction, financial services, advisory services, and environmental organisations. This reflects the nature of large capital projects rather than a reallocation of activity away from other sectors. Advisory or financial services firms could see positive impacts where they support participating investors or the RegCo. For the construction supply chain, activity is expected to be broadly neutral relative to public delivery, as schemes would still be designed, built, operated and maintained under contract, and technical standards are not expected to differ materially. Overall, no adverse sectoral distributional impacts are expected as a result of the proposed legislation. **Risks to certain business users** There is a risk that, relative to the public delivery counterfactual, user chargers could be higher under a RAB model, as discussed below. If this risk materialised, there is a possibility these are passed through to, or fall disproportionately on, certain user groups, such as freight operators. Hence there is a risk of adverse impacts on affected businesses, as discussed in the SaMBA.	**Uncertain**

	The likelihood and scale of this risk is uncertain and depends on scheme-level charging design and regulatory regime determinations, rather than being a direct effect of the primary legislation. These issues are discussed further in the SaMBA.	

(3) Expected impacts on households		
Description of overall household impact	The proposed legislation does not impose any direct charges, obligations, or requirements on households. As an enabling measure, it establishes the legislative basis for regulated private delivery and operation of eligible road schemes, and therefore does not generate direct impacts on households at this stage. Any impacts on households would arise only if the Bill's powers are exercised for specific schemes. These impacts are indirect and contingent on scheme-level decisions, including the regulatory regime, the structure and level of road user charges, private sector financing costs and charging methodologies. As a result, overall household impacts are uncertain and have not been monetised. Relative to the counterfactual of public sector delivery with user charges, the main channel through which households could be indirectly affected by this legislation is via road user charges (RUC's) for the users of a scheme, and through secondary effects on general taxation or public spending. Household impacts would arise only if the Bill's powers are exercised for specific schemes. Realisation of these impacts is contingent on scheme-level decisions, including the regulatory regime, the structure and level of road user charges, private sector financing costs and charging methodologies. As a result, overall household impacts are uncertain and have not been monetised. The unmonetised, indirect household impacts are: • RUCs under RAB model (cost/benefit, indirect, ongoing) • General taxation and public spending (benefit, indirect, ongoing)	**Uncertain**
Monetised impacts	There are no monetised household impacts.	**Neutral**
Non-monetised impacts	The Bill introduces a different route to financing and ownership of new road infrastructure, which could have indirect impacts on two household groups. Users, affected by user charges, and taxpayers, who could face a lower burden from schemes costs no longer being incurred by Government.	**Uncertain**

	Potential impact on users via RUCs - uncertain, indirect, ongoing Households may be affected by differences in the level and structure of road user charges (RUC's) under a RAB model. Under both the preferred option and the counterfactual, schemes are assumed to operate with user charging. Any difference in impact on households therefore depends on whether charges differ in level, profile or structure. The direction of this effect is uncertain and will vary by scheme. Possible effects include: *Higher RUCs under RAB model - Cost* Under the RAB model, the regulator permits the RegCo to recover efficiently incurred costs and an allowed return through user charges. If private finance costs, transaction costs, corporation tax recovery, and the allowed return were higher than the public delivery costs, this could result in higher charges for users. *Lower RUCs under a RAB model - Benefit* Conversely, the RAB model could result in lower user charges. It is possible that a private sector entity could deliver stronger cost discipline and greater certainty over delivery, which may reduce total scheme costs relative to public delivery. Under this scenario users could experience lower RUCs compared to the public sector counterfactual. *Different indexation or adjustment mechanisms – Benefit* Under a RAB model, charges are expected to follow an indexation mechanism, including annual inflation adjustments for charges, leading to more frequent but more predictable adjustments to charges over time. Compared to public delivery, changes to charges typically require consultation, which can result in less frequent but larger adjustments to bring them in line with inflation. While this approach may provide short-term price stability, it can lead to greater uncertainty over the timing and scale of future increases. This mechanism does not change the real costs to households in the long-run, but can be seen as an indirect benefit by introducing predicable and transparent mechanisms for adjustments to charges. *Charging regime design - uncertain* The structure of charges may differ because of this legislation. Regulatory determinations over the profile of charges, such as time of day rates, exemptions, or caps may affect the burden of charges between different user groups, even if average revenue is held constant, depending on the ERR framework and investor requirements. The overall effect of this is uncertain as outcomes depend on scheme-specific regulatory decisions and investor requirements. The net effect on users through RUC's is uncertain and dependent on scheme costs, financing arrangements, the design of the regulatory regime and resulting charging	

	methodology. Further analysis of impacts via RUC's would take place within scheme's business cases. **General Taxation and Public Spending** benefit, indirect, ongoing Under a RAB framework, private finance replaces some, or all, upfront public investment for the specified road asset. Where a scheme is delivered using a RAB model, it may help reduce pressure on departmental capital budgets whilst still delivering schemes that benefit users and support economic growth. This benefit for government is explored in the Wider Society section under 'Fiscal Flexibility'. The main household-relevant effect is therefore one of opportunity cost, whereby public capital that would otherwise have been committed to the road scheme could be redeployed to other public priorities that benefit households. For example, improved investability of large, capital-intensive schemes could free up resources to deliver road investment in other regions, delivering scheme-specific benefits for households. Government may instead decide that the substituted public sector capital is used to reduce the general tax burden for households. Any such effect is expected to be small at the level of the general taxpayer, as fiscal decisions are made across the whole public budget and any reallocation of capital would be spread widely. Overall, this impact is indirect, scheme-dependent and not expected to materially change the tax burden on households.	
Any significant or adverse distributional impacts?	No direct distributional impacts are expected to arise from the Bill. There are possible indirect distributional impacts, depending on where future schemes are located, which households use them, and how charges are set. The primary distributional impact is that the RAB model shifts the burden of scheme costs from the broad taxpayer to the users. The overall effect is uncertain. Low-income households could be disproportionately affected if RUCs are higher under a RAB model than they would be if run by the public sector. These impacts are not expected to arise directly from the legislation itself but may emerge at the scheme level and will require further assessment at that point. Scheme-level impacts are concentrated geographically around new infrastructure, with benefits and costs borne by local users while wider economic impacts potentially accruing more broadly. Regional impacts therefore depend on future scheme design and regulatory decisions.	**Neutral**

Part B: Impacts on wider government priorities

Category	Description of impact	Directional rating
Business environment: **Does the measure impact on the ease of doing business in the UK?**	The proposed legislation is expected to indirectly support the UK business environment by creating a regulated, licence-based route for private firms to invest in infrastructure on Trunk and GLA roads in England. The Bill is not expected to change the business-related effects of road schemes relative to the counterfactual of public delivery with user charging. Instead, it affects how schemes may be financed, delivered and operated, with positive implications for investing businesses. By establishing a clear regulatory framework under a Regulated Asset Base (RAB) model, the Bill provides a clear route for investment in road infrastructure that is currently unavailable for businesses. The main channels through which the Bill may affect the business environment are: • The creation of an additional, regulated route for long-term infrastructure investment that does not currently exist for roads • The use of a transparent licence-based model, familiar to investors from other UK regulated utility sectors • The application of regulatory approaches that have previously crowded in private investment in sectors such as water, energy and other major RAB projects. The effects of the Bill on the UK's business environment have been assessed against the Competition and Market's Authority (CMA) Competition Assessment Checklist to ensure coverage. The subsections focus on the Bill's impact on barriers to entry, market concentration and competition, foreign investment, and innovation. **Barriers to entry –** Positive, direct, ongoing This Bill removes barriers to entry for businesses in owning and operating road infrastructure in England. This creates a new regulated investment opportunity for businesses that does not currently exist in the roads sector. At present, ownership and operation of road infrastructure on England's Strategic Road Network is primarily delivered through the public sector by National Highways. While there are some privately operated roads delivered under concession or public-private partnership (PPP) arrangements, such as the M6 Toll[43], these are operated on behalf of National Highways. This legislation creates a new legal route for a private regulated company (RegCo) to finance, build, own, and operate new Trunk and GLA road infrastructure. While there remain significant barriers to entry into the market, including the scale of capital investment required, technical capability, and compliance with regulation, these are inherent to	**Supports**

[43] Chartered Institution of Highways & Transportation (CIHT). M6 Toll (formerly Birmingham Northern Relief Road). UK Motorway Archive.

	large-scale infrastructure. The Bill mitigates the barriers relevant to business by removing legal restrictions on ownership and reducing revenue and regulatory uncertainty by using the RAB framework. In particular, it provides certainty over cost recovery and allows for regulated and predictable returns, improving investability and lowering perceived investment risk. Evidence from other UK regulated sectors shows that where legal and revenue uncertainty are reduced, private firms are willing to invest in the delivery and operation of major infrastructure. For example, the Thames Tideway Tunnel was delivered through a RAB model and secured over £1.3 billion in equity finance[44]. This measure does not restrict entry or impose barriers for the construction supply chain, which would continue to bid competitively to be awarded contracts for providing services to NH or the RegCo. There are also associated risks associated with removing barriers to entry, as the introduction of a privately owned RegCo would create a regulated monopoly at the scheme level. This risk is discussed further in the 'Market concentration and competition' section below. **Market concentration and competition –** neutral, indirect, ongoing As the proposed legislation introduces the opportunity for an additional route to owning and operating road infrastructure in England, there are associated implications for market concentration and competition. Where the RAB model is utilised, this represents an expansion in the number of suppliers of road infrastructure at the asset-owner level. The extent to which this affects competition and leads to user or efficiency benefits depends on the number, scale and timing of schemes brought forward under the framework. For individual schemes delivered under a RAB model, the RegCo would hold exclusive rights to operate that asset. This creates a regulated monopoly at the scheme level, reflecting the natural monopoly characteristics of road infrastructure. Market power is controlled through independent economic regulation, including licensing conditions, price and revenue controls, and transparency requirements. This approach aligns with the CMA's competition-assessment guidance, which recognises that where measures expand rights to supply but grant exclusivity, regulatory oversight and less-restrictive mechanisms should be used to safeguard users and support innovation. The proposed framework is not expected to materially reduce competition in downstream markets. Construction, maintenance, professional services and technology suppliers would continue to bid competitively for contracts under either public or private delivery. While the introduction of private operators may marginally reduce the monopsony position of National Highways in procuring construction contracts for major road schemes, the	

[44] Tideway (2024). How the Thames Tideway Tunnel is funded.

effect is expected to be limited, given the diversity of the infrastructure markets in which suppliers operate.

The framework may also increase competition in the market for investable infrastructure assets by increasing the supply of long-term investment opportunities in the UK. Over time, this could support more competitive financing outcomes. These effects are expected to be limited and are dependent on broader market conditions and scheme uptake.

Overall, the Bill enables the right for private firms to supply road schemes under a RAB model, and addresses risks arising from monopoly market power through economic regulation. The competitive procurement in construction supply chains is not expected to be affected. Therefore, the Bill is not anticipated to adversely impact competition at an economy-wide level.

Foreign investment – positive, indirect, ongoing

The Bill is expected to indirectly support inward investment by creating a new route for private sector investment in road infrastructure assets.

This Bill may facilitate foreign investment because the framework enables the creation of investable road assets with predictable inflation indexed returns and reduced revenue risk. These characteristics are typically attractive to global long-horizon investors such as pension and infrastructure funds.

Experience from other UK regulated infrastructure sectors indicates that RAB models have successfully supported foreign direct investment (FDI) by removing legal barriers to entry, providing revenue certainty, and enabling risk allocation[45]. For example, the Thames Tideway Tunnel, delivered through a RAB model, secured investment from international infrastructure funds such as Allianz Infrastructure and DIF[46]. Similarly, for Sizewell C (a nuclear power plant being delivered under a RAB model), ownership will be shared between British, Canadian and French shareholders.[47]

By attracting foreign investment for infrastructure delivery, the framework has the potential to enable domestic capital to be redeployed to other productive uses. Wider supply-side growth effects from foreign investment would arise only where this investment contributes to capital deepening, improved efficiency or productivity gains relative to the counterfactual of public delivery with user charging.

There may be some risk associated with foreign ownership of UK infrastructure. If schemes are financed with international investment there is a risk that a portion of post-tax returns, such as dividends or interest, may be repatriated overseas. Profits generated in the UK remain subject to UK corporation tax, but after-tax distributions to foreign investors would not contribute further to domestic income.

[45] EPRG (2019). Regulatory asset base models, risk allocation and investment incentives. EPRG Working Paper 1926.
[46] Grant, S. and Bailey, R. (2025). Thames Tideway Tunnel: purpose, overview, delivery model and financing. Proceedings of the Institution of Civil Engineers - Civil Engineering, 178(6), pp. 7–22.
[47] Sizewell C Ltd (2024). Final investment decision reached for Sizewell C.

	There could be national security concerns arising from foreign ownership of UK infrastructure. This is mitigated via The National Security and Investment Act (2022), which gives the government powers to scrutinise and intervene in business transactions, to protect national security[48]. The scale and realisation of foreign investment effects are uncertain, contingent on schemes being designated for RAB delivery, investor appetite, and compliance with national security requirements. Nevertheless, the Bill with government's 10 year infrastructure strategy which supports leveraging private investment for infrastructure delivery, supporting broader economic goals by facilitating investment in strategic national assets[49]. **Scope for innovation –** positive, indirect, ongoing The Bill may support scope for innovation in the delivery and operation of road infrastructure by permitting the use of a RAB model for roads, which could provide efficiency and innovation incentives. Under a RAB model, the regulated company may have greater flexibility to adopt new technologies or operational practices over the asset life, supported by a stable, long-term regulatory framework. In particular, the Economic Regulatory Regime enables ongoing scrutiny of efficiently incurred costs, which could incentivise efficiency-enhancing innovation where this reduces costs while maintaining required performance standards. However, there is also a recognised risk that heavy operational cost challenge could deter innovation or lead to under-investment if incentives are not appropriately calibrated. The possible under-investment is expected to be mitigated by the fact the RegCo owns the asset in-perpetuity. It is therefore expected to invest in the asset to maximise long-run profits. The risk of underinvestment as a result of tougher operational cost challenge is considered in the Risks section.	
International Considerations: **Does the measure support international trade and investment?**	The Highways (Financing) Bill establishes a framework for the delivery of designated road infrastructure in England using a Regulated Asset Base (RAB) model. It does not amend customs processes, tariffs, quotas, product standards, or other trade policy instruments. Therefore, no direct impacts on international trade or UK trade obligations have been identified. The regulatory framework introduced by the Bill applies equally to domestic and overseas investors and does not introduce requirements that diverge from the UK's existing international trade commitments. As such, the proposal is considered compliant with the UK's international obligations and is not expected to have implications for trade partners. Any impacts related to foreign investment are not trade effects and are therefore considered separately in the 'Foreign investment' section above.	**Neutral**

[48] HM Government (2024). National Security and Investment Act: guidance and notifications.
[49] HM Government (2025). UK Infrastructure: A 10-Year Strategy.

	Against the counterfactual of public sector delivery with user charging, the framework's marginal impact on trade barriers or market access is expected to be limited. As would likely occur under public sector, new road infrastructure can provide benefits, such as improved capacity, reduced journey times and improved journey time reliability for freight vehicles. These transport efficiency gains could marginally lower frictions to trade by easing the movement of goods and improving network resilience, particularly if the RAB is located on a, or improves, strategic trade corridors. Any such effects are secondary, scheme-dependent, and contingent on delivery decisions and timing.	
Natural capital and Decarbonisation: **Does the measure support commitments to improve the environment and decarbonise?**	The proposed legislation is an enabling measure that establishes a regulatory and funding framework for delivering specified road schemes. It does not itself authorise construction of schemes, set environmental standards, or alter existing environmental or decarbonisation duties. Therefore, no direct impacts on natural capital or decarbonisation arise from this primary legislation. Overall, both direct and indirect impacts on natural capital and decarbonisation are expected to be neutral compared to the counterfactual of public delivery, with any effects arising only at scheme level. The ORR states they seek to exercise regulatory powers to be consistent with, and supportive of, governments' sustainable development policies and objectives[50]. This commitment is expected to apply if they regulate a RAB scheme. a statutory duty to give due regard to net zero obligations when performing their activities. Planning and environmental requirements would apply in the same way for both private sector and public sector roads. The legal obligations for Natural Capital therefore do not change as a result of this framework and therefore the impact is considered to be neutral. **UK Natural Capital** The proposed legislation is not expected to affect natural capital in England. Consideration of natural capital is an important part of developing a new road scheme, and this is not expected to differ when a RAB model is used instead of a public delivery route. Any infrastructure project would be subject to the same planning requirements, including Development Consent Order (DCO)[51] approval, which includes detailed assessment of the natural local environment. As under public sector delivery, schemes would be subject to the same legal environmental assessments ensuring that biodiversity impacts are identified, mitigated, and balanced against the benefits of improved infrastructure and economic growth. Any environmental or carbon effects will occur only at a scheme level, subject to planning, governance, environmental assessments and net zero obligations. Compared to public sector delivery, the natural capital impacts are neutral. **Decarbonisation** Road schemes designated under the RAB model are not expected to materially differ in their impact on the environment	**Neutral**

[50] Office of Rail and Road (2022). Sustainable Development Policy Statement (21 September 2022).
[51] Department for Housing, Communities and Local Government (2024). Planning Act 2008: Content of a Development Consent Order required for Nationally Significant Infrastructure Projects.

	compared to the counterfactual of public delivery. Decarbonisation impacts are expected to be neutral overall. Potential differences in road user charging under a RAB model could influence travel behaviour and emissions, because charging levels or structures may affect vehicle usage or demand. For example, zero emission vehicles (ZEV) could incur different charges compared to under the public delivery scenario, because Government may have a incentive to subsidise ZEVs which is unlikely be viable for a RegCo with a profit incentive. ZEV uptake could be impacted if RUCs are higher for such vehicles under a RAB model, compared to the public sector. However, this impact is not expected to materialise based on recent precedent for ZEV RUC's under the public sector. For example, the Silvertown Tunnel (opened 2025) and the Blackwall tunnel (where tolls were introduced in 2025) are both operated by the public sector body Transport for London (TfL) and levy RUCs, but do not offer discounts to ZEV's[52]. Similarly, the congestion charge zone in London removed its cleaner vehicle exemption in January 2026, though it offers a 25%-50% discount, these are set to reduce further in 2030[53]. This precedent suggests a negligible impact on ZEV uptake and use as a result of a RAB delivery model compared to if the scheme was operated by the public sector, as differential ZEV charges is likely limited. *Greenhouse Gas Emissions* Road schemes designated under the RAB model are not expected to materially differ in the level of greenhouse gas emissions impacts compared to the counterfactual of public sector delivery. The overall impact on greenhouse gas (GHG) emissions is assessed as neutral relative to public delivery, with any effects arising at scheme level rather than from the legislative framework. The construction of new road infrastructure has associated GHG impacts, arising from construction materials, construction activity and land-use change. In addition, new or expanded road capacity can influence traffic patterns and vehicle usage, with implications for operational emissions. These effects are inherent to road scheme delivery and would occur irrespective of whether a scheme is delivered under public or private arrangements. The direction and magnitude of GHG impacts vary depending on the infrastructure asset. For example, congestion relief or network resilience improvements may reduce emissions from traffic, while new capacity could increase demand and vehicle use. Similarly, construction impacts vary depending on scheme design and delivery choices. For example, the Lower Thames Crossing has been designated by National Highways as a pathfinder project for low-carbon construction, including the use of hydrogen-powered plant and equipment to reduce diesel use[54]. These determinants of GHG emissions are driven by scheme-level policy and procurement decisions and are not expected to differ under a RAB delivery model.	

[52] Transport for London (2025). Paying the Blackwall and Silvertown tunnels charge.
[53] Transport for London (2025). Discounts and exemptions for Congestion Charge and Blackwall and Silvertown tunnels charge.
[54] National Highways (2024). Lower Thames Crossing (LTC) - Low Carbon Hydrogen Supply.

	Infrastructure projects involve important consideration of any potential trade-offs between environmental objectives and benefits such as improved connectivity, safety, resilience and economic activity. These considerations are integrated into scheme-level decision-making, and any scheme brought forward under the RAB framework would be subject to the same Development Consent Order (DCO) processes, transport appraisal, carbon assessment requirements and net zero obligations as a publicly delivered scheme. The ownership and financing model established by this Bill is not expected to alter how these trade-offs are assessed or managed relative to public delivery.	
Growth Summary: **Does the measure support the Government's commitment to economic growth?**	Overall, the Bill is expected to indirectly support the Governments commitment to economic growth. The direct growth impacts of this legislation are considered neutral. While the Bill is enabling legislation that allows the private sector to deliver Strategic Roads schemes through a RAB, it does not directly deliver specific road infrastructure. Where Government designates schemes for delivery under the RAB framework rather than the public sector, there may be positive indirect growth effects arising from the use of private finance to deliver road infrastructure. The timing, scale and realisation of any such growth impacts are uncertain at this stage and depend on scheme design, regulatory effectiveness, and market conditions. Additionally, this Bill is expected to support the delivery of the LTC, ensuring the scheme, and significant growth impacts, can be realised as planned. The assessment of growth impacts focuses on supply-side impacts that could arise from using a RAB model, compared to the counterfactual of than public sector delivery with road user charges. **Labour supply - Neutral** Labour supply impacts from the Bill are expected to be neutral, because the Bill is enabling legislation that allows the private sector to deliver Strategic Roads projects via a RAB model, rather than directly delivering a specific road infrastructure project. Therefore, it does not itself directly affect determinants of labour supply such as participation, unemployment, or hours worked. While individual schemes delivered under this framework could have local labour market effects, such as influencing commuting patterns or access to employment, these impacts are indirect, scheme-specific, and therefore not attributed to this Bill. Scheme-level growth impacts would be assessed through the scheme's business cases. Any construction-related job creation associated with future schemes is unlikely to be additional relative to the counterfactual of public sector delivery with user charges, and would likely reflect shifts in labour demand rather than increases in labour supply, thus is out of scope of this assessment. **<u>Human Capital Impacts - Neutral</u>** The direct human capital impacts from the Bill are expected to be neutral. This is because the Bill is enabling legislation that allows	**Supports**

	the private sector to deliver Strategic Road schemes though a RAB model, rather than directly delivering a specific road infrastructure project. Therefore, the Bill is not expected to materially alter the skills composition or health of new or existing labour market participants. As such, no material economy-wide human capital effects are expected directly as a result of this primary legislation. There are some potential minor, indirect, sector-specific human capital impacts that could arise where schemes are delivered under this framework, outlined below. These look at the potential impacts of schemes being delivered via RAB compare the counterfactual of public sector delivery. If schemes are delivered under the proposed framework, the Bill could give rise to small capability effects within specialist sectors compared to the public delivery counterfactual. Workers involved in economic regulation, infrastructure finance, and legal services may build additional expertise by applying the RAB model to the roads sector. Similarly, employees of the economic regulator (expected to be the ORR) may acquire specialist capabilities in the process of designing and operating the Economic Regulatory Regime (ERR). These effects reflect learning-by-doing and professional specialisation rather than changes to the skills profile of the wider workforce, therefore these effects are deemed neutral overall. Any scheme-specific workforce development, such as apprenticeships or construction skills programmes, are expected to be driven by procurement and delivery decisions rather than by the financing model or operator. Comparable commitments have been observed under both publicly delivered schemes and RAB projects[55]. As procurement and construction activity is assumed to be materially similar under public and private delivery, these are not considered additional human capital impacts of the Bill when assessed against the public delivery counterfactual. **Investment Impacts – Directly neutral, Indirectly positive** The Bill could generate indirect, conditionally positive investment impacts under specific conditions, however, direct investment growth impacts arising from this legislation are expected to be neutral. The Bill is enabling legislation and does not itself deliver road schemes or initiate private investment, therefore investment impacts arise only if schemes are delivered under the RAB framework. The Lower Thames Crossing (LTC) project is expected to utilise this framework to deliver a multi-billion pound project[56]. Relative to the counterfactual of public sector delivery, delivering road schemes via the RAB model has two possible effects from a supply-side growth perspective:	

[55] National Highways (2024). Skills hubs programme.; Sizewell C (2023). Sustainability strategy.; National Highways (2022). A66 Northern Trans Pennine Project.
[56] Department for Transport (2026). Lower Thames Crossing: Accounting Officer Assessment summary.

1. Capital deepening: mobilisation of additional private capital that would otherwise remain uninvested. This is expected to be positive for growth under certain conditions.
2. Financial substitution: Where private finance investment under a RAB model substitutes public capital, the supply side impact on growth is expected to be neutral

Capital deepening (Conditionally positive)

Mechanism

The Bill establishes a licence-based RAB framework that creates a new delivery route for private ownership and operation of eligible road assets. This framework provides a clear and familiar regulatory structure with predictable, regulated revenue streams and effective risk allocation, supporting the investability of road infrastructure[57]. Increased supply of investable UK infrastructure assets could attract long-horizon domestic institutional capital[58], such as pension and insurance funds, enabling private sector accumulation of tangible capital and contributing to capital deepening, which over time can support supply-side growth.

Investment impacts are conditionally positive if this framework supports capital deepening, which is an increase in the stock of productive capital in the UK economy. This could arise where private capital is mobilised for a RAB that would otherwise remain uninvested, be allocated overseas, or be invested in less-productive assets. In these cases, private investment adds to the capital stock because it is additional investment, rather than a re-allocation of existing productive investment.

Evidence Base

Evidence to the Public Accounts Committee in 2025 highlighted strong investor appetite and capital available to deploy to UK infrastructure, but that investment has been constrained by uncertainty over asset pipelines, delivery models, and long-term policy stability[59]. Senior investors suggested that low levels of new investment reflected a lack of clearly defined opportunities rather than a shortage of capital. By establishing a statutory model for private financing of road schemes, the legislation could help convert existing investor appetite into realised investment, by providing greater clarity over potential opportunities and routes to market. This could support deployment of under-allocated capital into new UK infrastructure, contributing to capital deepening.

Businesses have observed ongoing demand for long term, investment-grade infrastructure assets[60], with finance sectors pointing to a significant volume of private capital raised for

[57] Newbery et al. (2019) . Financing low-carbon generation in the UK: The hybrid RAB model. University of Cambridge, EPRG WP 1926.
[58] HM Treasury (2025). Pensions Investment Review: Final report.
[59] Committee of Public Accounts (2025). Oral evidence on the Government's use of private finance for infrastructure. UK Parliament.
[60] Confederation of British Industry (CBI) (2020). Investing in infrastructure: Sourcing the finance to build back better.

	infrastructure investment remains unallocated[61]. The sector highlights there is persistent 'dry powder' held by institutional investors and infrastructure funds, reflecting capital raised but not yet deployed into assets[62]. This under-deployment is attributed to a shortage of investable projects with credible pipelines, stable regulatory frameworks, and appropriate risk-return structures[63]. The RAB framework may help address these barriers and mobilise currently uninvested capital into UK road infrastructure, contributing to capital deepening where investment is additional. This aligns with evidence from UK regulated sectors, such as water, energy, and airports, where RAB models have supported sustained private sector participation by removing legal barriers to entry, reducing revenue risk, and supporting effective risk allocation. Across these sectors the total value of the regulated asset base exceeded £160 billion in 2018[64], demonstrating how RAB models can support long-term private investment in regulated infrastructure. The RAB approach therefore aligns with government's 10 year infrastructure strategy which supports leveraging private investment for infrastructure delivery, supporting broader economic goals by facilitating investment in strategic national assets[65] This possible mechanism for investment to support supply side growth is indirect and contingent on schemes being designated for RAB delivery, scheme characteristics, market conditions and regulatory effectiveness. The additionality for supply side growth arises only where the private capital being deployed into UK productive infrastructure that would otherwise remain uninvested, less-efficiently invested, or be allocated overseas. **Financial Substitution (Neutral)** Where private finance investment under a RAB model substitutes public capital, the supply-side impact on growth is expected to be neutral. This is based on the assumption that the infrastructure delivered is the same as under the public delivery counterfactual, and private capital simply substitutes the public investment and therefore does not produce additional investment or growth impacts. If this assumption is relaxed, and private sector delivery via the RAB model enables additional infrastructure that would not otherwise be delivered through the public sector, there is potential for positive impacts on investment growth. There may be indirect investment benefits via opportunity cost, because this RAB model can reduce the need for upfront public capital to deliver productive infrastructure. This allows Government to reallocate capital budgets to other priorities, including other potentially productivity enhancing public	

[61] British Private Equity & Venture Capital Association (BVCA) (2025) Investing in a better economy: 2025 report.
[62] EY Parthenon (2024). Mind the (investment) gap: Funding and delivering capital projects amidst fiscal constraints.
[63] National Infrastructure and Service Transformation Authority (NISTA) (2025). Annual report 2024–25.
[64] Institution of Civil Engineers (ICE) (2020). Aligning long-term government policy and the regulation of utility companies.
[65] HM Government (2025). UK Infrastructure: A 10 Year Strategy.

investments. The scale and use of possible additional fiscal flexibility is uncertain as it depends on future funding decisions.

Where private sector capital is used, the substitution could have positive supply-side effects, but these are contingent on private-sector efficiency gains outweighing the higher financing costs associated with private finance, and that these efficiencies are passed down to consumers to improve the productivity impacts of the asset compared to the public sector delivery. Therefore financial substitution alone is not assumed to generate additional growth.

Productivity impacts – Directly neutral, indirectly uncertain

Direct productivity impacts arising from this legislation are expected to be neutral, with potential uncertain indirect impacts. The Bill is enabling legislation and does not itself deliver road schemes or initiate private investment. There is scope for indirect positive productivity effects if schemes are delivered under this RAB model and certain conditions are met.

Potential productivity impacts are assessed against the counterfactual of public sector delivery with road user charges, to captures how public versus private ownership and operation of a scheme could affect the productivity of a road asset.

The RAB model combines long-term private ownership with licence-based economic regulation, which in other UK regulated sectors has been associated with improvements in operational efficiency and whole-life cost management over time[66]. Whether similar productivity effects materialise in the roads sector depends on regulatory design, scheme characteristics, and the extent to which efficiency gains translate into lower real resource costs or improved asset performance. The resulting impact on supply side productivity growth is therefore uncertain at this stage.

Operational efficiency (Uncertain)

The main route to improved productivity under the RAB framework arises through productive efficiencies, rather than through reductions in construction costs. Under the framework operators are subject to ongoing economic regulation, including cost challenge, transparency requirements, and review periods. Alongside this, the operator has incentives for revenue/profit that are inherent in the private sector. Together these mechanisms could strengthen incentives to minimise inefficient operation expenditure, optimise maintenance investment, and manage assets efficiently across the whole-life of the asset. This is compared to public delivery where operational incentives may be weaker or more exposed to funding cycles and competing policy pressures.

Evidence from the UK regulated sectors, such as energy and airports, shows that RAB models are associated with improved lifecycle cost management relative to publicly operated infrastructure, due to stronger incentives to invest efficiently in the

[66] OECD (2016). The Regulatory Asset Base and Project Finance Models. OECD Publishing.

	maintenance of the asset. Scheme-level analysis undertaken for the Lower Thames Crossing has identified a number of possible channels consistent with this, including improved performance incentives and cost challenge from the regulator. These avenues reflect the design of the regulatory and governance model, rather than the assumption that private ownership is inherently more efficient. Efficiency gains would only support supply side growth where they reduce resource costs or improve the utilisation of the asset in ways that benefit users or the wider economy. Where efficiency improvements only produce higher returns or are offset by higher financing costs relative to the public sector, the net productivity impacts would be limited. ***Productive inefficiencies (uncertain)*** There is a risk of productive inefficiencies in RAB models which arise from the potential for capital expenditure bias, whereby allowing capital expenditure into the regulated asset base may create incentives for inefficient overinvestment to inflate the asset base upon which they earn returns. However, the empirical evidence does not identify inefficiencies materially bigger than those observed under public delivery. Where a scheme is delivered under a RAB model, road user charges (RUCs) must allow recovery of efficiently incurred costs and a regulated return. While private financing costs may be higher than public finance, the framework includes strong cost control incentives, including pain/gain sharing mechanisms[67] that ensure operators bear the consequences of inefficient cost overruns rather than passing them through to users. This limits the scope for upward pressure on charges relative to the public delivery counterfactual. As a result, the likelihood of materially higher RUCs adversely affecting scheme usage or economic benefits is considered low, though outcomes remain scheme specific. Overall, any indirect productivity improvements associated with this legislation would arise gradually and primarily through operational efficiency, rather than large reductions in construction costs. The resulting supply side effects would be through lower real resource costs and improved network performance, though the magnitude is uncertain and depends on effectiveness of economic regulation and the strength of CapEx and OpEx incentives.	

7.7 Risks, unintended consequences and assumptions

Risk of higher road user charges

Under the RAB model, the regulated company (RegCo) is entitled to recover efficiently incurred capital and operational expenditures associated with the asset. In addition, the framework can allow for the RegCo to recover costs that would not typically arise under conventional public delivery, such as private financing costs,

[67] Pain/gain sharing refers to a contractual mechanism where the operator shares both the costs of inefficient overruns ('pain') and the benefits of cost savings ('gain'), helping to align incentives and prevent inefficient costs being fully passed on to users.

transaction and administration costs, and, depending on the licence and transaction, certain tax costs. These costs would be recovered by Road User Charges (RUCs) and associated revenue mechanisms.

As a result, there is a risk that charges could be higher, or structured differently, than those that might be set under a public delivery model. Higher charges could change the schemes social or economic outcomes compared to if it were delivered using a public delivery model. RUCs under a RAB could also follow a different indexation mechanism, or change the profile of charges with respect to different user classes.

The likelihood and scale of this risk are scheme-specific and depend on factors such as financing conditions, regulatory design, demand characteristics, and the extent to which higher financing costs are offset by efficiency gains passed onto users. Were this risk to materialise, it could affect the affordability of the scheme for users, and could affect wider economic outcomes, including congestion patterns and freight costs. These potential effects are discussed further in the regulatory scorecard. It remains uncertain whether higher charges would materialise in practice.

The legislation aims to mitigate this risk by balancing investor incentives with user protection. The Office of Rail and Road (ORR) will be responsible for determining the charging methodology, setting price controls, and assessing whether costs have been efficiently incurred. Regulatory oversight can provide cost incentives, prevent excessive charges, and ensure that RUCs remain proportionate over the life of the scheme.

Private sector inefficiencies

There is a risk that private delivery under a RAB model could result in weaker cost control than public delivery, potentially leading to higher road user charges. This risk arises because the regulated company (RegCo) typically has better information than the regulator about the costs required to deliver and operate the scheme[68]. In this context, there is a recognised risk of capital expenditure (CapEx) bias, where firms may favour capital-intensive solutions over ongoing operational or maintenance-based approaches, particularly where allowed returns are linked to the capital base. This shift in risk can weaken incentives for cost minimisation and, in some cases, create a perverse incentive for regulated companies to inflate costs, knowing that they will be recoverable through user charges. There is also a related risk that strong cost challenge could discourage sufficient investment in operation, maintenance and renewal (OMR) if not properly incentivised.

However, private delivery may also result in stronger cost discipline, innovation, or earlier delivery by reducing dependence on constrained public budgets and resultingly, may prevent possible delays linked to fiscal pressures and funding cycles. The net impact of such effects is uncertain.

The risk of inefficiencies leading to higher RUCs would be mitigated through the design and operation of the economic regulatory regime (ERR). Regulatory oversight by the ORR can develop a framework to ensuring that only efficiently incurred expenditure is recoverable. The ERR is intended to balance incentives for efficient investment with safeguards for users, including mechanisms to protect long-term asset performance. While these safeguards are expected to mitigate the risk of inefficiency, residual risk remains given the scheme-specific nature of delivery.

Risk of regulatory failure

The RAB framework relies on the effective design and operation of the economic regulatory regime. There is a risk of regulatory failure if the ERR is poorly designed, inadequately resourced, or weakly enforced. If this is realised, the RegCo may be able to exploit its monopoly position, which could lead to user charges being set above efficient levels, inefficient investment decisions, or sub-optimal service quality. This could reduce value for money for users and undermine confidence in the regulatory framework.

This risk is mitigated through the development of a robust regulatory framework, supported by clear statutory duties for the regulator, strong governance arrangements, and mechanisms for ongoing oversight and licence evolution. Effective regulation by the ORR will be key to ensuring charges remain fair and proportionate, and public interest objectives are maintained throughout the life of any scheme delivered under the framework.

Risk of regulatory capture

[68] OECD (2016). The Regulatory Asset Base and Project Finance Models. OECD Publishing.

In regulated sectors, there is a potential risk of regulatory capture. This is where, over time, the regulator becomes influenced by the interests of the regulated company rather than those of users and the wider public. This could arise through information asymmetries, sustained lobbying efforts or revolving door employment, leading to decisions that favour investor returns at the expense of user affordability, service quality or wider public interest objectives. If not properly mitigated, regulatory capture could undermine the credibility of the ERR, distort price setting mechanisms and erode trust in the governance of privately delivered road infrastructure. Safeguards such as statutory independence, transparency in decision making and periodic external review can support the mitigation of this risk and maintain regulatory integrity.

Efficient and effective regulator

The appraisal assumes that the appointed regulator operates efficiently and enforces the ERR effectively, fully adhering to its statutory duties. This assumption underpins the expectation that robust regulatory oversight will safeguard user interests, ensure fair and proportionate charges, and uphold the quality and integrity of scheme delivery throughout its lifetime. The ORR presently oversees Network Rail and other railway networks, which differs from RAB regulation. There is a potential risk that the ORR may lack sufficient capability to regulate the RegCo(s) effectively. To address this issue, early engagement has been initiated with the ORR regarding their prospective role and responsibilities. This proactive approach is intended to enable the ORR to identify and resolve any gaps in capability prior to assuming the position of economic regulator for road schemes.

Treatment of scheme specific impacts

As public delivery has been selected as the counterfactual, scheme-specific impacts have not been considered as additional to this legislation. It is therefore assumed that all such impacts would be realised concurrently and to the same extent as in the counterfactual, ensuring consistency in the appraisal approach. There is uncertainty, and associated risk, that characteristics of the RAB framework could affect the scheme-specific impacts. For example, if high user charges materialised, this could reduce the level of economic benefits from the scheme by reducing demand. The governance processes involved in deciding whether a scheme is suitable for RAB delivery would assess this risk.

Risk of insolvency

Private ownership and operation of major road infrastructure introduces a risk that the RegCo could become insolvent and enter administration. While the likelihood of insolvency is considered low, the potential consequences for users and the road network could be significant if continuity of service were disrupted.

The Bill addresses this risk through provision of a Special Administration Regime (SAR), which prioritises the continued operation of the road in the event of insolvency ahead of creditor returns. A special administrator may be appointed, which allows for National Highways (or the relevant GLA body) to act as operator of last resort. In addition, the Bill includes provision for a discretionary Government Support Package (GSP), allowing Government to provide financial assistance in exceptional circumstances, subject to HM Treasury consent and Parliamentary oversight.

While insolvency risk cannot be eliminated, the combination of a SAR, operator of last resort, and discretionary government support provides a framework to manage the consequences of insolvency and protect users and wider societal interests.

8. Monitoring and evaluation of preferred option

8.1 Purpose and Scope

The proposed intervention seeks to establish a statutory framework to enable a Regulated Asset Base (RAB) model as an additional route for financing, delivery and operation of new road infrastructure on England's Trunk roads. Though this primary legislation is scheme-agnostic and does not in itself produce significant direct impacts, there are significant indirect impacts that could result from the legislation, as outlined in the Regulatory Scorecard above.

Although there is no statutory requirement to monitor and evaluate primary legislation, the Government recognises the importance of ensuring the framework operates effectively and delivers against its intended outcomes. Accordingly, the emerging approach to M&E is that it could be undertaken at two levels. A cross-cutting system-level evaluation could assess whether the arrangements introduced by the proposed legislation, and any subsequent secondary legislation, are functioning as intended over time. A scheme-level evaluation could look to assess the scheme-specific impacts, including delivery and operational performance, user impacts, and value for money, for any scheme delivered under this framework.

In the event that secondary legislation is introduced for this framework, the Department will follow the Better Regulation Framework guidance[69] to decide if a Post-Implementation Review (PIR) is required. Should a PIR be deemed appropriate and proportionate, the Department will undertake and report the PIR within five-years of implementation. The Department does not expect to do a review every 5 years of the policy, unless the PIR demonstrates significant evidence gaps or a strong rationale to do so.

The approach outlined here is intended as an initial scoping exercise, providing a possible framework for evaluating the proposed intervention. Any monitoring and evaluation should be developed further with experts and stakeholders to ensure a comprehensive, adaptable, proportionate approach, dependent on how the proposed legislation is utilised for the delivery of road schemes.

8.2 System-level Evaluation

Purpose and aims

A system level evaluation could be undertaken to assess whether, once exercised, the framework functions effectively as a whole over time. As the legislation is enabling, the economic regulatory regime will only be created when a scheme is designated and delivered under these powers. If no schemes are brought forward within a reasonable period, the Department could consider undertaking proportionate analysis to understand barriers to use and whether adjustments are warranted. If the proposed legislation is utilised for road scheme delivery, the evaluation could assess progress against the Bill's policy's objectives, examining whether the framework provides:

a. An additional credible route for delivering road infrastructure where appropriate.
b. Increased clarity and transparency for the private investors in road infrastructure
c. Appropriate user protections, including fair and proportionate charging, suitable service delivery, and effective oversight.

Approach

Any system-level evaluation is likely to utilise HM Treasury's Magenta Book guidance to develop the approach, and draw upon previous system-level evaluations and practices. The approach could look to include theory based evaluation to assess whether the framework's mechanisms operate as intended; a process evaluation of regulatory decisions, governance, and market engagement; and quantitative analysis of outcomes where feasible, including benchmarking against relevant SRN performance.

For example, indicative research questions to evaluate Objective C against could include:

- Is the regulator effectively protecting users and scrutinising RegCo's costs?

[69] HM Treasury (2023). Updated statutory Post-Implementation Review guidance.

- Is the RegCo effectively acting as a highways authority, with transparent and accountable operation?
- Are the road user charges appropriate and effective?

The approach could draw on, where appropriate, lessons from previous system-wide evaluations in the roads sector, such as DfT Roads Reform Evaluation[70], which assessed whether changes to the management and operation of England's strategic road network, introduced in 2015, were implemented as intended. An evaluation team could look to build the strength of evidence over time in line with the Nesta Standards of Evidence[71], recognising that achieving the highest levels depends on building an evidence base to support replicating the approach.

Metrics and data sources

Any system level evaluation of the proposed RAB framework is likely to require early scoping to ensure suitable data is collected in a consistent way across any designated schemes and over time. Where an evaluation is planned, a scoping study could identify existing and planned sources of evidence to inform the evaluation activities and products, and what additional data could be collected.

To support an evaluation against the three policy objectives, the system-level evidence base could draw on a combination of process metrics, looking at how the framework operates; output metrics looking at what it produces; and outcome indicators, looking at what it achieves once exercised. For the objectives outlined above, indicative metrics and data sources are set out below:

a) An additional credible route for delivering road infrastructure where appropriate.

   Primary sources could include NH/DfT scheme business cases, procurement documentation, ORR framework, programme milestones. Indicative metrics for assessment could include:

   i) Uptake and consideration:
      (1) number of schemes for which the RAB route is formally assessed at early option stage, where relevant;
      (2) number of schemes designated under the framework and reaching key milestones, where appropriate;
   ii) Time from designation to financial close (and to opening), compared to baseline expectations for similar major schemes, where a comparator is available.
   iii) Delivery certainty and performance:
      (1) High level cost and schedule variance against a baseline at key stages;
      (2) Frequency of scope changes
   iv) Market engagement and capability:
      (1) Number and diversity of bidders for RegCo;
      (2) Market engagement outputs

b) Increased clarity and transparency for the private investors in road infrastructure.
   Primary sources could include ORR publications and reporting, DfT market engagement documents, structured investor/RegCo surveys and interviews. Indicative metrics for assessment could include:

   i) Timeliness and predictability: time taken to issue key regulatory outputs; frequency and materiality of licence changes; resolution timelines for disputes and appeals where applicable.
   ii) Transparency of information: publication and accessibility of core documents (including licence, charging methodology, determinations, consultation responses, enforcement outcomes); stakeholder perceptions of clarity assessed via structured surveys or interviews.
   iii) Investor confidence and participation: structured feedback from investors/RegCo/DfT/NH through surveys and interviews, tracked over time; evidence of any learning effects.

c) Appropriate user protections, including fair and proportionate charging, suitable service delivery, and effective oversight.

[70] Department for Transport (2022). Evaluation of roads reform.
[71] Nesta (2013). Standards of Evidence.

Primary sources could include: Operational systems, licence compliance returns, regulator determinations and enforcement logs; National Highways performance and safety data for benchmarking, DfT traffic statistics; in-depth interviews with key stakeholders, reviews of performance documentation and KPIs; customer insight surveys, such the Strategic Roads User Survey[72] produced by Transport Focus. Indicative metrics for assessment could include:

i) Charging outcomes and affordability (structure and distribution): Compliance with charging principles and adherence to approved methodology; trends in average charges and variation by user class and across user groups; volume and themes of complaints and appeals related to charging.
ii) Efficiency and cost scrutiny: ORR cost challenge outcomes; independent cost assurance outputs where appropriate; level of efficiently incurred costs that affect user charges.
iii) Service and performance outcomes: safety statistics and compliance with safety obligations; congestion and reliability measures such as incident clearance times and lane availability; customer experience.
iv) Regulatory effectiveness: number and severity of licence breaches, enforcement actions taken and what remedies where applied.

Responsibilities and Timing

Responsibilities for any system level evaluation would be confirmed during implementation, and timelines would depend on when and whether schemes have been brought forward, and delivered, under a RAB model.

The division of responsibilities could be determined at an evaluation scoping stage. The Department for Transport could be well placed to commission and lead the evaluation, given its responsibility for the overall policy framework. The economic regulator could play a role by providing monitoring and compliance insight. Any designated regulated company (RegCo) could be involved by supplying operational, financial and user charging data, as it may be expected to do so under its licence conditions, and National Highways could contribute to benchmarking and technical expertise as the existing strategic highways authority. Additional insight may be sought from bodies with relevant experience in economic regulation, such as the Competition and Markets Authority (CMA) or the National Audit Office (NAO), particularly where cross sectoral comparators are helpful. Wider stakeholders, including road users, local communities, businesses, market participants and those involved in scheme delivery and development, would also provide evidence for understanding how the framework operates in practice, and whether impacts are realised.

The timing and scope of the system level evaluation will depend on whether and when the powers in the legislation are exercised and a regulatory regime is established for a designated scheme. Evaluation will need to draw on evidence accumulated over time. The Department will keep the need for earlier review under consideration, including circumstances where routine monitoring highlights emerging risks or unintended consequences.

8.3 Scheme-level Evaluation

Purpose and aims

Any scheme delivered under the framework is likely to be evaluated against the aims, indicators and reporting standards defined in secondary legislation, the scheme's economic licence, and the schemes Business Case. The purpose of scheme-level evaluation would be to assess whether the scheme has achieved its intended objectives, has complied with regulatory, safety and performance requirements, has operated effectively, and has delivered value for money for users and taxpayers.

Approach

Scheme-level evaluation is likely to be undertaken in line with HM Treasury's Magenta Book and may draw on established approaches such as National Highways Post Opening Project Evaluation (POPE) framework[73], adapted where appropriate to reflect the characteristics of a RAB delivered scheme. Monitoring under the Economic Regulatory Regime (ERR) could provide a core source of evidence, including ongoing data on user

[72] National Highways (2025). Strategic Road User Survey: Annual report 2024–25.
[73] National Highways (2024). Post-Opening Project Evaluation (POPE): Methodology Manual

charges, operational performance, safety outcomes and compliance with licence conditions. This routine regulatory information could be supplemented by scheme -specific evidence, such as traffic and journey time data, cost and delivery records, and customer insight surveys. Scheme-level evaluation could follow a structure of:

a. Defining scheme objectives and undertaking a baseline study
b. Assessing scheme delivery and operational performance
c. Evaluating outcomes for users
d. Assessing Value for Money

Metrics and Data

A tailored approach will be required where the RAB model is applied, particularly in relation to the monitoring of user charging- arrangements and the interaction between regulations and scheme performance. Key performance indicators for any scheme are expected to be set through the regulatory framework and may draw on indicators used for National Highways, including those set out in the Road Investment Strategies[74]. Additional qualitative and quantitative data may be collected where proportionate, including user surveys and stakeholder engagement.

Responsibility and timing

Timelines for any scheme-level evaluation would be dependent on the delivery timelines for the RAB delivered road scheme. Timely planning of evaluation activities, including scoping and baselining activities are key for supporting the best evaluations and planning of evaluation should be considered alongside the development and appraisal of schemes at business case stage in accordance with Green Book guidance.

Responsibility for any evaluation activities would be decided during implementation planning. It could be that DfT lead a scheme-level evaluation. The economic regulator (ORR) could be involved in monitoring and share regulatory compliance, performance and charging data and evidence. The RegCo(s) could supply scheme-specific operational, financial and user-charging data. National highways may provide benchmarks, comparative information, data and guidance for methods to utilise.

8.4 Ongoing Monitoring

The involvement of the regulator, together with the operation of the RAB model (specifically, price control periods), ensures that the activities and performance of private operators are subject to ongoing monitoring and review at the scheme level. Any unintended consequences arising from this legislation are expected to be identified during these intervals and subsequently communicated to the DfT via the ORR and monitored against objectives. The Bill outlines how, in addition to price regulation, the ERR will include requirements for quality and performance, such as safety, lane availability, journey time reliability, and incident clearance times. These standards will be set by the Secretary of State (as is currently the case for National Highways) and monitored, reported, and enforced by the ORR, ensuring that private operators are held to the same high standards as public operators.

8.5 Additional considerations

External factors such as macroeconomic conditions, investor appetite, supply chain shocks, traffic demand trends, behavioural responses to charging, legal developments and technological change will be considered when interpreting evaluation findings. In addition, DfT will consider implications arising from cross government reviews relevant to the regulatory landscape, including the ongoing DBT review of ORR capability.

[74] Department for Transport (2020). Road Investment Strategy 2: 2020–2025.

9. Minimising administrative and compliance costs for preferred option

The proposed legislation creates an enabling framework and does not impose any direct obligations or reporting requirements on businesses or consumers. There are direct administrative and compliance costs incurred for the Office for Rail and Road (ORR) as the designated independent economic regulator of RAB delivered under the framework.

ORR costs

Direct administrative and compliance costs associated with the Bill are limited to familiarisation, administration and implementation cost to ORR in its role as the designated regulator under the framework, incurring costs to prepare the organisation for compliance with the new regulatory responsibilities. These initial, one-off costs are likely to include recruiting and training specialist staff, developing regulatory processes and guidance, setting up IT systems, and hiring external legal or consultancy support where required.

The precise scale of these costs will depend on how complex the regulatory regime is and when the first scheme is expected. However, it is assumed that the ORR will begin establishing itself as the regulator upon receiving royal assent and ahead of subsequent secondary legislation, hence will incur this cost irrespective of scheme delivery. These costs are minimised by utilising the existing road regulator, the ORR, to regulate any future RAB schemes, rather than setting up a new separate entity. The ORR also regulates the Rail network and oversees National Highways operation of the Strategic Roads Network (SRN), which makes them best placed to provide this function at minimal additional cost.

Businesses and Consumers
Any business making use of the legislation set out in this framework will be voluntary and contingent on a business' commercial decision to deliver a road scheme under the RAB model, assuming SoS approval. As such businesses are not expected to experience direct admirative or compliance costs at the point of enactment. Indirectly, businesses may incur the potential administrative costs when considering and utilising the new legislative framework, which is expected to be minimal and proportionate. The framework utilises existing regulatory processes from other sectors, potentially limiting the need for businesses to adapt to a new set of unfamiliar compliance regimes.

Any administrative burdens associated with the delivery of specific schemes will be addressed at the secondary legislation or licensing stage, where efforts will be made to streamline processes and avoid duplication.

Declaration

Department:

Department for Transport

Contact details for enquiries:

LTClegislation@dft.gov.uk

Minister responsible:

…

I have read ***Impact Assessment*** and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed: Sign here

Date: Date

Summary: Analysis and evidence

For **Final Stage Impact Assessment**, please finalise these sections including the full evidence base.

Price base year: N/A

PV base year: N/A

This table may be reformatted provided the side-by-side comparison of options is retained	**1. Business as usual (Counterfactual)**	**3. Preferred way forward (if not do-minimum)** **Option 4**	**4. More ambitious preferred way forward** **Option 4c**
Net present social value (with brief description, including ranges, of individual costs and benefits)	N/A	N/A	N/A
Public sector financial costs (with brief description, including ranges)	N/A	N/A	N/A
Significant un-quantified benefits and costs (description, with scale where possible)	N/A	Wider society - Overall impact: Uncertain • Implementation cost to HMG - Cost • Fiscal flexibility for HMG - Benefit • Transparency and accountability of operation - Benefit • Loss of HMG assets - Cost • Financing costs - Cost • Tax - Transfer	Wider society - Overall impact: Uncertain • Implementation cost to HMG - Cost • Fiscal flexibility for HMG - Benefit • Transparency and accountability of operation - Benefit • Loss of HMG assets - Cost • Financing costs - Cost • Tax - Transfer

		• Transfer of risk - Benefit <u>Business - Overall impact: Positive</u> • Familiarisation costs - Cost • Capital Expenditure and Operation, Maintenance and Renewal (OMR) costs - Cost • Acquirement of government assets or revenue streams - Benefit • Business profit - Benefit • Corporation tax - Transfer • Transaction costs - Cost <u>Households - Overall impact: Uncertain</u> • User charges - Uncertain • General taxation impacts - Benefit The scale of impacts is uncertain.	• Transfer of risk - Benefit • New regulator set-up costs - Cost <u>Business - Overall impact: Positive</u> • Familiarisation costs - Cost • Capital Expenditure and Operation, Maintenance and Renewal (OMR) costs - Cost • Acquirement of government assets or revenue streams - Benefit • Business profit - Benefit • Corporation tax - Transfer • Transaction costs - Cost <u>Households - Overall impact: Uncertain</u> • User charges - Uncertain • General taxation impacts - Benefit The scale of impacts is uncertain.
Key risks (and risk costs, and optimism bias, where relevant)	N/A	• Risk of higher road user charges • Private sector inefficiencies • Risk of regulatory failure • Risk of regulatory capture • Well-developed and effective ERR • Efficient and effective regulator • Treatment of scheme specific impacts • Risk of insolvency	• Risk of higher road user charges • Private sector inefficiencies • Risk of regulatory failure • Risk of regulatory capture • Well-developed and effective ERR • Efficient and effective regulator • Treatment of scheme specific impacts • Risk of insolvency
Results of sensitivity analysis	N/A	N/A	N/A